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

AUDIT REPORT
on statutory financial (accounting) reports

To the shareholders of OAO Gazprom

Auditor

ZAO PricewaterhouseCoopers Audit

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

Audit license № E000376 issued by the Ministry of Finance of the Russian Federation on 20 May 2002.
The license is valid until 20 May 2007.

Client

OAO Gazprom

Nametkina street, 16
117997, Moscow, Russia

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

AUDIT REPORT
on statutory financial (accounting) reports
of Open Joint-Stock Company «Gazprom»

To the shareholders of OAO Gazprom

1. We have audited the attached statutory financial (accounting) reports of Open Joint Stock Company Gazprom (hereinafter – OAO Gazprom) for the period from 1 January up to 31 December 2004. Statutory financial (accounting) reports of OAO Gazprom consist of Balance Sheet, Profit and Loss Account, Flow of Equity and Funds Report, Cash Flow Statement, Supplement to the Balance Sheet, Explanatory Notes (hereinafter all the reports together are called «financial (accounting) reports»). The Statutory financial (accounting) reports were prepared by the management of OAO Gazprom in accordance with the legislation of Russian Federation applicable to Statutory financial (accounting) reports. Such statutory financial (accounting) reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.

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

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

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

AUDIT REPORT

4. In our opinion, the statutory financial (accounting) reports of OAO Gazprom attached to this report have been properly prepared to present, in all material respects, the financial position of OAO Gazprom as at 31 December 2004 and financial results of its operations for the period from 1 January up to 31 December 2004 in accordance with the legislation of Russian Federation applicable for Statutory financial (accounting) reports.

5. Without qualifying the results of our audit, we draw your attention to Note 19 to the financial (accounting) reports of OAO Gazprom. The Company is performing a revaluation of its fixed assets as of 1 January 2005. The prior revaluation of fixed assets was performed as of 1 January 2001.

30 March 2005

Director of ZAO

Simon Tait

Statutory auditor
Certificate No 000254
for general audit
termless

Anna Uzornikova



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

BALANCE SHEET
as at 31 December 2004

	Codes
Company OJSC «Gazprom»	0710001
Taxpayer identification number	31 12 2004
Field of activity wholesale	00040778
Legal form/property form	7736 050 003
Open Joint Stock Company	51
Unit of measurement: thousands of RR	47 31
	384

Address OAO «Gazprom» Russian Federation, 117997, Moscow,
Nametkina str., 16, V-420, GSP-7

Date of approval 30.03.2005
Date of approval

ASSETS	Line code	At beginning of reporting year	At end of reporting period
1	2	3	4
I. NON-CURRENT ASSETS			
Intangible assets	110	455	436
including :			
patents, licenses, trade marks (service marks), other similar rights and assets	111	455	436
organizational expenses	112	-	-
goodwill	113	-	-
Fixed assets	120	1 291 754 066	1 327 803 000
including :			
land plots and natural resources	121	1 235	2 027
buildings, machinery and equipment	122	1 290 312 515	1 326 144 511
Construction in progress	130	107 749 025	132 006 873
Income-bearing investments in tangible assets	135	-	-
Long-term financial investments	140	274 031 296	300 807 912
including :			
investments in subsidiaries	141	196 096 243	204 580 513
investments in associates	142	5 764 468	13 748 856
investments in other entities	143	960 487	7 541 951
loans provided to companies for a period over 12 months	144	18 672 962	17 758 019
Deferred tax assets	145	6 290 780	7 122 290
Other non-current assets	150	303 834	945 515
Total section I	190	1 680 129 456	1 768 686 026
II. Current assets			
Inventories	210	60 308 703	79 301 180
including:			
raw materials and other inventories	211	1 010 921	1 223 257
livestock	212	38	124
work in progress	213	40 688 795	53 176 499
finished goods and goods for resale	214	17 226 336	23 007 319
goods dispatched	215	583 334	584 058
expenses related to future periods	216	799 279	1 309 923
Value added tax on purchased goods	220	22 971 816	24 665 563
Accounts receivable (payments expected beyond 12 months after the reporting date)	230	106 796 580	133 500 702
including:			
buyers and customers	231	12 404 499	11 647 839
promissory notes receivable	232	1 060 362	-
advances issued	234	163 920	27 748 700
other debtors	235	93 167 799	94 104 163

ASSETS	Line code	At beginning of reporting year	At end of reporting period
1	2	3	4
Accounts receivable (payments expected within 12 months after the reporting date) including:	240	341 870 136	399 475 807
buyers and customers	241	123 185 806	128 001 507
promissory notes receivable	242	1 590 543	-
outstanding shareholders' contributions to charter capital	244	-	-
advances issued	245	2 758 256	9 415 192
other debtors	246	214 335 531	262 059 108
Short-term investments	250	35 520 443	41 402 857
loans provided to other companies for a period within 12 months	251	12 613 038	3 768 882
Monetary assets including:	260	47 965 712	64 814 577
cash	261	2 229	1 032
settlement accounts	262	7 425 576	23 597 652
foreign currency accounts	263	9 822 453	21 797 988
other monetary assets	264	30 715 454	19 417 905
Other current assets	270	1 491	2 036
Total section II	290	615 434 881	743 162 722
TOTAL SECTIONS I and II	300	2 295 564 337	2 511 848 748

EQUITY AND LIABILITIES	Line code	At beginning of reporting year	At end of reporting period
1	2	3	4
III. Equity and reserves			
Charter capital	410	118 367 564	118 367 564
Treasury shares	411	-	-
Additional capital	420	1 252 976 071	1 252 736 131
Legal reserve including:	430	8 636 001	8 636 001
reserves and provisions formed in accordance with legislation	431	8 636 001	8 636 001
reserves formed in accordance with foundation documents	432	-	-
Retained earnings (loss)	470	327 231 444	472 220 683
Social government fund	480	-	-
Total section III	490	1 707 211 080	1 851 960 379
IV. Non-current liabilities			
Borrowings	510	253 502 573	381 563 594
bank borrowings due for repayment beyond 12 months	511	211 705 156	260 768 879
other borrowings due for repayment beyond 12 months	512	41 797 417	120 794 715
Deferred tax liabilities	515	57 384 658	77 359 788
Other non-current liabilities	520	1 709 826	610 118
including:			
promissory notes payable	522	806 895	-
Total section IV	590	312 597 057	459 533 500
V. Current liabilities			
Borrowings	610	128 794 382	57 924 045
bank borrowings due for repayment within 12 months	611	28 724 071	5 677 570
other borrowings due for repayment within 12 months	612	-	-
current portion of long-term borrowings	613	100 070 311	52 246 475
Accounts payable including:	620	146 932 274	138 148 438
suppliers and contractors	621	71 787 145	91 820 563
salaries payable	622	30 188	22 913
payable to state non-budget funds	623	7 175	3 575
taxes payable	624	19 143 325	16 534 115
other creditors, including:	625	55 964 441	29 767 272
promissory notes payable	626	7 897 716	1 033 341
advances received	627	514 129	681 043

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EQUITY AND LIABILITIES	Line code	At beginning of reporting year	At end of reporting period
1	2	3	4
other creditors	628	47 552 596	28 052 888
Dividends payable to participants (shareholders)	630	27 525	832 473
Income of future periods	640	2 019	1 006
Reserves for future expenses and payments	650	-	3 448 907
Other current liabilities	660	-	-
Total section V	690	275 756 200	200 354 869
TOTAL SECTIONS III,IV,V	700	2 295 564 337	2 511 848 748

Reference to items accounted on off-balance sheet accounts

Line name	Line code	At beginning of reporting year	At end of reporting period
1	2	3	4
Rented fixed assets	910	28 880	27 291
thereof by leasing	911	-	-
Working assets and fixed assets accepted for custody	920	33 156	38 127
Goods on commission	930	-	261
Bad debts of insolvent debtors written off to losses	940	14 897 918	11 813 695
Security of liabilities and payments received	950	24 809 626	20 883 724
Security of liabilities and payments issued	960	110 496 056	96 406 250
Housing stock depreciation	970	11 964	10 446
Depreciation of auxiliary engineering facilities and other similar items	980	-	-
Intangible assets obtained for use	990	-	-
Transition period profit tax	998	4 227 498	-

Chief Executive Officer




A.B. Miller

Chief Accountant



E.A. Vasilieva

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

**PROFIT AND LOSS ACCOUNT
for 2004**

Company OJSC «Gazprom»	Form N2 on OKUD	0710002
Taxpayer identification number	Date (year, month, day) on OKPO	31 12 2004 00040778
Field of activity wholesale	INN	7736 050 003
Legal form/property form	on OKVED	51
Open Joint Stock Company	on OKOPF/OKFS	47 31
Unit of measurement: thousands of RR	on OKEI	384

Parameter		For reporting period	For the similar period of the prior year
name	code		
1	2	3	4
Income from and expenses on ordinary activities			
Sale of goods, products, work, services (less VAT, excise tax and other similar mandatory payments)	10	887 230 674	780 612 980
including:			
gas	11	706 610 516	623 528 273
leased assets	12	107 280 540	98 308 748
gas transportation services	13	32 147 692	30 928 321
oil and gas refined products	14	32 075 838	22 559 938
gas condensate	15	8 311 851	4 453 232
gas storage services	16	89	7 890
other	17	804 148	826 578
Cost of goods, products, work, services sold	20	(317 406 047)	(254 986 797)
including:			
gas	21	(153 904 186)	(99 061 011)
leased assets	22	(98 418 076)	(92 642 792)
gas transportation services	23	(38 275 255)	(36 261 941)
oil and gas refined products	24	(20 145 145)	(21 239 385)
gas condensate	25	(5 309 930)	(4 672 003)
gas storage services	26	(63)	(821)
other	27	(1 353 392)	(1 108 844)
Gross profit	29	569 824 627	525 626 183
Selling expenses	30	(347 190 966)	(309 923 956)
Administrative expenses	40	(11 041 109)	(8 147 344)
Profit (loss) from operations	50	211 592 552	207 554 883
Other income and expenses			
Interest income	60	2 829 159	2 495 106
Interest expenses	70	(27 779 295)	(26 071 052)
Income from investments in other companies	80	5 239 571	1 913 945
Other operating income	90	791 309 012	694 769 989
Other operating expenses	100	(766 339 051)	(705 203 294)
Non-operating income	120	63 347 801	65 556 885
Non-operating expenses	130	(69 465 468)	(59 771 355)
Extraordinary income	135	972	852
Extraordinary expenses	136	(17 376)	(86)
Profit (loss) before profit tax	140	210 717 877	181 245 873
Deferred tax assets	141	831 510	(5 209 084)
Deferred tax liabilities	142	(19 975 130)	(27 350 152)
Current profit tax	150	(26 157 309)	(14 539 463)
Other expenses out of profit	151	(4 332 925)	(4 476 333)

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Parameter		For reporting period		For the similar period of the prior year
name	code			
1	2	3	4	
Net profit (loss) for the reporting period	190	161 084 023		129 670 841
REFERENCE				
Permanent tax (assets) liabilities	200	(4 126 772)		3 914 401
Basic earnings (loss) per share	201	6.80		6.02
Diluted earnings (loss) per share	202			

Breakdown of specific income and expenses

Parameter		For reporting period		For the similar period of the prior year	
name	code	income	expense	income	expense
1	2	3	4	5	6
Fines and penalties recognized or in respect of which there are court (arbitration) judgements on their recovery	210	228 678	5 638	3 897 668	1 355
Profit (loss) of prior years	220	3 829 444	3 167 084	4 678 406	3 274 425
Compensation of damages caused by defaulted obligations or improperly fulfilled obligations	230	-	-	-	-
Exchange differences on foreign currency transactions	240	51 417 625	41 939 827	51 664 912	43 141 427
Revaluation reserves	250	X	678 457	X	4 751 688
Written off past due accounts receivable and accounts payable with expired limitation period	260	11 906	60 123	286 873	161 926

Chief Executive Officer



Chief Accountant





A.B. Miller

E.A. Vasilieva

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

FLOW OF EQUITY AND FUNDS for 2004

Company OJSC «Gazprom»	Form N3 on OKUD	Codes
Taxpayer identification number	Date (year, month, day)	0710003
Field of activity wholesale	on OKPO	31 12 2004
Legal form/property form	INN	00040778
Open Joint Stock Company	on OKVED	7736 050 003
Unit of measurement: thousands of RR	on OKOPF/OKFS	51
	on OKOI	47 31
		384

I. Changes in equity

Parameter		Charter capital	Additional capital	Legal reserve	Retained profit (loss)	Social government fund	Total
name	code						
1	2	3	4	5	6	7	8
Balance as of 31 December of the year preceding the prior year	70	118 367 564	1 253 543 558	8 636 001	221 897 358	-	1 602 444 481
2003 (prior year)							
Changes in accounting policy	71	X	X	X	(28 386 596)	X	(28 386 596)
Revaluation of fixed assets	72	X	-	X	-	X	-
Balance as of 1 January of the prior year	80	118 367 564	1 253 543 558	8 636 001	193 510 762	-	1 574 057 885
Exchange differences	81	X	-	X	X	X	-
Net profit	82	X	X	X	142 622 600	X	142 622 600
Dividends	83	X	X	X	(9 469 405)	X	(9 469 405)
Allocations to the legal reserve	84	X	X	-	-	X	-
Increase of equity due to additional share issue	85	-	-	-	567 487	-	567 487
increased par value of shares	86	-	X	X	X	X	-
reorganization of the legal entity	87	-	X	X	X	X	-
other transactions	88	-	X	X	-	-	-
Reduction of equity due to: other transactions	89	-	-	-	567 487	-	567 487
reduced par value of shares	90	-	(567 487)	-	-	-	(567 487)
reduced number of shares	91	-	X	X	X	X	-
reorganization of the legal entity	92	-	X	X	X	X	-
other transactions	93	-	X	X	-	-	-
Balance as of 31 December of the prior year	94	-	(567 487)	-	-	-	(567 487)
Balance as of 31 December of the prior year	95	118 367 564	1 252 976 071	8 636 001	327 231 444	-	1 707 211 080
2004 (reporting year)							
Changes in accounting policy	96	X	X	X	-	X	-
Revaluation of fixed assets	97	X	-	X	-	-	-
Balance as of 1 January of the reporting year	100	118 367 564	1 252 976 071	8 636 001	327 231 444	-	1 707 211 080
Exchange differences	101	X	-	X	X	X	-
Net profit	102	X	X	X	161 084 023	X	161 084 023
Dividends	103	X	X	X	(16 334 724)	X	(16 334 724)
Allocations to the legal reserve	110	X	X	-	-	X	-
Increase of equity due to additional share issue	120	-	-	-	239 940	-	239 940
increased par value of shares	121	-	X	X	X	X	-
reorganization of the legal entity	122	-	X	X	X	X	-
other transactions	123	-	X	X	-	-	-
Reduction of equity due to: other transactions	125	-	-	-	239 940	-	239 940
reduced par value of shares	130	-	(239 940)	-	-	-	(239 940)
reduced number of shares	131	-	X	X	X	X	-

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Parameter	Charter capital	Additional capital	Legal reserve	Retained profit (loss)	Social government fund	Total	
name	code						
1	2	3	4	5	6	7	8
reduced number of shares	132	-	X	X	X	X	-
reorganization of the legal entity	133	-	X	X	-	-	-
other transactions	135	-	(239 940)	-	-	-	(239 940)
Balance as of 31 December of the reporting year	140	118 367 564	1 252 736 131	8 636 001	472 220 683	-	1 851 960 379

II. Reserves

Parameter	Balance	Addition	Used	Balance	
name	code				
1	2	3	4	5	6
Legal reserves formed in accordance with legislation:					
Reserve funds	151	-	-	-	-
prior year	152	8 636 001	-	-	8 636 001
reporting year	153	8 636 001	-	-	8 636 001
Other reserves	154	-	-	-	-
prior year	155	-	-	-	-
reporting year	156	-	-	-	-
Legal reserves formed in accordance with foundation documents:					
Reserve funds	157	-	-	-	-
prior year	158	-	-	-	-
reporting year	159	-	-	-	-
Other reserves	160	-	-	-	-
prior year	161	-	-	-	-
reporting year	162	-	-	-	-
Provisions:					
Provision for impairment of receivables	163	-	-	-	-
prior year	164	78 341 470	(3 309 958)	(1 332 383)	73 699 129
reporting year	165	73 699 129	(35 376 869)	(432 234)	37 890 026
Provision for impairment of investments	166	-	-	-	-
prior year	167	14 945 766	4 604 976	-	19 550 742
reporting year	168	19 550 742	(9 595 585)	-	9 955 157
Provision for impairment of inventories	169	-	-	-	-
prior year	170	-	-	-	-
reporting year	171	-	-	-	-
Other provisions	172	-	-	-	-
prior year	173	-	-	-	-
reporting year	174	-	-	-	-
Provisions for liabilities and charges:					
for vacation bonus expenses	175	-	-	-	-
prior year	176	-	-	-	-
reporting year	177	-	219 038	(201 365)	17 673
for annual work record bonus expenses	178	-	-	-	-
prior year	179	-	-	-	-
reporting year	180	-	-	-	-
for annual appreciation bonus expenses	181	-	-	-	-
prior year	182	-	-	-	-
reporting year	183	-	315 854	-	315 854
for repair works to be incurred	184	-	-	-	-
prior year	185	-	-	-	-

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Parameter name	code	Balance	Addition	Used	Balance
1	2	3	4	5	6
reporting year	186	-	-	-	-
for warranty and service expenses	187	-	-	-	-
prior year	188	-	-	-	-
reporting year	189	-	-	-	-
for contingent liabilities	190	-	-	-	-
prior year	191	-	-	-	-
reporting year	192	-	3 115 380	-	3 115 380
Other provisions	193	-	-	-	-
prior year	194	-	-	-	-
reporting year	195	-	-	-	-

Reference

Parameter name	code	At beginning of reporting year		At end of reporting year	
1	2	3		4	
		from the budget		from non-budget funds	
		for reporting year	for prior year	for reporting year	for prior year
		3	4	5	6
1) Net assets	200	1 707 213 099		1 851 961 385	
2) Received for:					
expenses on ordinary activities – total	210	-	-	-	-
including:					
capital investments in non-current assets	220	-	-	-	-
including:					

Chief Executive Officer



Chief Accountant

A.B. Miller

E.A. Vasilieva

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

**CASH FLOW STATEMENT
for 2004**

Parameter name	code	For reporting year	For the similar period of the prior year	Codes
Company OJSC «Gazprom»		Form N4 on OKUD		0710004
Taxpayer identification number		Date (year, month, day)		31 12 2004
Field of activity wholesale		on OKPO		00040778
Legal form/property form		INN		7736 050 003
Open Joint Stock Company		on OKVED		51
Unit of measurement: thousands of RR		on OKOPF/OKFS		47 31
		on OKEI		384
Parameter name	code	For reporting year	For the similar period of the prior year	
1	2	3	4	
Cash at beginning of reporting year	100	46 140 425	59 232 576	
Cash flows from operating activities				
Total cash received, including from	110	1 826 489 552	1 630 247 387	
- sale of goods, products, works and services	111	1 073 706 982	952 158 981	
- sale of other assets	112	705 455 757	660 221 778	
including currency sales		665 518 427	660 205 149	
- advances received from buyers (customers)	113	841 772	629 737	
- budget allocations and other special purpose financing	114	307	255	
- free of charge	115	-	-	
- other income	116	46 484 734	17 236 636	
Total cash used, including:	120	(1 620 316 843)	(1 451 020 340)	
- purchased goods, works, services and other current assets	150	(583 133 287)	(532 272 172)	
- wages and salaries	160	(3 362 991)	(2 339 805)	
- dividends and interest	170	(15 400 097)	(10 597 284)	
- settlement of taxes and duties	180	(240 303 789)	(180 716 425)	
- payments to non-budget funds	190	(519 280)	(374 057)	
- advances paid	191	(39 520 139)	(3 775 215)	
- other expenses	192	(738 077 260)	(720 945 382)	
including currency sales		(664 409 265)	(658 973 405)	
Net cash received from operating activity	199	206 172 709	179 227 047	
Cash flows from investment activities				
Total cash received, including from	200	84 616 444	27 628 755	
Sale of fixed assets and other non-current assets	210	1 016	921	
Sale of securities and other financial investments	220	1 935 764	709 220	
Dividends received	230	8 234 927	4 840 148	
Interest income	240	1 071 327	304 930	
Repayment of loans provided to other companies	250	69 278 367	5 066 259	
Budget allocations and other special purpose financing	255	-	-	
Proceeds under the investment contract	256	-	-	
Settlement of securities and other investments	257	4 095 043	16 707 277	
Other proceeds	260	-	-	
Total cash used, including	270	(338 899 897)	(226 375 360)	
Acquisition of subsidiaries	280	-	-	
Acquisition of fixed assets, income bearing investments in tangible and intangible assets	290	(3 668 212)	(1 045 707)	
Acquisition of securities and other financial investments	300	(64 237 813)	(23 411 003)	
Loans provided to other companies	310	(61 711 597)	(15 135 694)	
Financing of joint construction	320	-	(27 645)	
Allocated to capital construction settlements	325	(191 007 037)	(180 394 227)	
Other payments, transfers, etc.	330	(18 275 238)	(6 361 084)	
Net cash from investment activities	340	(254 283 453)	(198 746 605)	

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Parameter		For reporting year		For the similar period	
name	code			of the prior year	
1	2	3		4	
Cash flows from financial activities					
Total cash received, including from	350	261 160 173		190 903 224	
Proceeds from issue of shares and other equity securities	351	-		-	
Proceeds from loans provided to other companies	352	261 160 173		190 903 224	
Other receipts	353	-		-	
Total cash used, including	360	(195 074 690)		(182 650 994)	
Repayment of loans, credits (net of interest)	361	(195 074 690)		(182 650 994)	
Settlement of financial lease	362	-		-	
Purchased goods, works, services	363	-		-	
Other payments, transfers, etc.	364	-		-	
Net cash from financial activities	370	66 085 483		8 252 230	
Net increase (decrease) of cash and cash equivalents	380	17 974 739		(11 267 328)	
Cash at the end of reporting year	400	64 115 164		47 965 248	
Effect of exchange differences	401	(1 420 973)		(1 249 460)	

Chief Executive Officer



Chief Accountant

A.B. Miller

E.A. Vasilieva

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

**SUPPLEMENT TO THE BALANCE SHEET
for 2004**

	Codes
Company OJSC «Gazprom»	0710005
Taxpayer identification number	31 12 2004
Field of activity wholesale	00040778
Legal form/property form	7736 050 003
Open Joint Stock Company	51
Unit of measurement: thousands of RR	47 31
	384

Intangible assets

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

Parameter name	code	At beginning of reporting year	At end of reporting year
1	2	3	4
Total amortization of intangible assets, including:	050	19	38

Fixed assets

Parameter name	code	At beginning of reporting year	Additions	Disposals	At end of reporting period
1	2	3	4	5	6
Buildings	060	84 016 713	14 471 044	(78 430)	98 409 327
Structures and transfer mechanisms	061	2 620 615 459	83 619 030	(539 673)	2 703 694 816
Machinery and equipment	062	367 929 191	34 101 367	(2 119 267)	399 911 291
Means of transportation	063	684 436	86 465	(8 310)	762 591
Production and work appliances	064	1 167 615	239 129	(5 627)	1 401 117
Working livestock	065	2 127	-	-	2 127
Productive livestock	066	-	-	-	-
Plants	067	11 625	2 439	-	14 064
Other types of fixed assets	068	287 180	171 556	(49 479)	409 257
Plots of land and natural resources	069	1 235	792	-	2 027
Capital investments in land rehabilitation	070	-	-	-	-
Total	071	3 074 715 581	132 691 822	(2 800 786)	3 204 606 617

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Parameter name	code	At beginning of reporting year	At end of reporting period
1	2	3	4
Total depreciation of fixed assets including:	140	1 782 961 515	1 876 803 617
buildings and structure	141	1 500 633 906	1 583 662 386
machinery, equipment, transportation	142	281 865 703	292 557 766
other	143	461 906	583 465
Total fixed assets leased out including:	150	3 062 479 091	3 177 965 065
buildings	151	77 073 331	90 870 196
structure	152	2 617 991 177	2 689 105 122
machinery, equipment, transportation	153	366 820 636	397 233 215
other	154	593 947	756 532
Suspended fixed assets	160	2 175 976	13 772 338
Total fixed assets leased in including:	161	-	-
Fixed assets put into operation and being in the process of state registration	162	9 427 911	37 458 972

REFERENCE	code	At beginning of reporting year	At end of reporting year
	2	3	4
Result of fixed assets revaluation:			
historical (replacement) cost	171	-	-
depreciation	172	-	-
Changes in the value of fixed assets as a result of fitting-out, rigging up, reconstruction, partial liquidation	180	4 341 503	5 902 751

Income bearing investments in tangible assets

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

Research and development costs

Types of works name	code	At beginning of reporting year	Additions	Disposals	At end of reporting year
1	2	3	4	5	6
Total	310	-	344 500	-	344 500
including:					

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REFERENCE	code	At beginning of reporting year	At end of reporting year
	2	3	4
Total research and development costs in progress	320	2 056 043	4 441 565
	code	At beginning of reporting year	For the similar period of the prior year
	2	3	4
Total unsuccessful research and development costs posted to non-operating expenses	321	-	170 287

Natural resources development costs

Parameter name	code	At beginning of reporting year	Additions	Disposals	At end of reporting period
1	2	3	4	5	6
Total natural resources development costs including:	410	-	379 958	-	379 958

REFERENCE	code	At beginning of reporting year	At end of reporting year
	2	3	4
Costs of natural resources development in progress	412	633 489	633 489
	code	For reporting period	For the similar period of the prior year
	2	3	4
Costs of unsuccessful natural resources development charged to non-operating expenses	413	1 093 629	1 535 926

Financial investments

Parameter name	code	Long-term		Short-term	
		At beginning of reporting year	At end of reporting period	At beginning of reporting year	At end of reporting period
1	2	3	4	5	6
Total investments in share capital of other companies, including subsidiary and associated companies	510	209 615 526	232 349 532	-	-
State and municipal securities	511	202 100 657	218 722 075	-	-
Total securities of other companies, including debt securities (bonds, promissory notes)	515	86 996	1 551	610 475	-
Loans provided	520	8 633 410	5 604 892	31 025 617	37 491 889
Deposits	521	8 632 410	5 603 892	30 945 617	37 491 889
Other	525	18 672 962	17 824 945	14 585 961	5 106 093
	530	10 824 914	8 117 855	271 032	1 676 056
	535	33 372 612	43 454 275	1 402 976	538 838
Total	540	281 206 420	307 353 050	47 896 061	44 812 876

Of the total financial investments carried at market value :

Total investments in share capital of other companies, including subsidiary and associated companies	550	1 388 073	9 021 043	-	-
State and municipal securities	551	1 388 073	8 893 482	-	-
Total securities of other companies, including	555	909	-	-	-
	560	-	-	-	-

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Parameter name	code	Long-term		Short-term	
		At beginning of reporting year	At end of reporting period	At beginning of reporting year	At end of reporting period
1	2	3	4	5	6
debt securities (bonds, promissory notes)	561	-	-	-	-
Other	565	-	-	-	-
Total	570	1 388 982	9 021 043	-	-

REFERENCE

Changes in financial investments carried at market value due to valuation adjustments	580	44 130	5 970 498	-	-
For debt securities - the difference between the historic cost and face value charged to financial result of the reporting year	590	-	-	-	-

Accounts receivable and accounts payable

Parameter name	code	At beginning of reporting year	At end of reporting period
1	2	3	4
Accounts receivable:			
total short-term	600	422 913 864	440 902 815
including:			
receivables from buyers and customers	601	192 370 448	158 452 033
promissory notes receivable	602	1 590 543	-
advances issued	603	2 758 256	9 415 192
other	604	226 194 617	273 035 590
total long-term	610	106 796 580	133 500 702
including:			
receivables from buyers and customers	611	12 404 499	11 647 839
promissory notes receivable	612	1 060 362	-
advances issued	613	163 920	27 748 700
other	614	93 167 799	94 104 163
Total	620	529 710 444	574 403 517
Accounts payable			
total short-term	630	283 071 255	199 609 465
including:			
settlements with suppliers and contractors	631	71 787 145	91 820 563
advances received	632	514 129	681 043
taxes payable	633	19 150 500	16 537 690
promissory notes payable	634	7 897 716	1 033 341
credits	635	128 653 416	50 030 430
borrowings	636	140 966	7 893 615
other	637	54 927 383	31 612 783
total long-term	640	255 212 399	382 173 712
including:			
credits	641	211 705 156	260 768 879
borrowings	642	41 797 417	120 794 715
other	643	1 709 826	610 118
Total	650	538 283 654	581 783 177

Ordinary operating expenses (by types of expenses)

Parameter name	code	At beginning of reporting year	At end of reporting year
Materials	710	423 413 514	396 634 769
Wages and salaries	720	3 564 738	2 163 000
Social expenses	730	487 022	338 626
Depreciation	740	97 738 156	91 674 964

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Parameter		At beginning of reporting year	At end of reporting year
name	code		
Other expenses	750	6 606 301	5 681 079
Total expenses	760	531 809 731	496 492 438
Changes in balances (increase [+], decrease [-]):			
work in progress	765	12 487 704	19 883 048
future period expenses	766	807 825	33 319
provisions for liabilities and charges	767	333 527	-

Collateral

Parameter		At beginning of reporting year	At end of reporting period
name	code		
1	2	3	4
Received - total	810	24 809 626	20 883 724
including:			
promissory notes	811	3 529 000	3 529 000
including past due notes	812	-	-
Pledged assets	820	21 280 626	17 354 724
including:			
fixed asset items	821	-	-
securities and other financial investments	822	21 280 626	17 354 724
other	823	-	-
Issued - total	830	110 496 056	96 406 250
including:			
promissory notes	831	-	-
including past due notes	832	-	-
Pledged assets, including:	840	182 539	170 593
fixed asset items	841	-	-
securities and other financial investments	842	182 539	170 593
other	843	-	-

GAZPROM
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1. GENERAL INFORMATION

The principal activity of OAO Gazprom («the Company») is the sale of natural gas. The Company is also involved in other types of activities, which include leasing of assets, gas transportation and storage services, sale of gas condensate and refined products.

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

As of 31 December 2004 and 2003 the Company employed 5 410 and 5 194 people, respectively.

Members of the Board of Directors of OAO Gazprom include:

Medvedev, Dmitry Anatoljevich – Chairman of the Board of Directors
Ananenko, Alexander Georgievich
Bergmann, Burkhard
Gazizullin, Farit Rafikovich
Gref, German Oskarovich
Karpel, Elena Evgenievna

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

Members of the Management Committee of OAO Gazprom include:

Miller, Alexei Borisovich – Chairman of the Management Committee
Ananenko, Alexander Georgievich
Budzuliak, Bogdan Vladimirovich
Vasiljeva, Elena Alexandrovna
Golubev, Valery Alexandrovich
Ilyushin, Victor Vasilievich
Kozlov, Alexander Nikolayevich (from 18 March 2005)
Komarov, Yury Alexandrovich
Kruglov, Andrei Viacheslavovich

Medvedev, Alexander Ivanovich
Pavlova, Olga Petrovna
Podyuk, Vasily Grigorievich
Rusakova, Vlada Vilorikovna
Ryazanov, Alexander Nikolayevich
Seleznev, Kirill Gennadjevich
Ushakov, Sergey Konstantinovich
Chujchenko, Konstantin Anatoljevich

Members of the Internal Control Commission of OAO Gazprom include:

Arhipov, Dmitry Alexandrovich – Chairman of the Internal Control Commission
Bikulov, Vadim Kasymovich
Gulyukina, Svetlana Alekseevna
Domoratskaya, Nelia Nikolayevna
Ishutin, Rafael Vladimirovich

Lobanova, Nina Vladislavovna
Lysak, Olga Alexandrovna
Tkachenko, Andrei Petrovich
Shubin, Yuri Ivanovich

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Accounting principles

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

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

Assets and liabilities denominated in foreign currency

Transactions in foreign currencies have been accounted for based on the Central Bank of the Russian Federation official exchange rate of the rouble prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency have been recognized based on the official exchange rate of RR 27,7487 and RR 29,4545 per USD 1, RR 37,8104 and RR 36,8240 per Euro 1 that were effective as of 31 December 2004 and 2003, respectively.

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Exchange differences that arose in the reporting year from either transactions involving assets and liabilities denominated in foreign currency or as a result of the revaluation of such assets and liabilities as of the reporting date, have been recorded as non-operating income and expenses.

Current and non-current assets and liabilities

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

Fixed assets

Fixed assets include assets which conform to the requirements of the Russian accounting rule «Accounting for Fixed Assets» (RAR 6/01) approved by order of the RF Ministry of Finance dated 30 March 2001, No.26n. Fixed assets include real property assets that have been put into operation but are still in the process of state registration as of the date of the present accounting reports.

On the balance sheet fixed assets are recorded at historical (replacement) cost less depreciation accumulated for the period of their use.

Fixed assets acquired and constructed before 1 January 2002 are depreciated based on uniform depreciation rates approved by Decree of the USSR Council of Ministers dated 22.10.1990, No.1072 «On Uniform Depreciation Rates of Fixed Assets of the USSR National Economy». Fixed assets acquired after 1 January 2002 are depreciated at rates based on estimated useful lives of these assets.

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

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

Fixed assets are depreciated for accounting purposes on a straight-line basis.

Construction in progress

Construction in progress includes, but is not limited to, completed fixed assets that have been put into operation but have not been properly registered in the State Register as of the reporting date. Such assets are depreciated similarly to fixed assets. Although this practice represents a deviation from the established procedure, the Company management believes that it ensures adequate representation of the Company's property relations as the assets are used in practice and generate income to the Company. On the balance sheet such assets are recorded net of accumulated depreciation.

Financial Investments

Investments are recorded at their historical cost except for investments for which the market value is determinable. Investments for which market value is determinable are re-measured at current market value at the end of the reporting period. The change in the market value of an investment is recorded in other operating income and expenses.

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

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Investments for which no current fair market value is determinable are recorded on the statutory balance sheet as of the end of the reporting year at their carrying (book) value net of impairment provision related to assets for which there are indications as of the reporting date that the decline in their value is significant and non-temporary. The investment impairment provision is determined annually based on the stock taking results as of 31 December of the reporting year. In determining the impairment provision, the Company calculates the estimated value of investments based on available information and creates the investment impairment provision in the amount by which the carrying value of investments exceeds their estimated value. The total provision expense or release are posted to operating expenses and income.

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

Inventories

Natural gas pumped into pipelines and underground storage is the main type of inventory. Disposals of the gas are recorded using the average cost method.

Selling and general administration costs

Selling costs, except for costs of natural gas transportation on the territory of Russia and abroad, are recorded in the period to which they relate on a monthly basis. Costs of natural gas transportation are allocated in proportion to the volumes of gas sold and the volumes of gas pumped into underground storage within the reporting period.

General administration costs are recorded in the period to which they relate on a monthly basis.

Trade accounts receivable

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

Unsecured past due trade receivables are stated net of doubtful debt provisions. These provisions are based on the judgment of the Company management as to the extent to which the debts collectibility (collection) is doubtful. Charges for doubtful debt provisions are recorded with other operating expenses.

Credits and loans received

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

Deferred taxes

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

Deferred tax assets and deferred tax liabilities are recognized separately within non-current assets (line 145 Deferred Tax Assets of the balance sheet) or non-current liabilities (line 515 Deferred Tax Liabilities of the balance sheet).

Revenue recognition

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

Sales made under the terms of an agent agreement are recognized by the Company, acting as a consignor (principal), upon receipt of a corresponding notice from the commissioner (agent) that gas or refined products have been delivered to the customer.

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3. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE AMOUNTS

Changes in accounting policies

In connection with excise tax on natural gas being abolished from 1 January 2004, the Company's accounting policies were changed to ensure separate accounting for costs related to sale, transportation and storage of gas produced after 1 January 2004. This change had no impact on the comparative amounts for 2003.

Comparative amounts as of 1 January 2004

The 2004 opening balances have been formed by adjusting the 2003 closing balances to recognize the reclassification of the loan received from Gaz Capital S.A. in connection with the placement of loan participation notes of the Company.

Line code	Article	As of 31 December 2003	Adjustment	As of 1 January 2004
510	Credits and loans	253 502 573	-	253 502 573
511	Bank credits, due for repayment beyond 12 months of the reporting date	248 529 156	(36 824 000)	211 705 156
512	Loans due for repayment beyond 12 months of the reporting date	4 973 417	36 824 000	41 797 417

Comparative amounts for 2003

From 1 January 2003 gas sales to far abroad countries are recorded in the period of their actual shipment (prior to 1 January 2003 gas shipments to Far Abroad were recognized with a one month delay), as a result of which gas sales for December 2002 were recorded within non-operating income (expenses) in the 2003 Profit and Loss Account. To ensure the comparability of the 2004 balances with the corresponding comparative balances for the prior year, the 2003 financial results were adjusted for revenues and expenses attributable to shipments of gas to far abroad countries in December 2002.

In addition, the 2003 balances were adjusted for changes in the format of the Profit and Loss Account (introduction of new line 151 «Other Expenses Out of Profit»).

Line code	Article	As of 31 December 2003	Adjustment	As of 1 January 2004
120	Non-operating income	99 059 748	(33 502 863)	65 556 885
130	Non-operating expenses	(76 232 292)	16 460 937	(59 771 355)
140	Profit (loss) before tax	198 287 799	(17 041 926)	181 245 873
141	Deferred tax asset	(16 458 267)	11 249 183	(5 209 084)
142	Deferred tax liability	(20 407 540)	(6 942 612)	(27 350 152)
150 (1)	Current profit tax and other similar payments	(18 799 392)	18 799 392	-
150(2)	Current profit tax	-	(14 539 463)	(14 539 463)
151(2)	Other expenses out of profit	-	(4 476 333)	(4 476 333)
190	Net profit (loss) for the reporting period	142 622 600	(12 951 759)	129 670 841

(1) – line number in the 2003 accounting reports

(2) – line number in the 2004 accounting reports

The following new lines have been added to the 2004 Cash Flow Statement:

- «Proceeds under the Investment Contract» – line 256;
- «Settlement of Securities and Other Investments» – line 257;
- «Allocated to Capital Construction Settlements» – line 325.

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In the 2003 statutory accounting reports the above amounts were recorded within the following lines:

«Other Payments, Transfers, etc.» – line 330;
 «Other Proceeds» – line 260.

In addition, the Cash Flow Statement has been adjusted for changes relating to the presentation of advances received from buyers and customers.

To ensure the comparability of the 2004 Cash Flow Statement with the corresponding prior year figures, the 2003 amounts were adjusted for the above change in the form of the annual accounting reports of the Company.

Line code	Article	As of 31 December 2003	Adjustment	As of 1 January 2004
111	Revenue from the Sale			
	of Products, Goods, Works, and Services	890 602 647	61 556 334	952 158 981
113	Advances Received from Buyers (Customers)	62 186 071	(61 556 334)	629 737
110	Cash Received from Current Operations	1 630 247 387	-	1 630 247 387
257(1)	Settlement of Securities and Other Investments	-	16 707 277	16 707 277
260	Other Proceeds	20 358 570	(20 358 570)	-
325(1)	Allocated to Capital Construction Settlements	-	(180 394 227)	(180 394 227)
330	Other Payments, Transfers, etc.	(190 406 604)	184 045 520	(6 361 084)

(1) – line number in the 2004 reports

In addition, certain comparative amounts in the notes to the accounting reports have been changed to ensure their comparability with the corresponding 2004 balances.

Changes in the 2005 accounting policies

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

4. SEGMENT INFORMATION

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

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

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

Other types of the Company's activities mainly include gas transportation and storage services, sale of gas condensate and refined products, and other. None of them corresponds to the reporting segments requirements as per RAR 12/2000 «Segment Information». Therefore, information on such other activities is not provided separately.

	Domestic and export sale of gas	Leasing of assets	Other	Total
As of 31 December 2003				
Segment assets	210 341 474	1 609 554 547	36 130 285	1 856 026 306
Unallocated assets				439 538 031
Total assets				2 295 564 337
Segment liabilities	79 950 106	10 534 824	5 462 097	95 947 027
Unallocated liabilities				492 406 230
Total liabilities				588 353 257

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	Domestic and export sale of gas	Leasing of assets	Other	Total
As of 31 December 2004				
Segment assets	248 822 301	1 682 399 439	45 587 537	1 976 809 277
Unallocated assets				535 039 471
Total assets				2 511 848 748
Segment liabilities	79 932 924	9 922 367	6 159 007	96 014 298
Unallocated liabilities				563 874 071
Total liabilities				659 888 369
For 2004				
Segment revenues	706 610 516	107 280 540	73 339 618	887 230 674
Segment profit	197 422 612	7 640 003	6 259 937	211 592 552
Unallocated expenses				(50 508 529)
Capital expenditures for the period	-	155 405 099	-	155 405 099
Depreciation of fixed assets and intangible assets	-	97 396 056	359 075	97 755 131
For 2003				
Segment revenues	623 528 273	98 308 748	58 775 959	780 612 980
Segment profit (loss)	208 178 262	4 683 095	(5 306 474)	207 554 883
Unallocated expenses				(77 884 042)
Capital expenditures for the period	-	140 645 512	-	140 645 512
Depreciation of fixed assets and intangible assets	-	91 411 930	489 054	91 900 984

Segment revenues (income) are generated from transactions with buyers. Transactions with other segments are not carried out. General administration costs are allocated by business segments in proportion to segment revenues. Profit tax expenses and other similar compulsory payments, interests payable and receivable, income from participation in other organizations, as well as extraordinary income and expenses are not included in segment profit (loss). Other operating income and expense as well as non-operating income and expense are not allocated by segments as it is deemed inappropriate or impractical as the required allocation base is not available.

Segment assets include primarily fixed assets, construction in progress, inventory, work in progress, accounts receivable and other current assets. Financial investments are not included in segment assets as they are not directly related to the reporting segments and the required allocation base is not available.

Segment liabilities include primarily short-term liabilities except for profit tax payable to the budget and loans and credits received to finance the Company's operations in general.

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

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

5. FIXED ASSETS

	Trunk pipelines	Wells	Machinery and equipment	Buildings	Other	Total
As of 31.12.2003						
Cost	2 154 187 262	319 308 653	367 929 191	84 016 713	149 273 762	3 074 715 581
Accumulated depreciation	(1 166 877 715)	(247 934 154)	(281 614 942)	(31 626 514)	(54 908 190)	(1 782 961 515)
Net book value	987 309 547	71 374 499	86 314 249	52 390 199	94 365 572	1 291 754 066
As of 31.12.2004						
Cost	2 195 732 554	338 292 890	399 911 291	98 409 327	172 260 555	3 204 606 617
Accumulated depreciation	(1 230 489 962)	(258 957 030)	(292 208 537)	(34 567 462)	(60 580 626)	(1 876 803 617)
Net book value	965 242 592	79 335 860	107 702 754	63 841 865	111 679 929	1 327 803 000

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Net book value of fixed assets leased to subsidiaries amounted to RR 1 310 244 027 and RR 1 286 002 586 as of 31 December 2004 and 2003, respectively.

6. CONSTRUCTION-IN-PROGRESS

	31 December	
	2004	2003
Construction in progress	131 836 101	107 258 260
Equipment for installation	170 772	490 765
Total	132 006 873	107 749 025

As of 31 December 2004 and 2003 the construction in progress balance included assets of RR 122 028 525 and RR 100 790 662 (net of accumulated depreciation), respectively, which had been constructed and put into operation but were still to be registered in the State Register. As of 31 December 2004 such assets primarily related to the Yamal-Europe pipeline and the Zapolyarnoe and Yamburg gas condensate fields.

7. INVESTMENTS

Long-term financial investments

Investments in subsidiary and associated undertakings

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

Investments in other companies

Investments in other companies (line 143) of the balance sheet are presented net of provision for impairment of RR 6 085 506 and RR 6 554 382 as of 31 December 2004 and 2003, respectively. The impairment provision relates primarily to non-core investments.

As of 31 December 2004, the above line also includes an 8.0 % interest in the share capital of ZAO Sevmorneftegaz in the amount of RR 5 968 491.

Loans provided to companies for a period over 12 months

Line 144 «Loans provided to companies for a period over 12 months» of the balance sheet includes long-term loans provided primarily to subsidiary companies, including an interest-free loan of RR 5 936 837 to its subsidiary, OOO Noyabrskgazdobycha, as of 31 December 2004 and 2003.

Other long-term financial investments

	31 December	
	2004	2003
Joint activity, including	29 850 682	18 359 384
ZAO Rosshelf, ZAO Sevmorneftegaz (development of oil and gas fields on the Barents and Pechora Seas shelf)	16 527 320	6 310 804
OAO Gazcom (development of a satellite communication system)	2 763 155	2 660 625
Long-term promissory notes of subsidiaries	5 274 230	8 251 614
Long-term deposits	8 117 855	10 824 914
Other, including:	13 935 806	15 101 224
South Pars (oil and gas field located in Iran)	12 739 456	15 013 229
Total	57 178 573	52 537 136

The joint activity with ZAO Rosshelf and ZAO Sevmorneftegaz was established to develop the Arctic shelf (Shtokmanovskoye and Prirazlomnoye fields) in the Barents and Pechora Seas. In July 2003 the joint activity parties and OAO NK Rosneft signed an agreement to provide OAO NK Rosneft with a 49,95 % direct interest in the joint activity as recognition of its prior investment into the joint activity. In December 2004 the Company signed agreements and paid RR 6 290 829 in cash to acquire from OAO NK Rosneft its interest in the joint activity.

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Short-term financial investments

Line 251 «Investments in associated companies for the period of less than 12 months» of the balance sheet includes, but is not limited to, short-term loans mainly provided to subsidiary companies, in the amount of RR 3 640 276 and RR 12 454 432 as of 31 December 2004 and 2003, respectively. Short-term loans are presented net of impairment provision of RR 1 337 211 and RR 1 972 923 as of 31 December 2004 and 2003, respectively.

Included within short-term investments are short-term promissory notes of RR 35 419 081 and RR 21 152 488 as of 31 December 2004 and 2003, respectively, including promissory notes of ZAO Sevmorneftegaz of RR 5 722 094 as of 31 December 2004 and promissory notes of ОАО АК Сибур of RR 9 237 168 as of 31 December 2004 and 2003. Short-term promissory notes are presented net of an impairment provision of RR 2 072 808 and RR 10 402 695 as of 31 December 2004 and 2003, respectively (see Note 15). The impairment provision relates primarily to promissory notes of non-core subsidiary companies.

8. ACCOUNTS RECEIVABLE

Accounts receivable in line 231 «Accounts receivable from buyers and customers (payments expected beyond 12 months after the reporting date)» of the balance sheet mainly include receivables for pipes supplied to EuRoPol Gaz s.a., an associated company (see Note 17), for the construction of the Polish section of the Yamal-Europe pipeline. The long-term portion of the EuRoPol Gaz s.a. debt was RR 8 577 988 and RR 8 370 855 as of 31 December 2004 and 2003, respectively. The short-term portion of the debt, included into line 241 «Accounts receivable from buyers and customers (payments expected within 12 months after the reporting date)» of the balance sheet was RR 1 742 517 and RR 2 092 714 as of 31 December 2004 and 2003, respectively.

Starting from 1999 the Company concluded investment agreements with its subsidiaries on the construction and putting into operation of certain fixed asset items. The Company is the owner of all assets constructed under the investment agreements. Subsidiaries have no right to sell, pledge or otherwise dispose of the assets constructed.

The long-term portion of receivables from subsidiaries attributable to amounts received to finance the investment projects is recorded in line 235 «Receivables from other debtors (payments expected beyond 12 months after the reporting date)» of the balance sheet in the amount of RR 74 438 017 and RR 78 888 067 as of 31 December 2004 and 2003, respectively.

The current portion of receivables from subsidiaries attributable to amounts received to finance the investment contracts is recorded in line 246 «Receivables from other debtors (payments expected within 12 months after the reporting date)» of the balance sheet in the amount of RR 149 412 376 and RR 126 539 045 as of 31 December 2004 and 2003, respectively.

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

As of 31 December 2003 an impairment provision of RR 36 003 525 was recorded for the principal amount of the accounts receivable due from NAK Naftogaz Ukraine. As a result of the above agreements the impairment provision was released. Income and expenses arising from the debt transfer as well as income from the impairment provision release were recognized and recorded within «Other Operating Income» and «Other Operating Expenses» of the Profit and Loss Account for the reporting period (see Note 15).

The net effect of the transactions on the Company's net profit tax in the year ended 31 December 2004 was a net profit of RR 24 001 130.

As of 31 December 2004, line 234 «Advances issued (payment expected beyond 12 months of the reporting date)» and line 245 «Advances issued (payment expected within 12 months of the reporting date)» include RR 27 748 700 and RR 6 937 175, respectively, for the advance made to NAK Naftogaz Ukraine.

Accounts receivable in line 241 «Accounts receivable from buyers and customers (payments expected within 12 months after the reporting date)» of the balance sheet are presented net of a doubtful debt provision of RR 30 450 526 and RR 69 184 642 as of 31 December 2004 and 2003, respectively. The bad debt provision recorded as of 31 December 2004 and 2003 is shown net of deferred excise tax in the amount of RR 3 536 982 and RR 7 344 599, respectively. The deferred excise tax is shown reducing the amount in line 628 «Other Creditors» of the balance sheet.

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As of 31 December 2004 and 2003 line 235 «Receivables from other debtors (payments expected beyond 12 months after the reporting date)» of the balance sheet included RR 8 373 027 and RR 8 596 220, respectively, representing the long-term portion of OAO AK Sibur's debt restructured in 2002 for a period of up to nine years as per the amicable agreement. The current portion of the debt of RR 748 818 and RR 217 018 was recorded in line 246 «Receivables from other debtors (payments expected within 12 months of the reporting date)» of the balance sheet as of 31 December 2004 and 2003, respectively.

Accounts receivable from OAO AK Sibur for gas transit and storage services, which had also been restructured under the amicable agreement, were recorded in line 231 «Accounts receivable from buyers and customers (payments expected beyond 12 months after the reporting date)» of the balance sheet in the amount of RR 1 429 862 and RR 1 326 895 as of 31 December 2004 and 2003, respectively.

As of 31 December 2004 accounts receivable in line 246 «Other accounts receivable (payments expected within 12 months after the reporting date)» of the balance sheet included RR 31 334 575 of cash transferred to acquire the securities of ZAO Sevmorneftegaz.

Accounts receivable in line 246 «Other accounts receivable (payments expected within 12 months after the reporting date)» are presented net of a doubtful debt provision of RR 10 976 482 and RR 11 859 086 as of 31 December 2004 and 2003, respectively.

9. MONETARY ASSETS

Included within line 264 «Other monetary assets» of the balance sheet are balances of cash totaling RR 18 700 867 and RR 30 348 803 as of 31 December 2004 and 2003, respectively, which are restricted as to withdrawal under the terms of certain borrowings (see Note 11).

10. SHAREHOLDERS' EQUITY

The Company's charter capital amounts to RR 118 367 564 (23 673 513 thousand of fully paid common shares with the nominal value of RR 5 each) and did not change in 2004.

In accordance with the decision of the general shareholders' meeting, based on the 2003 results of the Company, final dividends were accrued in the amount of RR 0.69 per common share.

In 2004 and 2003 the Company did not make any contributions to the reserve fund as the target limit of the fund was reached (5 % of the charter capital).

11. BORROWINGS

Bank borrowings					
Lender	Currency	Maturity	31 December		
			2004	2003	
Morgan Stanley AG	US Dollar	2013	50 118 199	53 199 122	
Salomon Brothers AG	US Dollar	2009	33 927 121	36 012 729	
Deutsche Bank AG	US Dollars	2014	33 439 738	-	
ABN AMRO	US Dollar	2010	29 886 427	-	
Calyon	US Dollar	2010	28 173 327	-	
Depfa Bank	US Dollar	2008	14 236 933	15 116 131	
Credit Suisse First Boston	US Dollar	2006	13 119 638	6 430 309	
Mannesmann (Deutsche Bank AG)	Euro	2008	12 669 917	15 424 213	
ABN AMRO	US Dollar	2007	11 218 040	-	
Intesa BCI	US Dollar	2007	10 029 572	16 422 594	
Deutsche Bank AG	US Dollar	2011	9 815 222	-	
Mizuho Bank (Fuji Bank)	US Dollar	2010	8 224 149	8 815 632	
Commerzbank AG	US Dollar	2009	7 968 872	2 949 598	
SACE	US Dollar	2012	6 992 189	7 503 353	
A German banking consortium	Euro	2007	6 074 728	7 889 855	
WestLB AG	US Dollar	2005	5 968 141	6 334 536	
Deutsche Bank AG	US Dollar	2009	5 629 749	-	
Credit Lyonnais SA	US Dollar	2005	-	32 555 506	

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Bank borrowings				
Lender	Currency	Maturity	31 December	
			2004	2003
Dresdner Bank AG	US Dollar	2005	-	20 070 147
GAO Sberbank Rossii	Russian Roubles	2004	-	19 850 492
Deutsche Bank AG	US Dollar	2006	5 581 312	17 748 095
ABN AMRO	US Dollar	2008	5 569 495	-
ABN AMRO	US Dollar	2004	-	8 963 937
Societe Generale	US Dollar	2008	-	9 182 777
JP Morgan	US Dollar	2011	5 578 179	-
Bayerische Hypo-und Vereinsbank AG	US Dollar	2008	-	18 326 359
Other loans	Various	Various	6 578 361	36 794 072
Total, including			310 799 309	339 589 457
due within one year			50 030 430	127 884 301
Other Borrowings				
Gas Capital S.A.	Euro	2010	38 583 964	37 593 115
Gazprom International S.A.	US Dollar	2020	35 740 472	-
Gas Capital S.A.	US Dollar	2034	33 801 038	-
A3 series Russian bonds	Russian Roubles	2007	10 337 800	-
A5 series Russian bonds	Russian Roubles	2007	5 083 050	-
A2 series Russian bonds	Russian Roubles	2005	5 098 317	5 071 317
Other			43 689	43 066
Total, including:			128 688 330	42 707 498
due within one year			7 893 615	910 081

Bank borrowings

As of 31 December 2004 and 2003 long-term borrowings of RR 147 634 283 and RR 154 858 238, respectively, are secured by revenues from export sales of gas to Western Europe.

Some of the long-term borrowings are provided by banks in the form of direct repayment to suppliers of the debt for supplied equipment. This equipment is used for construction of production assets performed by subsidiaries under investment agreements.

As of 31 December 2004 and 2003 long-term bank borrowings included loans from Salomon Brothers AG received in 2002 in connection with the issuance of USD 500 million of Loan Participation Notes due 2007 at an interest rate of 9,1 % and of USD 700 million of Loan Participation Notes due 2009, at an interest rate of 10,5 %, respectively, and a long-term loan received from Morgan Stanley AG in connection with the issuance in 2003 of USD 1 750 million of Loan Participation Notes due 2013 at an interest rate of 9,6 %. The USD 700 million Loan Participation Notes have a put option due 21 October 2005.

In 2004 interest rates on the long-term foreign currency denominated bank borrowings ranged from 2,6 % to 10,5 %. Similar rates for 2003 ranged from 2,5 % to 13,3 %.

In 2004 interest rates on the short-term foreign currency denominated bank borrowings ranged from 2,8 % to 8,0 %, and on short-term RR denominated bank borrowings ranged from 3,5 % to 10,3 %. Similar rates for 2003 ranged from 4,3 % to 10,8 % on short-term foreign currency denominated bank borrowings and from 8,8 % to 16,5 % on short-term RR denominated bank borrowings.

Other borrowings

Line 612 «Borrowings due for repayment within 12 months of the reporting date» of the balance sheet included the A2 series bonds, issued in 2002, with a nominal value RR 5 000 000 due 3 November 2005, with a coupon yield of 7,5 % of their nominal value to be paid every 6 months. In 2004 the Company issued A3 series bonds of RR 10 000 000 due 18 January 2007, with a coupon yield of 4,0 % of the nominal value to be paid every 6 months, and A5 series bonds of RR 5 000 000 due 9 October 2007 with a coupon yield of 7,6 % per annum to be paid every 6 months. Total amount of the A3 and A5 series bonds was recorded in line 512 «Borrowings due for repayment beyond 12 months of the reporting date» of the balance sheet.

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As of 31 December 2004 and 2003 long-term borrowings included a long-term loan received from Gas Capital S.A. in connection with the issuance of Euro 1 000 million of Loan Participation Notes due 2010 at an interest rate of 7,8 %.

As of 31 December 2004 long-term borrowings included loans received in 2004 from Gazprom International S.A. in connection with the issuance of USD 1 250 million of Structured Export Notes due 2020 at an interest rate of 7,2 % and from Gas Capital S.A. in connection with the issuance of USD 1 200 million Loan Participation Notes due 2034 at an interest rate of 8,6 %.

12. TAXATION

Profit tax

In accordance with the Tax Code of the Russian Federation, from 1 January 2002 the Company switched from a cash to accrual basis of revenue recognition for profit tax purposes. In this connection the Company accrued transition period profit tax of RR 14 134 156 to be settled within three years. The amount of RR 8 454 996 was paid as due in 2004 and 2003 in equal shares. As of 31 December 2004 the Company did not have any further transition period profit tax payable to the budget.

Theoretical profit tax of the reporting year determined based on accounting profit and statutory rates amounted to RR 49 427 701 (2003 – RR 43 184 298). According to the tax return the profit tax in 2004 included within the line «Current profit tax» amounted to RR 26 157 309 (in 2003 – RR 14 539 463).

In 2004 non-temporary differences, which increase the taxable profit as compared to accounting profit, amounted to RR 17 185 693. The non-temporary differences arise from non-deductible expenses, in particular such as release of doubtful debt and investment impairment provisions. In 2003 non-temporary differences, which increase the taxable profit as compared to accounting profit, amounted to RR 15 398 464.

In 2004 deductible temporary differences that have impacted the difference between the theoretical profit tax expense and the actual current profit tax expense amounted to RR 19 368 003 (in 2003 – RR 6 520 231). Deductible temporary differences utilized in the reporting year totaled RR 15 903 378 (in 2003 – RR 28 224 779).

Deductible temporary differences primarily arise from:

- longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes;
- loss from transactions with securities incurred by the Company in the reporting period;
- revaluation of long-term securities denominated in foreign currency.

In 2004 taxable temporary differences that have impacted the difference between the theoretical profit tax expense and the actual current profit tax expense (calculated based on tax accounts) amounted to RR 83 580 359 (in 2003 – RR 116 033 631). Taxable temporary differences utilized in the reporting year amounted to RR 387 018 (in 2003 – RR 2 051 149).

Taxable temporary differences arise from:

- longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes;
- re-measurement of financial investments the market value of which is determinable.

Other taxes

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

	Revenue recognition for accounting purposes	Revenue recognition for tax purposes	Difference
Value added tax	124 159 754	133 032 381	(8 872 627)
Excise	8 142 808	25 004 009	(16 861 201)

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Outstanding deferred VAT and deferred excise tax were RR 14 301 606 and RR 38 302 156 as of 31 December 2004 and 2003, respectively. Deferred taxes related to receivables due for payment beyond 12 months of the reporting date were recorded in line 520 «Other non-current liabilities» of the balance sheet and amounted to RR 610 118 and RR 902 931 as of 31 December 2004 and 2003, respectively.

13. SALES OF GOODS, WORK AND SERVICES

	Year ended 31 December	
	2004	2003
Gas sales:		
Russia	258 469 523	195 796 383
outside Russia,	448 140 993	427 731 890
including far abroad countries	394 097 944	383 683 156
	706 610 516	623 528 273
Revenue from leasing of assets	107 280 540	98 308 748
Revenue from sale of gas transportation services	32 147 692	30 928 321
Revenue from sale of gas condensate and refined products	40 387 689	27 013 170
Other	804 237	834 468
Total	887 230 674	780 612 980

The 13 % increase in gas sales was principally the result of higher gas prices in Russia, due to increases in inter-group tariffs following the increase in prices set by the Federal Tariffs Service (FTS) and due to increased volumes sold outside Russia.

Revenues from the sale of gas transportation services include services provided to the Itera Group in the amount of RR 5 980 000 (16.8 bcm) and RR 7 483 326 (31,7 bcm) and to Eural Trans Gas in the amount of RR 12 579 039 (34.6 bcm) and RR 13 247 843 (34,9 bcm) for years ended 31 December 2004 and 2003, respectively.

The Itera Group is a producer and distributor of gas in the Russian Federation and other former Soviet Union countries. Eural Trans Gas, incorporated in Hungary, is engaged in purchasing gas from Central Asia for resale to customers in Europe.

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

	Year ended 31 December	
	2004	2003
Purchase cost of gas, including gas sold		
in Russia	94 626 133	63 188 640
outside Russia	59 278 053	35 872 371
including far abroad countries	41 884 618	27 562 702
	<u>153 904 186</u>	<u>99 061 011</u>
Gas transportation costs, including:		
in Russia	147 558 639	134 019 979
outside Russia	198 760 366	175 687 654
including far abroad countries	168 902 836	154 400 755
	<u>346 319 005</u>	<u>309 707 633</u>
Cost of asset leasing services	98 418 076	92 642 792
Cost of gas transportation services	38 275 255	36 261 941
Cost of purchased gas condensate, oil products and their refinery and transportation	26 327 036	26 127 711
Cost of other sales	1 353 455	1 109 665
Total	664 597 013	564 910 753

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

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15. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December			
	2004		2003	
	Income	Expenses	Income	Expenses
Sale of foreign currency	672 655 902	672 747 714	664 970 848	665 975 850
Movement of securities, including promissory notes	28 855 462	27 931 242	25 268 983	25 213 419
Sale and other disposal of other assets	1 332 452	2 819 318	199 134	169 424
Debt transfer related to accounts receivable due from NAK Naftogaz Ukraine (see Note 8)	36 399 973	47 479 410	-	-
Accounts receivable impairment provision	35 376 869	-	3 309 959	-
Investment impairment provision (see Note 7)	10 274 042	678 457	146 712	4 751 688
Revaluation of investments to market value	5 970 499	-	44 130	-
Other	413 814	14 682 910	830 223	9 092 913
Total	791 309 012	766 339 051	694 769 989	705 203 294

Income from the release of accounts receivable impairment provision includes income of RR 36 003 525 from the release of the provision for accounts receivable due from NAK Naftogaz Ukraine (see Note 8) less deferred excise of RR 3 724 087.

The release of the investment impairment provision in 2004 primarily relates to the re-measurement by the Company of the estimated value of short-term promissory notes of non-core companies (see Note 7).

In 2004, the line «Revaluation of investments to market value» includes income of RR 5 558 209 from the revaluation of the Company's interest in AO Lietuvos Dujos (see Note 17).

16. PROFIT PER SHARE

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

There were 23 673 513 thousand weighted average common shares outstanding during the years ended 31 December 2004 and 2003, respectively.

As of the beginning and end of the reporting period the Company did not have any dilutive potential securities and therefore the diluted profit per share is the same as the basic profit per share.

17. RELATED PARTIES
Principal subsidiaries, 100 % owned by OAO Gazprom:

000 Astrakhangazprom	000 Informgaz	000 Severgazprom
000 Bashtransgaz	000 IRTs Gazprom	000 Liquefied gas
000 Burgaz	000 Kavkaztransgaz	000 Surgutgazprom
000 VNIlgaz	000 Kaspiygazprom	000 Surgutstroygaz
000 Volgogradtransgaz	000 Kubangazprom	000 Tattransgaz
000 Volgotransgaz	000 Lentransgaz	000 Tomsktransgaz
000 Gazkomplektimpex	000 Mezhrregiongaz	000 TyumenNilgiprogaz
000 Gaznadzor	000 Mostransgaz	000 Tyumentransgaz
000 Gazobezопасnost	000 Nadymgazprom	000 Uraltransgaz
000 Gazsviaz	000 Nadymstroygazdobytcha	000 Urengoygazprom
000 Gazflot	000 Novourengosky GCC	000 Yugtransgaz
000 Gazexport	000 Noyabrskgazdobytcha	000 Yamburggazdobytcha
Gazprom-Finance B.V.	000 Orenburggazprom	ZAO Yamalgazinvest
000 Gazpromavia	000 Permtransgaz	
000 Gazprominvestholding	000 Samaratransgaz	

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

Other significant subsidiary companies of ОАО Gazprom:

Company	% of interest	Type of activity	Location
ОАО Gazpromtrubinvest	99,4	Manufacture of pipes	Russia
ООО Gaztorgpromstroy	99,0	Trading	Russia
АВ Gazprombank (ZАО)	87,5	Banking	Russia
ОАО Gazprom-Media	85,8	Media investments	Russia
ОАО Zapsibgazprom	76,7	Production of gas	Russia
ОАО Volgogradneftemash	51,5	Manufacture of oil and gas refinery equipment	Russia
ОАО Vostokgazprom	99,9	Production of hydrocarbons	Russia
ОАО Gazenergосervice	51,0	Repair of equipment	Russia
ОАО Spetsgazavtотrans	51,0	Transportation services	Russia
ZАО Stimul	61,8	Production, processing and refinery of oil	Russia
ZАО Kaunasskaya power station	99,5	Production and distribution of electric power	Lithuania
ОАО Tsentrغاز	99,9	Construction	Russia
ОАО АК Sibur	50,7	Production and sale of petrochemical products	Russia
ОАО Gazavtomatika	49,6	Science	Russia

In 2004 ОАО Kostromatrubinvest was renamed ОАО Gazpromtrubinvest.

In April 2004 the Company purchased 2 275 000 newly issued additional ordinary shares of ОАО Vostokgazprom for RR 1 000 per share as a result of which its interest in the share capital of ОАО Vostokgazprom increased from 51,0 % to 99,9 %. The above issue was registered by the Federal Service for Financial Markets in May 2004.

In 2004 the Company acquired a 61,8 % interest in the share capital of ZАО Stimul, a production company, which holds the license for the development of the Eastern part of the Orenburg oil and gas condensate deposit.

In July 2004 the Group sold a 49,98 % interest in its subsidiary insurance company ОАО Sogaz for RR 1 690 075. As a result of the transaction the Company decreased its interest in the charter capital of ОАО Sogaz from 53,75 % to 3,77 %.

In November 2004 under the agreement between the Company and ООО Investment Financial Company Metropol the Company acquired a 99,99 % interest in the share capital of ООО GazpromPurInvest for RR 2 641 293. ООО GazpromPurInvest is the only shareholder of ООО Purgazdobycha who holds a license for the development of Zapadno-Tarkosalinsky field in Western Siberia.

Major associated companies of ОАО Gazprom:

Company	% of interest	Type of activity	Location
АО Moldovagaz	50,0	Transportation and sale of gas	Moldova
АО Slovrusgaz	50,0	Sale of gas	Slovakia
Blue Stream Pipeline Company B.V.	50,0	Construction and gas transportation	Holland
EuRoPol Gaz s.a.	48,0	Transportation and sale of gas	Poland
ZАО Armrosgazprom	45,0	Sale of gas	Armenia
АО Turusgaz	45,0	Sale of gas	Turkey
ZАО KazRosGaz	50,0	Transportation and sale of gas	Kazakhstan
ZАО Rosshelf Company	35,6	Production of gas	Russia
ZАО Stella Vitae	30,0	Transportation and sale of gas	Lithuania
АО Gazum	25,0	Sale of gas	Finland
АО Lietuvos Dujos	37,1	Transportation and sale of gas	Lithuania
АО Latvias Gaze	25,0	Transportation and sale of gas	Latvia

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Other associated companies

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

In March 2004 the Company acquired a 34,0 % interest in AO Lietuvos Dujos from the State Property Fund of Lithuanian Republic for RR 1 019 915 (USD 36 million or 100 million Lithuanian Litas). In November 2004 the Company acquired 57 949 232 newly issued shares of AO Lietuvos Dujos at their nominal value of 1 Lithuanian Litas per share and thus increased its interest in AO Lietuvos Dujos to 37,1 %.

The Company has direct or indirect (via its subsidiaries) interests in the above companies. In addition, the Company has its representatives in the Board of Directors and therefore exercises significant influence over their operations. These companies, except for OOO Neftekhinleasing, OAO Sibur-Tyumen and OAO Stroytransgaz, are involved in gas transportation and gas sale on the territory of the countries where they are registered.

Related party transactions

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

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

In the reporting period the Company sold gas to its subsidiaries and associated companies. The Company also sold gas, gas condensate and refinery products through its subsidiary companies.

Gas is sold to the subsidiary companies at inter-group tariffs and at FTS prices.

Gas is sold to the principal associated companies and other related parties, except for AO Moldovagaz, on the basis of long-term contracts, at market prices based on world oil and gas prices. Gas prices per thousand cubic meters ranged from USD 78 to USD 194 in 2004 and from USD 78 to USD 147 in 2003. Gas is sold to AO Moldovagaz based on annual contracts with fixed prices.

During 2004 and 2003 the Company supplied gas to the principal associated and other related companies for RR 126 842 217 and RR 84 436 707 (net of VAT, excise, custom duties and similar payments), respectively.

As of 31 December 2004 and 2003 the amounts due from the principal associated and other related companies to the Company totaled RR 63 773 830 and RR 57 829 722, respectively. Amounts due from AO Moldovagaz are presented net of a doubtful debt provision of RR 17 208 990 and RR 16 721 156 as of 31 December 2004 and 2003, respectively.

In addition, the Company purchased gas transportation services from certain associated companies (both, directly and via the commissioner OOO Gazexport), mainly from EuRoPol Gaz s.a., that totaled RR 17 793 217 and RR 20 423 441 for 2004 and 2003, respectively. The cost of these services was based on the prices of gas sold to these companies.

In the normal course of business, the Company enters into transactions with OAO Stroytransgaz for the construction of pipelines in Russia based on the results of tenders. During 2004 and 2003 transactions with OAO Stroytransgaz were entered into under contracts which had been executed by certain prior members of the Board of Directors who at that time, together with close members of their families, owned significant interests in OAO Stroytransgaz.

During 2004 and 2003 OAO Stroytransgaz completed construction and assembling work for the Company for RR 64 003 and RR 703 114, respectively. Accounts payable to OAO Stroytransgaz amounted to RR 470 765 and RR 423 628 as of 31 December 2004 and 2003. In addition, as of 31 December 2004 and 2003 the Company has an investment of RR 588 958 under a partnership agreement with OAO Stroytransgaz.

GAZPROM
EXPLANATORY NOTES TO THE 2004 ACCOUNTING REPORTS
(in thousands of Roubles)

The amount of guarantees issued by the Company on behalf of its related parties totaled RR 65 677 816 and RR 57 634 816 as at 31 December 2004 and 2003, respectively (see Note 18).

Remuneration to senior management and directors

In 2004 and 2003 the Company paid remunerations to members of the Board of Directors within the limits approved by the annual general meeting of shareholders, and wages and remuneration to Management Committee as per their contracts, amounting to approximately RR 321 165 and RR 222 531, respectively.

18. CONTINGENCIES

Contingencies in respect of guarantees issued

	31 December	
	2004	2003
Guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V.	46 803 039	51 687 478
Interconnector UK Ltd.	30 523 570	32 399 950
OOO Interprokom	-	1 295 350
EuroPolGaz s.a.	5 602 909	5 947 338
OOO Neftekhimleasing	5 560 239	6 012 745
Itera Group companies	-	1 731 253
Albustan Investments Ltd.	-	2 395 936
Other	7 916 493	9 026 006
Total	96 406 250	110 496 056

In 2004 OOO Interprokom, Itera Group and Albustan Investments Ltd. notified the Company that they fulfilled their obligations under contracts guaranteed by the Company. Therefore, the Company's obligations under the above guarantee contracts were terminated as of 31 December 2004.

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

The management expects that the Company will have to pay some of its obligations under guarantees issued. In this connection as of 31 December 2004 the guarantees issued were provided for by the Company for RR 3 115 380. As of 31 December 2003 no provision was created as the Company did not view the probability of paying the obligations as high.

Operating environment

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

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

Legal proceedings

The Group is a party to certain legal 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. Management believe, 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 Company.

ОАО ГАЗПРОМ
EXPLANATORY NOTES TO THE 2004 ACCOUNTING REPORTS
(in thousands of Roubles)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. As at 31 December 2004 management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency and customs positions will be sustained.

19. POST BALANCE SHEET EVENTS

Credits and loans

In February 2005 the Company issued RR 5 000 000 documentary bonds due 2010 at an interest rate of 8,22 %.

Investments

In January 2005 the Company acquired a further 9 % interest in AO Latvias Gaze from OOO Itera Latvia for USD 58 million thus increasing its interest to 34 % + 1 share.

In March 2005 the Company acquired a further 42 % interest in ZAO Sevmorneftegaz from NK Rosneft-Purneftegaz for RR 31 334 575 thus increasing its interest to 50 %.

Fixed assets revaluation

In 2003 the Company entered an agreement with an independent appraiser Ernst & Young (CIS) Limited for the revaluation of the Company's fixed assets to be recorded as of 1 January 2005. The prior revaluation of fixed assets was performed as of 1 January 2001. The Company believes that the revaluation of its fixed assets as of 1 January 2005 will result in a significant increase in the current (replacement) value of the fixed assets.

Taxation

From 1 January 2005 the following changes in tax legislation became effective and may impact the financial position and financial results of Company:

- zero VAT rate became effective for sales of natural gas and gas condensate to certain CIS countries;
- excise tax rates for certain oil products increased;
- new scale of Unified Social Tax (UST) rates.

Management is currently not able to quantify the effect of the changes in tax legislation but estimates that they will likely result in an increased tax burden in 2005.

Chief Executive Officer



A.B. Miller

Chief Accountant



E.A. Vasilieva

30 March 2005

**STATUTORY CONSOLIDATED FINANCIAL (ACCOUNTING) REPORTS OF OAO «GAZPROM»
PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS**

AUDIT REPORT
on statutory consolidated financial (accounting) reports

To the shareholders of Open Joint Stock Company Gazprom:

Auditor ZAO PricewaterhouseCoopers Audit

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

Audit license № E000376 issued by the Ministry of Finance of the Russian Federation on 20 May 2002.
The license is valid until 20 May 2007.

Client

Open Joint Stock Company Gazprom

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

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

AUDIT REPORT
on statutory consolidated financial (accounting) reports
of Open Joint-Stock Company «Gazprom»

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bld. 5
115054 Moscow
Russia
Telephone +7 (095) 967 6000
Facsimile +7 (095) 967 6001

To the shareholders of Open Joint Stock Company Gazprom:

1. We have audited the attached statutory consolidated financial (accounting) reports of Open Joint Stock Company Gazprom (OAO Gazprom) and its subsidiaries for the period from 1 January up to 31 December 2004. The statutory consolidated financial (accounting) reports comprise the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in the Shareholders' Equity, the Consolidated Statement of Cash Flow and the Notes to the consolidated financial (accounting) reports (together, the «statutory consolidated financial (accounting) reports»). These statutory consolidated financial (accounting) reports were prepared by the management of OAO Gazprom in accordance with the Russian legislation in the area of consolidated reporting. Such statutory consolidated financial (accounting) reports differ to a significant extent from those prepared in accordance with International Financial Reporting Standards.

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

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

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

4. In our opinion, the statutory consolidated financial (accounting) reports attached to this opinion have been properly prepared to present in all material respects the financial position of OAO Gazprom and its subsidiaries as of 31 December 2004 and the results of their operations for the period from 1 January through 31 December 2004 in accordance with the Russian legislation in the area of consolidated reporting.

AUDIT REPORT

5. Without qualifying our opinion, we draw your attention to Note 23 to the attached 2004 statutory consolidated financial (accounting) reports of OAO Gazprom, where it is stated that OAO Gazprom completed and recorded the revaluation of its fixed assets as of 1 January 2005 in the financial (accounting) reports for the first quarter of 2005. The previous revaluation of fixed assets of OAO Gazprom was performed and recorded as of 1 January 2001.

19 May 2005

Director of ZAO

Statutory Auditor
Certificate K013014
for general audit
termless



J.C. Gross

V.Y. Sokolov

GAO GAZPROM
CONSOLIDATED BALANCE SHEET as of 31 December 2004
(in million Roubles)

Note	ASSETS	As of 1 January 2004	As of 31 December 2004
	I. NON-CURRENT ASSETS		
19	Intangible assets, including:	37 624	47 021
	goodwill on subsidiaries	36 594	45 171
5	Fixed assets, including:	1 442 192	1 492 640
	buildings, constructions, machinery and equipment	1 422 398	1 472 252
6	Construction in progress	308 623	369 799
7, 19	Long-term financial investments, including:	133 607	141 719
	investments in subsidiaries	30 077	24 148
	investments in associates	24 367	47 852
	investments in other companies	4 085	2 207
	loans issued to companies beyond 12 months	17 885	18 402
	other long-term financial investments	57 193	49 110
13	Deferred tax assets	16 662	15 199
	Other non-current assets	21 194	27 947
	TOTAL Section I	1 959 902	2 094 325
	II. CURRENT ASSETS		
	Inventories, including:	136 418	152 925
	materials and other inventories	65 473	68 755
	work in progress	3 254	4 226
	finished goods and goods for resale	60,957	71 360
	goods dispatched	1 187	1 421
	expenses related to future periods	5 547	7 163
	Value added tax on purchased goods	85 909	96 871
8	Accounts receivable (payment expected beyond 12 months of the reporting date), including:	42 710	67 968
	buyers and customers	22 339	21 086
	promissory notes, bills of exchange receivable	1 649	1 101
	advances paid	-	28 259
	other accounts receivable	18 722	17 522
8	Accounts receivable (payment expected within 12 months of the reporting date), including:	269 496	330 240
	buyers and customers	130 389	150 014
	promissory notes, bills of exchange receivable	4 398	2 288
	advances paid	41 197	55 531
	other accounts receivable	93 512	122 407
9	Short-term financial investments, including:	67 267	56 520
	loans issued to companies due within 12 months	5 314	5 950
	other short-term financial investments	61 953	50 570
10	Monetary assets, including:	93 974	113 869
	cash on hand	31	135
	rouble bank accounts	26 045	45 990
	non-rouble bank accounts	23 270	42 608
	other monetary assets	44 628	25 136
	Other current assets	1 085	545
	TOTAL Section II	696 859	818 938
4	TOTAL ASSETS	2 656 761	2 913 263

ОАО ГАЗПРОМ
CONSOLIDATED BALANCE SHEET as of 31 December 2004
 (in million Roubles)

Note	EQUITY AND LIABILITIES	As of 1 January 2004	As of 31 December 2004
11	III. EQUITY AND RESERVES		
	Charter capital	118 368	118 368
	Treasury shares	(14 299)	(17 178)
	Additional capital	1 275 820	1 282 591
	Legal reserves, including	15 797	21 046
	reserves and provisions formed in accordance with legislation	8 694	8 747
	reserves formed in accordance with foundation documents	7 103	12 299
2	Special purpose financing	898	974
	Retained earnings	468 539	649 713
5	Social government fund	7 299	6 751
	TOTAL Section III	1 872 422	2 062 265
	Minority interest	8 473	8 006
	IV. NON-CURRENT LIABILITIES		
12	Borrowings, including	275 661	397 760
	bank borrowings due for repayment beyond 12 months of the reporting date	230 620	275 470
	other borrowings due for repayment beyond 12 months of the reporting date	45 041	122 290
13	Deferred tax liabilities	62 059	79 630
13, 14	Other non-current liabilities	41 017	11 028
	TOTAL Section IV	378 737	488 418
	V. CURRENT LIABILITIES		
12	Loans and borrowings, including:	144 329	84 505
	loans due for repayment within 12 months of the reporting date	34 860	19 758
	borrowings due for repayment within 12 months of the reporting date	3 836	2 088
	current portion of loans and borrowings due for repayment beyond 12 months of the reporting date	105 633	62 659
	Accounts payable, including:	224 798	244 049
	suppliers and contractors	73 956	108 926
	promissory notes, bills of exchange payable	14 326	23 960
	salaries payable	5 485	4 320
	payable to state non-budget funds	1 890	1 206
	payable to budget	38 353	35 544
	advances received	3 559	3 705
13	other accounts payable	87 229	66 388
	Dividends payable	45	91
	Income of future periods	1 860	1 878
	Provisions for future expenses and payments	26 097	24 051
	TOTAL Section V	397 129	354 574
	TOTAL EQUITY AND LIABILITIES	2 656 761	2 913 263

Chairman of the Management Committee



Chief Accountant





A.B. Miller

E.A. Vasilieva

ОАО ГАЗПРОМ
CONSOLIDATED STATEMENT OF INCOME
for the year ended 31 December 2004
(in million Roubles)

Note		For 2004	For 2003
	INCOME FROM AND EXPENSES ON ORDINARY ACTIVITIES		
4, 15	Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	1 010 698	840 391
4, 16	Cost of goods, products, works and services sold	(637 954)	(499 019)
4, 16	Commercial expenses	(320)	(503)
4, 16	Management expenses	(64 679)	(51 312)
	Gross profit from sales	307 745	289 557
	OTHER INCOME AND EXPENSES		
	Interest income	4 221	3 787
	Interest expense	(31 261)	(31 471)
	Income from investments in other companies	666	1 121
17	Other operating income	904 234	814 887
17	Other operating expenses	(902 489)	(835 462)
18	Non-operating income	80 394	81 819
18	Non-operating expenses	(94 426)	(83 655)
	Capitalized profit of associates	14 544	10 705
	Extraordinary income	684	134
	Extraordinary expenses	(772)	(157)
	Profit before profit tax	283 540	251 265
13	Deferred tax assets	(305)	(988)
13	Deferred tax liabilities	(16 675)	(28 000)
13	Current profit tax	(55 868)	(41 565)
13	Other similar payments	(7 598)	(7 102)
	Net profit of the reporting period before minority interest	203 094	173 610
	Minority interest	(2 408)	(2 733)
	Net profit of the reporting period	200 686	170 877
	FOR REFERENCE:		
	Non-temporary tax liabilities	5 338	10 375
21	Basic profit per share (in roubles)	9,82	8,34

Chairman of the Management Committee



Chief Accountant

A.B. Miller

E.A. Vasilieva

ОАО ГАЗПРОМ
CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
For the year ended 31 December 2004
(in million Roubles)

Note	For 2004	For 2003
Balance at the end of the prior reporting period (Section III of the Consolidated Balance Sheet)	1 872 378	1 759 572
Change in opening balance	44	(45 492)
Balance at the beginning of the reporting period (Section III of the Consolidated Balance Sheet)	1 872 422	1 714 080
Increase of treasury shares	(2 879)	(4 461)
Increase of additional capital:	6 771	2 206
change in the Group structure and change of interest in subsidiaries	2 530	1 642
differences resulting from the translation of foreign investments	3 014	1 146
revaluation surplus upon disposal of revalued fixed assets	(259)	(583)
other movements	1 486	1
Increase of reserve capital	5 249	4 686
change in the Group structure and change of interest in subsidiaries	7	59
11 allocation from retained earnings	5 247	4 627
other movements	(5)	-
Decrease of retained earning of prior periods	(19 512)	(14 620)
change in the Group structure and change of interest in subsidiaries	145	(1 568)
revaluation surplus upon disposal of revalued fixed assets	259	583
dividends accrued	(14 672)	(8 459)
allocations to reserve fund	(5 247)	(4 627)
allocation to purpose financing funds	-	(549)
other movements	3	-
Retained earnings of the reporting year	200 686	170 877
Decrease of social government fund	(548)	(939)
5 social assets transferred to State authorities	(548)	(939)
Increase of special purpose financing	76	549
special purpose financing received	76	549
Balance at the end of the reporting period (Section III of the Consolidated Balance Sheet)	2 062 265	1 872 378

Chairman of the Management Committee



Chief Accountant





A.B. Miller

E.A. Vasilieva

ОАО ГАЗПРОМ
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended 31 December 2004
(in million Roubles)

Note	For 2004	For 2003
10		
Cash at the beginning of the reporting period	91 798	83 118
Cash provided by operating activities		
Total cash received, including:	1 194 625	963 149
sales of goods, products, works and services	1 131 079	934 728
sales of accounts receivable and other assets	39 858	2 588
advances received from buyers (customers)	4 219	4 213
other receipts	19 469	20 170
impact of changes in exchange rates on sales and purchases of currency	-	1 450
Total cash used, including:	(991 682)	(768 603)
payment for purchased goods (works, products, services)	(338 962)	(294 844)
wages, salaries and social payments	(127 382)	(88 625)
dividend and interest payments	(14 264)	(11 227)
settlements with budget	(410 075)	(306 626)
advances paid	(50 396)	(16 955)
interest payments for borrowings received	(27 110)	(25 058)
other payments	(23 382)	(25 268)
impact of changes in exchange rates on sales and purchases of currency	(111)	-
Net cash provided by operating activities	202 943	194 546
Cash flows used for investing activities		
Total cash received, including:	80 598	67 144
sale of fixed assets and other non-current assets	4 619	700
sale of securities and other financial investments	12 416	23 092
redemption of securities and other financial investments	37 428	24 458

ОАО ГАЗПРОМ
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended 31 December 2004
(in million Roubles)

Note	For 2004	For 2003
return of loans issued	14 229	10 237
other receipts	11 906	8 657
Total cash used, including:	(328 513)	(257 987)
acquisition of fixed assets and other non-current assets	(16 720)	(7 102)
acquisition of securities and other financial investments	(99 501)	(75 790)
construction in progress	(178 277)	(159 228)
loans given	(16 889)	(9 118)
other payments	(17 126)	(6 749)
Net cash used for investing activities	(247 915)	(190 843)
Cash flows provided by financing activities		
Total cash received, including:	326 905	240 443
borrowings received	321 023	231 394
sale of treasury shares	5 146	8 536
other receipts	736	513
Total cash used, including:	(260 626)	(233 540)
repayment of borrowings (net of interest)	(245 250)	(229 889)
purchase of treasury shares	(10 830)	(2 152)
other payments	(4 546)	(1 499)
Net cash provided by financing activities	66 279	6 903
Net increase of cash	21 307	10 606
10 Cash at the end of the reporting period	113 105	93 724
FOR REFERENCE:		
Impact of changes in exchange rates	(1 387)	(1 164)

Chairman of the Management Committee



Chief Accountant



A.B. Miller

E.A. Vasilieva

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

1. GENERAL INFORMATION

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

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

On average, the Group employed 388 714 and 383 031 people in 2004 and 2003, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Accounting principles

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

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

Basis of consolidation

The Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flow and the Notes to the statutory consolidated accounting reports (together, the «statutory consolidated accounting reports») comprise a consolidation of the statutory accounting reports of ОАО Газпром and the Group's principal subsidiaries and associates prepared in accordance with the methodology recommendations on preparing statutory consolidated accounting reports, approved by Order of the Ministry of Finance of the Russian Federation dated 30 December 1996 No. 112 («Order 112»).

With the exception of the Group's banking subsidiaries, all significant investments in wholly and partly owned subsidiary undertakings have been included in the statutory consolidated accounting reports in compliance with the consolidation methodology. Included on an equity basis are the results and net assets of associates, which are mainly gas distribution businesses in east and west European countries and Former Soviet Union countries.

As permitted under Order 112, the Group's banking subsidiaries have been accounted for on the basis prescribed for inclusion in the statutory consolidated accounting reports of investments in associates.

NPF Gazfund is a non-state pension fund controlled by the Group. NPF Gazfund is included in the statutory consolidated accounting reports in compliance with the consolidation methodology. Respectively the line «Special purpose financing» is included within section III «Equity and reserves» of the Consolidated Balance Sheet.

Assets and liabilities denominated in foreign currency

The official exchange rate of the Russian Rouble («RR») effective at the date of a transaction, was used to account for transactions made in foreign currency. Monetary assets and liabilities denominated in foreign currencies are recorded at amounts calculated based on the official exchange rate of the RR which equaled RR 27,7487 and RR 29,4545 for USD 1, and RR 37,8104 and RR 36,8240 for Euro 1 as of 31 December 2004 and 2003, respectively.

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

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

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

Current and non-current assets and liabilities

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

Goodwill of subsidiaries

Goodwill arising on the acquisition of subsidiary undertakings represents the difference between the carrying value of acquired investments and the nominal value of the shares at the date of their acquisition. Goodwill is depreciated over 20 years starting from the month following the month of acquisition.

Fixed assets

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

Fixed assets are recorded at historical or replacement cost net of depreciation accumulated for the period of their use.

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

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

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

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

The following assets are not depreciated:

- state social assets;
- fully depreciated assets that are still on the balance sheet;
- housing.

Construction in progress

Construction in progress includes, but without limitation to, completed fixed assets which have been put into operation but have not been properly registered in the State Register. Such assets are depreciated similarly to depreciation of fixed assets and in the consolidated accounting reports they are recorded at historical cost less accumulated depreciation. Although this practice represents a deviation from the estab-

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

lished procedure, the Group management believes that it ensures appropriate presentation of the Groups's property relations as the assets are used in practice and generate income to the Group.

Financial Investments

Investments are recorded at their historical cost, except for investments for which market value is determinable and investments for which impairment provision is created.

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

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

Investments for which no current fair market value is determinable are recorded on the statutory balance sheet as of the end of the reporting year at their carrying (book) value net of impairment provision related to assets for which there are indications as of the reporting date that the decline in their value is significant and non-temporary. The investment impairment provision is determined annually based on the stock taking results as of 31 December of the reporting year. In asserting the provision, the Group calculates the estimated value of investments based on available information and creates the investment impairment provision in the amount by which the carrying value of investments exceeds their estimated value. Total amount of provision expense is posted to operating expenses.

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

Inventories

Inventories are carried at the historic cost of purchase or production and expensed using the average cost method.

Gas in pipelines and underground storage produced and purchased but unsold as of the end of the reporting period, is presented in line «Finished goods and goods for resale» of the Consolidated Balance Sheet.

Transportation costs related to the transportation of natural gas on the territory of Russia and abroad are allocated between volumes of gas sold and gas in pipelines and underground storage as of the end of the reporting period.

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

Finished goods are carried at the historic cost of production less management expenses.

Management expenses

These expenses include general administrative costs which are expensed in full on a monthly basis.

Accounts receivable

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

Unsecured past due trade receivables are stated net of doubtful debt provisions. These provisions are based on the judgment of the Group management as to the extent the debts collectibility is doubtful. Doubtful debt provisions are charged against other operating expenses in the Consolidated Statement of Income.

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

Loans and borrowings received

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

Provisions for future expenses and payments

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

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

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

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

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

Deferred taxes

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

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

Revenue and other income recognition

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

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

3. CHANGES IN THE ACCOUNTING POLICIES AND COMPARATIVE AMOUNTS

Changes in the 2004 accounting policies

No changes have been made to the accounting policies of the Group for 2004, which can have a significant impact on the consolidated financial (accounting) reports.

Comparative amounts as of 1 January 2004

The 2004 opening balances have been formed by adjusting the 2003 closing balances to recognize the reclassification of the borrowing in connection with the placement of loan participation notes by the Group in September 2003 and the fixed assets revaluation made by OAO Vostokgazprom.

Note	Article	As of	Adjustment	As of
		31 December 2003		1 January 2004
5	Fixed assets	1 442 140	52	1 442 192
	Total assets	2 656 709	52	2 656 761
	Additional capital	1 275 165	655	1 275 820
	Retained earnings	469 150	(611)	468 539
	Minority interest	8 465	8	8 473

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Note	Article	As of 31 December 2003	Adjustment	As of 1 January 2004
	Bank borrowings, due for repayment beyond 12 months of the reporting date	267 444	(36 824)	230 620
	Other borrowings due for repayment beyond 12 months of the reporting date	8 217	36 824	45 041
	Total liabilities	2 656 709	52	2 656 761

Comparative amounts for 2003

Comparative data disclosed in the Consolidated Statement of Income for the year ended 31 December 2004 have been formed by adjusting the previous period Consolidated Statement of Income for the sales of Zarubezhgaz Erdgashandel GmbH (ZGG) (see Note 19) and reclassification of sales of materials by subsidiaries of the Group.

Article	For 2003	Adjustment	For 2004
Sales of goods, products, works and services (less value added tax, excise tax and other similar mandatory payments)	844 566	(4 175)	840 391
Cost of goods, products, works and services sold	(503 535)	4 516	(499 019)
Other operating income	821 017	(6 130)	814 887
Other operating expenses	(841 251)	5 789	(835 462)

In addition, the Consolidated Statement of Cash Flow has been adjusted for the reclassification of advances paid by Group subsidiaries for the acquisition of goods, works and services of capital nature and for new lines introduced.

Article	For 2003	Adjustment	For 2004
Cash provided by operating activities			
Payment for purchased goods (works, products, services)	(361 769)	66 925	(294 844)
Cash flows used for investing activities			
Construction in progress	(86 298)	(72 930)	(159 228)
Loans given	-	(9 118)	(9 118)
Other payments	(21 872)	15 123	(6 749)

In addition, certain comparative amounts in the notes to the accounting reports have been changed to ensure their comparability with the corresponding 2004 balances.

Changes in the 2005 accounting policies

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

4. SEGMENT INFORMATION

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

The following business segments are identified within the Group:

- Production – 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.

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	Production	Refining	Transport	Distribution	Other	Total
As of 1 January 2004						
Segment assets	414 807	92 183	1 393 272	245 001	216 215	2 361 478
Unallocated assets						390 118
Inter-segment elimination						(94 835)
Total assets						2 656 761
Segment liabilities	31 103	26 283	64 226	81 149	24 380	227 141
Unallocated liabilities						643 560
Inter-segment elimination						(94 835)
Total liabilities						775 866
	Production	Refining	Transport	Distribution	Other	Total
Capital expenditures for the period	91 056	9 447	70 311	5 044	10 500	186 358
Depreciation	20 215	2 766	74 885	1 552	3 810	103 228
Investments in associates and joint activity	6 311	1 883	5 105	11 092	18 952	43 343
As of 31 December 2004						
Segment assets	520 462	96 802	1 427 960	288 417	233 298	2 566 939
Unallocated assets						467 695
Inter-segment elimination						(121 371)
Total assets						2 913 263
Segment liabilities	41 244	20 492	90 988	105 331	33 917	291 972
Unallocated liabilities						672 391
Inter-segment elimination						(121 371)
Total liabilities						842 992
Capital expenditures for the period	101 021	11 057	100 200	9 127	11 077	232 482
Depreciation	22 561	3 361	78 218	1 540	4 602	110 282
Investments in associates and joint activity	-	1 748	12 088	15 049	32 832	61 717

Segment assets include primarily fixed assets, construction in progress, inventory, work in progress, accounts receivable and other current assets. Financial investments (excluding investments into unconsolidated subsidiaries, associates, other equity investments and joint activity) are not included in segment assets as they are not directly related to the reporting segments and the required allocation base is not available.

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

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

	Production	Refining	Transport	Distribution	Other	Total
For the year ended 31 December 2004						
Segment revenues						
Inter-segment sales	158 747	4 543	251 972	27 933	3 198	446 393
External sales	2 941	121 972	30 545	764 517	90 723	1 010 698

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	Production	Refining	Transport	Distribution	Other	Total
Total segment revenues	161 688	126 515	282 517	792 450	93 921	1 457 091
Segment expenses						
Inter-segment expenses	(4 054)	(8 156)	(31 504)	(402 679)	-	(446 393)
External expenses	(123 335)	(85 405)	(222 800)	(180 200)	(91 213)	(702 953)
Total segment expenses	(127 389)	(93 561)	(254 304)	(582 879)	(91 213)	(1 149 346)
Segment gross profit	34 299	32 954	28 213	209 571	2 708	307 745
For the year ended						
31 December 2003						
Segment revenues						
Inter-segment sales	102 058	4 927	224 459	25 207	5 406	362 057
External sales	4 351	92 180	28 226	643 118	72 516	840 391
Total segment revenues	106 409	97 107	252 685	668 325	77 922	1 202 448
Segment expenses						
Inter-segment expenses	(1 648)	(10 234)	(29 719)	(320 456)	-	(362 057)
External expenses	(71 233)	(72 357)	(195 297)	(137 012)	(74 935)	(550 834)
Total segment expenses	(72 881)	(82 591)	(225 016)	(457 468)	(74 935)	(912 891)
Segment gross profit	33 528	14 516	27 669	210 857	2 987	289 557

The inter-segment sales mainly consist of:

- Productionsale of gas to the Distribution segment and sale of hydrocarbons to the Refining segment;
- Refining.....sale of gas condensate, refined products and other hydrocarbons to other segments;
- Transport.....rendering transportation services to the Distribution segment; and
- Distributionsale of gas to the Transport segment for own needs.

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 2004 is primarily due to changes in internal transfer prices.

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

Information on sales data by certain geographical segments is presented in Note 15.

5. FIXED ASSETS

	Pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
As of 1 January 2003						
Cost	2 119 113	310 010	382 295	163 829	141 953	3 117 200
Accumulated depreciation	(1 105 886)	(237 954)	(287 205)	(40 793)	(59 815)	(1 731 653)
Net book value	1 013 227	72 056	95 090	123 036	82 138	1 385 547
Additions	39 310	13 541	42 697	30 190	37 674	163 412
Disposals	(39)	(4)	(583)	(2 016)	(949)	(3 591)
Depreciation	(62 202)	(11 319)	(16 695)	(5 259)	(7 753)	(103 228)

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	Pipelines	Wells	Machinery and equipment	Buildings and roads	Other	Total
Net book value as of 31 December 2003	990 296	74 274	120 509	145 951	111 110	1 442 140
Revaluation of fixed assets	1 230	-	(636)	(626)	84	52
Net book value as of 1 January 2004	991 526	74 274	119 873	145 325	111 194	1 442 192
As of 1 January 2004						
Cost	2 159 078	323 503	422 745	191 709	180 404	3 277 439
Accumulated depreciation	(1 167 552)	(249 229)	(302 872)	(46 384)	(69 210)	(1 835 247)
Net book value	991 526	74 274	119 873	145 325	111 194	1 442 192
Additions	42 035	20 987	43 158	36 026	25 178	167 384
Disposals	(86)	(80)	(124)	(4 127)	(2 237)	(6 654)
Depreciation	(63 746)	(11 789)	(19 063)	(6 398)	(9 286)	(110 282)
Net book value as of 31 December 2004	969 729	83 392	143 844	170 826	124 849	1 492 640
As of 31 December 2004						
Cost	2 200 999	344 065	463 456	223 444	202 906	3 434 870
Accumulated depreciation	(1 231 270)	(260 673)	(319 612)	(52 618)	(78 057)	(1 942 230)
Net book value as of 31 December 2004	969 729	83 392	143 844	170 826	124 849	1 492 640

Revaluation of fixed assets as of 1 January 2004 related to the revaluation of fixed assets in OAO Vostokgazprom (see Note 19), following an independent appraisal.

In 2004 the Group entities continued to transfer social assets vested to the Group at privatisation and recorded in the equity account «Social government fund» to municipal bodies. The assets of RR 548 and RR 939 were transferred in 2004 and 2003, respectively.

6. CONSTRUCTION IN PROGRESS

	As of 1 January 2004	As of 31 December 2004
Construction in progress	280 646	341 867
Equipment for installation	27 977	27 932
Total	308 623	369 799

In 2004 construction in progress activity primarily related to the development of the Zapolyarnoye and Pestsovoe gas condensate fields and Prirazlomnoye oil field, and construction of Northern district of Tyumen region – Torzhok pipeline.

The balance of construction in progress as of 31 December and 1 January 2004 includes assets constructed and put into operation in the amount of RR 138 275 and RR 113 098 (net of accumulated depreciation), respectively, subject to registration of title in the State Register, documents for which were not yet submitted.

7. LONG-TERM FINANCIAL INVESTMENTS

Investments in subsidiaries

Included in investments in subsidiaries of the Consolidated Balance Sheet are the Group's banking subsidiaries with the carrying value of RR 17 270 and RR 23 820 as of 31 December and 1 January 2004, respectively (see Note 2). The carrying amount of investments in subsidiary banks decreased primarily due to elimination of profit earned by NPF Gazfund on the sale of treasury shares to AB Gazprombank (ZAO) (see Note 11).

Investments in subsidiaries are stated net of an impairment provision in the amount of RR 16 839 and RR 16 155 as of 31 December and 1 January 2004, respectively (see Note 17). The impairment provision primarily relates to non-core investments.

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Investments in associates

Increase in investments in associates of the Consolidated Balance Sheet is principally due to acquisition of additional interest in OAO Mosenergo and consolidation of the Group's share in net income of SGT EuRoPol GAZ s.a. for 2004 (see Note 19).

Investments in associates are stated net of an impairment provision in the amount of RR 949 and RR 4 465 as of 31 December and 1 January 2004, respectively (see Note 17).

Investments in other companies

Investments in other companies in the Consolidated Balance Sheet are stated net of an impairment provision in the amount of RR 6 290 and RR 6 099 as of 31 December and 1 January 2004, respectively (see Note 17). The impairment provision primarily relates to non-core investments.

Loans issued to companies due beyond 12 months

Loans issued to companies include amounts due from WINGAS GmbH of RR 14 474 and RR 14 830 as of 31 December and 1 January 2004, respectively. The loan is due in 2007. In 2004 and 2003 average interest rate of this loan was 3,4 % and 4,4 %, respectively.

Loans issued to companies also include amounts due from OAO AKB National Reserve Bank in the amount of RR 1 942 and RR 2 062 as of 31 December and 1 January 2004, respectively. The loan is due in December 2006. In 2004 the loan bears an interest rate of 7 %.

Other long-term financial investments

Note	As of 1 January 2004	As of 31 December 2004
Joint activity, including:	18 976	13 865
19 ZAO Rosshelf and ZAO Sevmorneftegaz (developing of Arctic shelf in the Barents and Pechora Seas)	6 311	-
OAO Gazcom (development of a satellite communication system)	2 661	2 763
Other, including:	38 217	35 245
South Pars (gas condensate field in Iran)	15 013	12 739
Long-term deposits	12 548	11 902
Third party promissory notes	5 999	8 454
Total	57 193	49 110

8. ACCOUNTS RECEIVABLE

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

Accounts receivable from buyers and customers (payment expected beyond 12 months of the reporting date) in the Consolidated Balance Sheet primarily include amounts related to pipes supplied by OAO Gazprom to an associated undertaking, SGT EuRoPol GAZ s.a. (see Note 20), for construction of the Polish section of the Yamal-Europe pipeline. The long-term portion of the SGT EuRoPol GAZ s.a. debt was RR 8 578 and RR 8 371 as of 31 December and 1 January 2004, respectively.

Included in accounts receivable from buyers and customers of the Consolidated Balance Sheet as of 31 December and 1 January 2004 were long-term trade receivables for gas in the amount of RR 3 110 and RR 4 728, respectively.

As of 31 December 2004 «Advances issued (payment expected beyond 12 months of the reporting date)» include RR 27 749 for the advance made by OAO Gazprom to NAK Naftogaz Ukraine for future transit services.

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

The short-term portion of the SGT EuRoPol GAZ s.a. debt, included into accounts receivable from buyers and customers, was RR 1 743 and RR 2 093 as of 31 December and 1 January 2004, respectively.

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As of 31 December 2004 trade receivables from the Itera Group and Eural Trans Gas for gas and for gas transportation and storage services (net of amount of doubtful debt provision) amounted to RR 2 640 and RR 6 082 respectively (RR 3 067 and RR 2 971 as of 1 January 2004) (see Note 15).

In August 2004 the OAO Gazprom signed debt transfer agreements to settle RR 47 479 (including RR 36 922 of principal and RR 10 557 of interest and fines) of the accounts receivable due from NAK Naftogaz Ukraine for gas shipments made from 1997 – 2000, for RR 36 400. Also in August 2004, OAO Gazprom signed an addendum to the existing transit agreement, under which OAO Gazprom made an advance of RR 36 548 (USD 1 250 million) to NAK Ukraine for future transit services from 2005 – 2009.

As of 31 December 2003 an impairment provision of RR 36 004 was recorded for the principal amount of the accounts receivable due from NAK Naftogaz Ukraine. As a result of the above agreements the impairment provision was released. Income and expenses arising from the debt transfer as well as income from the impairment provision release were recognized and recorded within «Other Operating Income» and «Other Operating Expenses» of the Profit and Loss Account for the reporting period (see Note 17).

The net effect of the transactions on the Group's net profit in the year ended 31 December 2004 was a net profit of RR 24 001.

As of 31 December 2004 advances issued include RR 6 937 for the advance made to NAK Naftogaz Ukraine.

Accounts receivable from buyers and customers as of 31 December and 1 January 2004 are shown net of a doubtful debt provision of RR 44 378 and RR 78 983, respectively. The doubtful debt provision is stated net of deferred excise tax on natural gas of RR 3 537 and RR 7 345 as of 31 December and 1 January 2004, respectively.

Advances paid have increased primarily as a result of the advance made to NAK Naftogaz Ukraine and the impact of the full consolidation of the joint activity to develop the Pirazlomnoye and Shtokmanovskoye fields (see Note 19).

As of 31 December and 1 January 2004 included within other accounts receivable are settlements on claims issued and recognized and commercial penalties awarded in amount of RR 27 962 and RR 38 018, respectively, RR 9 077 and RR 8 479, respectively, of refundable taxes and RR 10 934 and RR 10 327, respectively, of advances in the form of promissory notes.

As of 31 December 2004 accounts receivable in the line «Other accounts receivable (payments expected within 12 months after the reporting date)» of the balance sheet included RR 31 335 of cash transferred to acquire a 42 % interest in ZAO Sevmoreftegaz (see Note 23).

As of 31 December and 1 January 2004 other accounts receivable are recorded net of a doubtful debt provision of RR 14 171 and RR 12 940, respectively. This provision was created principally in respect of a number of debts due to the Group arising from payments under guarantees previously issued as there is significant uncertainty about the debts future collectibility.

9. SHORT-TERM FINANCIAL INVESTMENTS

Loans issued to companies due within 12 months

As of 31 December and 1 January 2004 loans issued to companies due within 12 months of the Consolidated Balance Sheet included loan in the amount of RR 1 995 and RR 2 118 issued to OOO Fincom respectively. The loan is due in January 2005 and bears an interest rate of 5 %.

Also as of 31 December and 1 January 2004 loans issued to companies due within 12 months of the Consolidated Balance Sheet included loan in the amount of RR 1 387 issued to Northcote Holding Ltd. at an interest rate of 15 % per annum.

Loans issued to companies due within 12 months of the Consolidated Balance Sheet are stated net of an impairment provision in the amount of RR 407 and RR 1 656 as of 31 December and 1 January 2004, respectively (see Note 17).

Other short-term financial investments

As of 31 December and 1 January 2004, other short-term financial investments included promissory notes of RR 27 181 and RR 32 438, respectively.

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As of 31 December and 1 January 2004, other short-term financial investments are shown net of impairment provision in the amount of RR 2 820 and RR 819, respectively (see Note 17).

10. CASH FLOW

In accordance with the methodology recommendations on the procedures for preparing statutory accounting reports approved by Order of the Ministry of Finance of the Russian Federation dated 22 July 2003 No. 67n foreign currency cash balances and all foreign currency receipts and payments reported in the note on cash flows are restated using the exchange rates of the Central Bank of the Russian Federation effective at the end of the respective periods.

The Group maintained cash balances with its banking subsidiaries of RR 52 108 and RR 30 046 as of 31 December and 1 January 2004, respectively.

Included within other monetary assets in the Consolidated Balance Sheet are balances totaling RR 18 701 and RR 31 188, as of 31 December and 1 January 2004, respectively, which are restricted as to withdrawal under the terms of certain borrowings.

11. EQUITY AND RESERVES

ОАО Gazprom's charter capital amounts to RR 118 368 (23 674 million of fully paid shares with the nominal value of 5 roubles each) and did not change in 2004.

Treasury shares are recorded in the Consolidated Balance Sheet at their purchase cost. The number of treasury shares held by subsidiaries of the Group, excluding the banks, totals 3 169 million and 3 063 million as of 31 December and 1 January 2004, respectively. These balances include 864 million and 750 million treasury shares of ОАО Gazprom held by NPF Gazfund as of 31 December and 1 January 2004, respectively, and 1 144 million treasury shares held by the joint activity, in which the Group is the only participant as of 31 December and 1 January 2004, respectively. However, legally the shares of ОАО Gazprom held by the joint activity are not treasury shares of the Group.

As of 31 December and 1 January 2004 the Group's banking subsidiaries held 404 million and 778 million of the ordinary shares of ОАО Gazprom, respectively.

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

In accordance with the decision of the General shareholders meeting, based on the 2003 results of ОАО Gazprom, final dividends were accrued in the amount of 0,69 roubles per common share.

In 2004 and 2003 ОАО Gazprom did not make any contributions to the reserve fund as the target limit of the fund was reached (5 % of the charter capital).

12. BORROWINGS

Bank borrowings

Lender	Currency	Maturity	As of 1 January 2004	As of 31 December 2004
Morgan Stanley AG	US Dollar	2013	53 199	50 118
Deutsche Bank AG	US Dollar	2014	-	33 440
ABN AMRO	US Dollar	2010	-	29 886
Calyon	US Dollar	2010	-	28 173
Salomon Brothers AG	US Dollar	2009	21 039	19 821
Depfa Bank	US Dollar	2008	15 116	14 237
Salomon Brothers AG	US Dollar	2007	14 974	14 106
Mannesmann (Deutsche Bank AG)	Euro	2008	15 424	12 670
Credit Suisse First Boston	US Dollar	2005	-	11 245
ABN AMRO	US Dollar	2007	-	11 218
Intesa BCI	US Dollar	2007	16 423	10 030
Deutsche Bank AG	US Dollar	2011	-	9 815

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Lender	Currency	Maturity	As of 1 January 2004	As of 31 December 2004
Mitsuho Bank (Fuji Bank)	US Dollar	2010	8 816	8 224
Commerzbank AG	US Dollar	2009	2 950	7 969
SACE	US Dollar	2012	7 503	6 992
International banking consortium	Euro	2007	7 733	6 239
German banking consortium	Euro	2007	7 889	6 075
WestLB AG	US Dollar	2005	6 335	5 968
Deutsche Bank AG	US Dollar	2009	-	5 630
Deutsche Bank AG	US Dollar	2006	8 878	5 581
JP Morgan Chase Bank	US Dollar	2011	-	5 578
ABN AMRO	US Dollar	2008	-	5 569
OOO Vneshtorgbank	US Dollar	2005	-	4 101
Credit Suisse First Boston	US Dollar	2006	3 481	1 875
Credit Lyonnais SA	US Dollar	2005	32 556	-
Dresdner Bank AG	US Dollar	2005	20 070	-
OOO Sberbank RF	RR	2004	19 850	-
Bayerische Hypo-und Vereinsbank AG	US Dollar	2008	18 326	-
Societe Generale	US Dollar	2008	9 183	-
ABN AMRO	US Dollar	2004	8 964	-
Deutsche Bank AG	US Dollar	2004	8 870	-
Moscow Narodny Bank	US Dollar	2006	5 215	-
OOO Vneshtorgbank	US Dollar	2004	4 720	-
Bayerische Hypo-und Vereinsbank AG	Euro	2006	4 642	-
OOO Alfa Bank	US Dollar	2004	4 426	-
Other bank borrowings	Various	Various	43 134	35 240
Total bank borrowings			369 716	349 800
			As of 1 January 2004	As of 31 December 2004
Total bank borrowings including:				
due within 12 months of the reporting date			34 860	19 758
current portion of bank borrowings due for repayment beyond 12 months of the reporting date			104 236	54 572
due beyond 12 months of the reporting date			230 620	275 470
Total			369 716	349 800

As of 31 December and 1 January 2004 long-term borrowings of RR 147 634 and RR 154 858, respectively, were secured by gas sales to Western Europe.

As of 31 December and 1 January 2004 long-term bank borrowings included loans received in 2003 from Morgan Stanley AG in connection with the issuance of USD 1 750 million of Loan Participation Notes due 2013 with an interest rate of 9,625 %.

As of 31 December 2004 and 2003 long-term bank borrowings included loans from Salomon Brothers AG received in 2002 in connection with the issuance of USD 500 million of Loan Participation Notes due 2007 with an interest rate of 9,125 % and of USD 700 million of Loan Participation Notes due 2009 with an interest rate of 10,5 %. The USD 700 million Loan Participation Notes have a put option due 21 October 2005.

In 2004 interest rates on the long-term foreign currency denominated borrowings ranged from 2,6 % to 10,5 %. Similar rates for 2003 ranged 2,5 % to 13,3 %.

Interest rates on the short-term foreign currency denominated borrowings ranged from 2,8 % to 8,0 % and on rouble short-term borrowings from 3,5 % to 10,3 % in 2004. In 2003 these rates ranged from 4,3 % to 10,8 % on the short-term foreign currency denominated borrowings and from 8,8 % to 16,5 % on the rouble short-term borrowings.

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Other borrowings

Borrowing	Currency	Maturity	As of 1 January 2004	As of 31 December 2004
Loan participation notes issued in September 2003	Euro	2010	37 593	38 584
Structured export notes issued in July 2004	US Dollar	2020	-	35 740
Loan participation notes issued in April 2004	US Dollar	2034	-	33 801
A3 series Russian bonds, issued in February 2004	RR	2007	-	10 338
A2 series Russian bonds, issued in October 2002	RR	2005	5 071	5 098
A5 series Russian bonds, issued in October 2004	RR	2007	-	5 083
Other	Various	Various	7 610	3 821
Total			50 274	132 465
			As of 1 January 2004	As of 31 December 2004
Total other borrowings, including:				
due within 12 months of the reporting date			3 836	2 088
current portion of other borrowings due for repayment beyond 12 months of the reporting date			1 397	8 087
due beyond 12 months of the reporting date			45 041	122 290
Total			50 274	132 465

13. TAXATION

Profit tax

In accordance with the Tax Code of the Russian Federation, from 1 January 2002 the Group recognizes sales revenue for profit tax purposes on an accrual basis rather than a cash basis. In this connection the Group accrued transition period profit tax of RR 24 269 to be settled over a period up to five years. Of that amount, RR 6 592 and RR 6 545 were paid as due in 2004 and 2003, respectively, and recorded within other similar payments in the Consolidated Statement of Income. The payable of RR 3 610 is due in the next two years (including RR 1 807 due in 2005) and is recorded off-balance sheet.

In 2004 and 2003 theoretical profit tax determined based on accounting profit and statutory rates amounted to RR 67 389 and RR 60 117, respectively. According to the tax returns the profit tax in 2004 and 2003 included within line Current Profit Tax amounted to RR 55 868 and RR 41 565, respectively.

Non-temporary differences, which increase the taxable profit as compared to accounting profit, in 2004 and 2003 amounted to RR 97 032 and RR 89 997, respectively. The non-temporary differences principally arise from non-deductible expenses, such as social expenses, charitable donations and other non-production costs.

Non-temporary differences which decreased the taxable profit as compared to accounting profit amounted to RR 74 551 and RR 49 071 for 2004 and 2003, respectively. These non-temporary differences arise principally from non-taxable income, in particular income from the extinguishment of interest on restructured taxes payable as a result of compliance with the accelerated debt settlement schedule (see Note 14) and release of doubtful debt provision (see Note 8).

In 2004 and 2003 incurred deductible temporary differences which have decreased the taxable profit as compared to accounting profit amounted to RR 49 492 and RR 41 523, respectively.

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Deductible temporary differences incurred in 2004 principally arise from:

- longer useful lives of certain fixed asset items for tax purposes as compared to useful lives of these items for accounting purposes;
- geological and geophysical exploration, research and development and other expenses deductible for tax purposes later than for accounting purposes.

Deductible temporary differences settled in 2004 and 2003 totaled RR 50 189 and RR 45 669, respectively. Settlement of these differences in 2004 is principally due to the utilization of tax losses incurred by ОАО Gazprom in 2002 for which deferred tax asset was recognized.

In 2004 and 2003 taxable temporary differences that have increased the taxable profit as compared to accounting profit amounted to RR 85 707 and RR 121 622, respectively.

Deductible temporary differences settled in 2004 and 2003 totaled RR 50 189 and RR 45 669, respectively. Settlement of these differences in 2004 is principally due to the utilization of tax losses incurred by ОАО Gazprom in 2002 for which deferred tax asset was recognized.

In 2004 and 2003 taxable temporary differences that have increased the taxable profit as compared to accounting profit amounted to RR 85 707 and RR 121 622, respectively.

Taxable temporary differences which were incurred in 2004 and 2003 principally arise from:

- longer useful lives of certain fixed asset items for accounting purposes as compared to useful lives of these items for tax purposes;
- excess costs of storage included in the cost of finished goods that could not be deductible.

Taxable temporary differences settled in 2004 and 2003 totaled RR 15 463 and RR 4 926, respectively.

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

	For 2004	For 2003
Transition period profit tax	6 592	6 545
Other similar payments:		
Penalties	64	123
Interest and other taxes	892	403
Total paid and payable to budget	7 548	7 071
Total paid and payable to non-budget funds (penalties and interest)	50	31
Total	7 598	7 102

Value added tax and excise tax

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

Outstanding value added tax (VAT) and excise tax due from customers and ultimately payable to the budget are included within other accounts payable. The other accounts payable balance as of 31 December 2004 includes deferred VAT and excise tax of RR 45 026 and RR 2 326, respectively. As of 1 January 2004 other accounts payable include deferred VAT and excise tax of RR 52 138 and RR 15 835, respectively. Outstanding VAT and excise taxes related to receivables due for payment beyond 12 months of the reporting date are recorded in other non-current liabilities of the Consolidated Balance Sheet and amount to RR 2 840 and RR 3 164 as of 31 December and 1 January 2004, respectively.

14. OTHER NON-CURRENT LIABILITIES

As of 31 December and 1 January 2004 other non-current liabilities included RR 3 032 and RR 11 380, respectively, of restructured taxes payable to the federal budget. The long-term portion of restructured tax liabilities comprise various taxes, penalties and interest payable to the Russian Government which were previously past due and which were restructured following the application of Government Resolution dated 3 September 1999 № 1002. The Group's current restructuring agreements presume payments of outstanding restructured taxes

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over a period of ten years, in accordance with agreed payment schedules. Failure to pay the restructured taxes as they become due would result in reinstatement of the original liability.

During the years ended 31 December 2004 and 2003 having complied with the terms of the accelerated repayment schedules of such payables provided for by the Russian Government Regulation No. 1002 dated 3 September 1999, some of the Group's subsidiaries became eligible to extinguish major part of restructured tax interest and fines. The gain recorded upon extinguishment of restructured tax interest and fines is recorded in the Consolidated Statement of Income as a part of non-operating income in the amount of RR 6 998 and RR 7 073 for the years ended 31 December 2004 and 2003 (see Note 18).

In addition, other non-current liabilities include promissory notes payable beyond 12 months of the reporting date, in the amount of RR 363 and RR 19 928 as of 31 December and 1 January 2004, respectively.

Also, included in other non-current liabilities are payables of Sibur Group of RR 4 396 and RR 5 951 as of 31 December and 1 January 2004, respectively, restructured under the amicable agreements.

15. SALES OF GOODS, PRODUCTS, WORKS AND SERVICES

	For 2004	For 2003
Gas sales to customers (net of VAT, excise and other similar mandatory payments) in:		
Russia	250 445	187 612
Former Soviet Union countries (excluding Russia)	68 763	46 582
Europe	448 250	413 275
Net sales of gas	767 458	647 469
Sales of gas condensate and oil and gas products (net of VAT and excise)	121 972	92 180
Sales of gas transportation services (net of VAT)	30 545	28 226
Other sales (net of VAT)	90 723	72 516
Net sales	1 010 698	840 391

In 2004, net gas sales increased by 19 % as compared with 2003 primarily as a result of higher gas prices in Russia, following the increase in prices set by the Federal Tariff Service (FTS) and due to increased volumes sold in FSU and Europe.

Sales of gas condensate and oil and gas products increased primarily due to higher prices for such products and increased volumes of sales on the domestic market and due to the acquisition of controlling interests in additional petrochemical companies in the six months ended 31 December 2003 (see Note 19).

Sales of gas transportation services include services provided to the Itera Group in the amount of RR 5 980 (16,8 bcm) and RR 7 462 (31,7 bcm) years ended 31 December 2004 and 2003, respectively. The Itera Group is a producer and distributor of gas in the Russian Federation and other former Soviet Union countries.

The Group also had gas sales in the Russian Federation (net of VAT and excise tax) to companies of the Itera Group amounting to RR 6 657 (12,8 bcm) and RR 6 388 (15,5 bcm) for the years ended 31 December 2004 and 2003, respectively. Trade receivables in respect of gas sales to the Itera Group amounted to RR 1 079 and RR 1 694 as of 31 December and 1 January 2004, respectively.

In January 2003, the Group commenced gas transportation sales to Eural Trans Gas, which amounted to RR 12 579 (34,6 bcm) and RR 13 248 (34,9 bcm) for the year ended 31 December 2004 and 2003, respectively. Eural Trans Gas, incorporated in Hungary, was established to sell Central Asian gas to customers in Europe.

Other sales have increased primarily as a result of increased sales of materials to capital contractors, transportation services and the sale of other works, products and services.

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

	For 2004	For 2003
Staff costs	118 787	97 740
Depreciation and amortization	111 294	100 936
Gas transit costs	103 790	108 711
Materials	67 550	47 849
Purchased gas	66 387	23 986
Taxes other than income	61 731	24 514
Cost of goods for resale	44 853	30 981
Repairs and maintenance	43 834	36 535
Electricity	28 610	24 312
Insurance	12 247	9 351
Rent	6 083	3 685
Processing services	3 058	16 243
Other	34 729	25 991
Total cost of goods, products, works and services sold, commercial and management expenses	702 953	550 834

Staff costs and social expenses increased primarily due to an increase in average staff salaries and other compensation payments to employees, including vacation and bonus.

The natural resources production tax amounted to RR 57 615 and RR 19 538 for the year ended 31 December 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 340 roubles 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.

The increase of purchased gas was primarily related to increased volumes of purchases of gas, both in Central Asia and in Europe, for resale to customers in Western Europe and FSU, purchases of gas for sale in the United Kingdom and other European countries, and increase in gas purchases of OAO AK Sibur.

Cost of goods for resale increased primarily due to the increased level of operations of OAO AK Sibur in 2003 and acquisition of additional interests in a number of Russian petrochemical companies (see Note 19).

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

17. OTHER OPERATING INCOME AND EXPENSES

Notes	For 2004		For 2003	
	Income	Expenses	Income	Expenses
Sales and purchases of foreign currency	718 040	718 404	694 930	696 041
Transactions with securities, including promissory notes	89 718	86 231	89 497	82 201
8 Transfer of the Group claims to third parties	48 047	59 219	9 145	9 201
8 Doubtful debt provision	29 615	-	545	-
7, 9 Investment impairment provision	-	3 750	-	8 810
Other	18 814	34 885	20 770	39 209
Total	904 234	902 489	814 887	835 462

Income and expenses from the transfer of the Group claims to third parties for 2004 include RR 47 479 of settlement of the accounts receivable due from NAK Naftogaz Ukraine under debt transfer agreements for RR 36 400 (see Note 8).

Income from the release of accounts receivable impairment provision includes income of RR 36 004 from the release of the provision for accounts receivable due from NAK Naftogaz Ukraine (see Note 8) less deferred excise of RR 3 724.

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18. NON-OPERATING INCOME AND EXPENSES

	For 2004		For 2003	
	Income	Expenses	Income	Expenses
Reversal of fines and penalties payable to budget and non-budget funds	7 312		7 875	
Exchange differences	55 000	45 017	54 230	44 818
Social expenses		13 335		8 928
Profit and losses of previous years identified in the reporting period	7 156	8 371	8 965	7 362
Other	10 926	27 703	10 749	22 547
Total	80 394	94 426	81 819	83 655

Included within reversal of fines and penalties payable to budget and non-budget funds is income from the reversal of fines and penalties payable to budget in the amount of RR 6 998 and RR 7 073 recognized in 2004 and 2003, respectively. This income was recognized by subsidiaries from the reversal of restructured late payment interest accrued on tax liabilities as a result of meeting the terms of their accelerated debt settlement schedules (see Note 14).

19. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Principal subsidiaries, 100 % owned, as of 31 December 2004

All of the subsidiaries listed below are incorporated in the Russian Federation and are mainly involved in production, processing, transportation and sale of gas and hydrocarbon products.

000 Astrakhangazprom	000 Kaspygazprom	000 Sibur-PETF
000 Bashtransgaz	000 Kauchuk	000 Sibur-Tyumen
000 Belozerniy GPK	000 Kubangazprom	000 Sibur-Tyumen-Gaz
000 Burgaz	000 Lentransgaz	000 Sibur-Khimprom
000 VNIlgaz	000 Mezhrefiongaz	000 Stimul
000 Volgogradtransgaz	000 Mostransgaz	000 Surgutgazprom
000 Volgotransgaz	000 Nadymgazprom	000 Tattransgaz
000 Gazkomplektimpex	000 Nadymstroygazdobytcha	000 Tobolsk-Neftekhim
000 Gaznadzor	000 Nizhnevartovskiy GPK	000 Tollyattikauchuk
000 Gazobezopasnost	000 Novokuybishevsk petrochemical company	000 Tomsk petrochemical plant
000 Gazpromavia	000 Novourenyogovskiy GCC	000 Tomsktransgaz
000 Gazpromregiongaz	000 Noyabrskgazdobytcha	000 TyumenNIIgiprogaz
000 Gazpromstroyengineering	000 Nyagangazpererabotka	000 Tyumentransgaz
000 Gazpromtrans	000 Orenburggazprom	000 Uraltransgaz
000 Gazsvyaz	000 Permtransgaz	000 Uralsk tire plant
000 Gaztorgpromstroy	000 Podzemgazprom	000 Urengoygazprom
000 Gazflot	000 Purgazdobytcha	000 Khimprom
000 Gazexport	000 Samaratransgaz	000 Yugtransgaz
000 Gubkinskiy GPK	000 Severgazprom	000 Yuzhno-Balykiskiy GPK
000 Informgaz	000 Severneftegazprom	000 Yamalgazinvest
000 IRTs Gazprom	000 Liquified gas	000 Yamburggazdobytcha
000 Kavkaztransgaz	000 Sibur-Volzhskiy	

Certain other subsidiaries, 100 % owned, as of 31 December 2004

Company	Type of activity	Location
000 GazNeftoTrade	Investing	Russia
000 Gazprominvestholding	Investing	Russia
000 Gazprom-Media	Mass media management	Russia
Gazprom Marketing and Trading Ltd.	Gas distribution	Great Britain
Gazprom Finance B.V.	Investing	Netherlands
Gazprom UK Ltd.	Investing	Great Britain

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Company	Type of activity	Location
NPF Gazfund	Non-state pension fund	Russia
Zarubezhgaz Erdgashandel GmbH (ZGG)	Gas distribution	Germany
Zarubezhgaz Management und Beteiligungsgesellschaft mbH (ZMB)	Gas distribution	Germany
Leadville Investments Ltd.	Investing	Cyprus
OOO Neftekhim leasing	Investing	Russia
OOO Sibur-Europe	Trading	Russia
OOO Sibur-Russian-Tires	Trading	Russia
AO Tomskpolimerprom	Investing	Russia
ZAO Trading house Sibur	Investing	Russia

Other principal subsidiaries as of 31 December 2004

Note	Company	% of ordinary shares	Type of activity	Location
	AO Azot (Kemerovo)	75	Petrochemical products trading and refining	Russia
	Wintershall Erdgas Handelshaus GmbH (WIEH)	50	Gas distribution	Germany
	Wintershall Erdgas Handelshaus Zug AG (WIEE)	50	Gas distribution	Romania
	AO Volgogradneftemash	51	Production of oil and gas refinery equipment	Russia
	AO Volzhskiy air-nitrogen plant	51	Petrochemical products trading and refining	Russia
	AO Voltair	82	Petrochemical products trading and refining	Russia
	AO VoltairProm	82	Petrochemical products trading and refining	Russia
	AO Voronezhsintezkauchuk	75	Petrochemical products trading and refining	Russia
	AO Vostokgazprom	99	Production, processing and sale of gas and gas condensate	Russia
	AO Gazavtomatika	49	Research	Russia
2	AB Gazprombank (ZAO)	99	Banking	Russia
	OOO Gazprompurinvest	99	Investing	Russia
	AO Gazpromtrubinvest *	99	Production and sale of pipes	Russia
	AO Gazenergoservice	51	Equipment repairs	Russia
	ZAO Gerosgaz	51	Investing, consultancy	Russia
	AO Zapsibgazprom	77	Construction	Russia
	OOO Invest+	99	Investing	Russia
	ZAO Kaunasskaya power station	99	Production and distribution of electric power	Lithuania
	AO Krasnoyarskgazprom	75	Geology, geophysics	Russia
	AO Krasnoyarskiy ZSK	53	Petrochemical products trading and refining	Russia
	AO Omskshina	66	Petrochemical products trading and refining	Russia
	AO Permsky GPZ	50	Investing	Russia
	AO Plastic	64	Petrochemical products trading and refining	Russia
	ZAO Purgaz	51	Gas production	Russia
	ZAO Rosshelf	53	Investment in oil and gas fields	Russia
	ZAO Sevmorneftegaz	58	Oil and gas field development	Russia
	AO AK Sibur	99	Gas and petrochemical products trading and refining	Russia
	ZAO Sibur-Motors	99	Investing	Russia
	AO Sibur-Neftekhim	83	Petrochemical products trading and refining	Russia
	ZAO Sibur-Rezinotekhnika	99	Investing	Russia

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Note	Company	% of ordinary shares	Type of activity	Location
2	AKB Sovfintrade	94	Banking	Russia
	OAO Spetsgazavtotrans	51	Transport services	Russia
	OAO TV Company NTV	69	Television and radio broadcasting	Russia
	OOO TomskNeftekhim	93	Petrochemical products trading and refining	Russia
	OAO Uralorgsintez	67	Petrochemical products trading and refining	Russia
	OAO Tsentrgaz	99	Construction	Russia
	OAO Yaroslavy tire plant	75	Petrochemical products trading and refining	Russia

* In 2004 OAO Kostromatrubininvest was renamed into OAO Gazpromtrubininvest.

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 cash as a contribution into the equity of OAO Vostokgazprom in the amount of RR 2 275. 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 and related to 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 an additional 14,23 % interest in OAO AK Sibur, which was transferred to the Group in April 2004. The nominal value of a long-term promissory note issued by a subsidiary of OAO Gazprom in connection with this transaction was RR 669 as of 31 December 2004. As a result of this transaction, the Group increased its ownership interest to 92,3 %. Related to the previous acquisitions, in August 2004 the Group acquired a 100 % interest in OOO Triodecor, a shareholder of OAO AK Sibur, at the nominal value of RR 8,4 thousand paid in cash. As a result of the transactions from April 2003 to August 2004 the Group increased its controlling interest in OAO AK Sibur to 99,9 %.

In June and December 2004 the Group acquired an additional 12,8 % and 49,0 % interest, respectively, 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 100 %. The nominal value of shares of ZAO Stimul totals RR 81. 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.

In July 2004 the Group sold a 49,98 % interest in its subsidiary insurance company OAO Sogaz for RR 1 690. 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 %. As of 31 December 2004 a 19,03 % interest in OAO Sogaz was held on the balance sheet of AB Gazprombank (ZAO), investments in which are consolidated in accordance with consolidation rules prescribed for investments into associates (see Note 2).

In November 2004 the Group sold an 8,34 % interest in OAO Purneftegazgeologiya and simultaneously acquired a 99,99 % effective interest in OOO Purgazdobycha. OOO Purgazdobycha is a production company holding a license for the development of the Zapadno-Tarkosalinskoye gas field in Western Siberia.

Principal associates

Company	% of ordinary shares	Type of activity	Location
ZAO Armrosgazprom	45	Transportation and sale of gas	Armenia
ZAO Agrochemical corporation Azot	47	Sale of agricultural chemicals	Russia
WINGAS GmbH	35	Transportation and sale of gas	Germany
AO Gazum	25	Sale of gas	Finland
Gas und Warenhandelsgesellschaft GmbH	50	Sale of gas	Austria
Blue Stream Pipeline company B.V.	50	Construction, gas transportation	Netherlands
SGT EuRoPol GAZ s.a.	48	Transportation and sale of gas	Poland
ZAO KazRosGaz	50	Transportation and sale of gas	Kazakhstan
AO Latvias Gase	25	Transportation and sale of gas	Latvia
AO Lietuvos Dujos	37	Transportation and sale of gas	Lithuania
AO Moldovagaz	50	Transportation and sale of gas	Moldova
OAO Mosenergo	25	Electric power distribution	Russia
AO Overgaz Inc.	50	Sale of gas	Bulgaria
AO Panrusgaz	40	Sale of gas	Hungary
Progresgaz Trading Ltd	25	Sale of gas	Yugoslavia

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Company	% of ordinary shares	Type of activity	Location
AO Prometheus Gas	50	Foreign trade activity	Greece
AO Promgaz	50	Sale of gas	Italy
AO Slovrusgaz	50	Sale of gas	Slovakia
AO Sogaz	24	Insurance	Russia
ZAO Stella Vitae	30	Transportation and sale of gas	Lithuania
AO Stroytransgaz	26	Construction	Russia
AO Turusgaz	45	Sale of gas	Turkey
AO Fragaz	50	Sale of gas	France

In March 2004 the Group acquired a 34,0 % interest in AO Lietuvos Dujos from the State Property Fund of Lithuanian Republic for RR 1 020 (USD 36 million are equivalent to 100 million Lithuanian Litas). In November 2004 the Group acquired 57 949 232 newly issued shares of AO Lietuvos Dujos at their nominal value of 1 Lithuanian Litas per share and thus increased its interest in AO Lietuvos Dujos to 37,1 %.

In the three months ended 30 September 2004 the Group acquired an additional 6,48 % interest in OAO Mosenergo for RR 5 603 paid in cash increasing the Group's interest in OAO Mosenergo to 25,01 %. As a result of this acquisition the Group obtained significant influence over OAO Mosenergo. As of 31 December 2004 a 6,62 % interest in the charter capital of OAO Mosenergo was held on the balance sheet of AB Gazprombank (ZAO) investments in which are consolidated in accordance with consolidation rules prescribed for investments into associates (see Note 2). The Group's 18,39 % interest in OAO Mosenergo was recorded on the Group's balance sheet within investments in associated undertakings.

Joint activity established to develop Prirazlomnoye and Schtokmanovskoye fields

A joint activity was established to develop the Arctic shelf (Prirazlomnoye and Schtokmanovskoye fields) in the Barents and Pechora Seas. From inception we and ZAO Rosshelf, our 53 % owned subsidiary, had 99,1 % and 0,9 % direct interests in the joint activity, respectively. In October 2002 OAO Gazprom and its subsidiary ZAO Rosshelf signed an amendment to the joint activity agreement that provided for an additional participant – ZAO Sevmorneftegaz. ZAO Sevmorneftegaz was a company jointly controlled by ZAO Rosshelf and OAO NK Rosneft-Purneftegaz, a subsidiary of OAO NK Rosneft. Under the agreement, ZAO Sevmorneftegaz made a non-cash contribution assessed at RR 4 334 thus obtaining a 48,9 % interest in the joint activity. As a result of the transaction OAO Gazprom and ZAO Rosshelf have 48,7 % and 2,4 % direct interests in the joint activity, respectively, and our total effective interest decreased from 99,6 % to 62,9 %. In July 2003 all joint activity parties and OAO NK Rosneft signed an agreement to provide OAO NK Rosneft with a 49,95 % direct interest in the joint activity in recognition of its prior investments into the joint activity through OAO NK Rosneft-Purneftegaz. The effect of this transaction was to decrease the Group's total effective interest in the joint activity from 62,9 % to 48,85 %. In December 2004 the Group signed agreements and paid RR 6 291 in cash to acquire from OAO NK Rosneft its 49,95 % interest in the joint activity. In December 2004 the Group purchased from OAO NK Rosneft-Purneftegaz an 8,0 % interest in the share capital of ZAO Sevmorneftegaz of the nominal value of 80 thousand of roubles for RR 5 968 paid in cash. As a result of this transaction the Group increased its interest from 50,0 % to 58,0 %. As a result of these transactions the Group became the only participant in the joint activity and as of 31 December 2004 for accounting purposes assets and liabilities of the joint activity and ZAO Sevmorneftegaz were consolidated in the Group's balance sheet.

20. RELATED PARTIES

For the purpose of this statutory consolidated financial (accounting) reports, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by PBU 11/2000 «Related Party Disclosures».

During 2004 and 2003 the Group supplied gas to certain of its associates for RR 84 714 and RR 90 338, respectively.

Gas is sold to the above mentioned companies, except for AO Moldovagaz, on the basis of long-term contracts, at prices based on world oil and gas prices. Gas prices per mcm ranged from USD 78 to USD 188 in 2004 and from USD 80 to USD 147 in 2003. Gas is sold to AO Moldovagaz based on annual contracts with fixed prices. Prices of gas per mcm sold to AO Moldovagaz amounted to USD 80 in 2004 and 2003.

In 2004 and 2003 the Group purchased gas from ZAO KazRosGaz for RR 691 and RR 4 154 at USD 32 and USD 30 and per mcm, respectively.

In addition, the Group has purchased gas transportation services from certain associates, that amounted to RR 17 793 and RR 20 423 for 2004 and 2003, respectively. The cost of these services was determined based on prices of gas sold to these companies.

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As of 31 December and 1 January 2004 the amounts due to the Group from its associates, including SGT EuRoPol GAZ s.a. (see Note 8), totaled RR 22 045 and RR 41 109, respectively. As of 31 December and 1 January 2004, the Group's doubtful debt provision related to amounts due from AO Moldovagaz amounted to RR 17 209 and RR 16 721, respectively.

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

OAO Stroytransgaz rendered construction services for the Group in the amounts of RR 22 304 and RR 26 753 for the years ended 31 December 2004 and 2003, respectively. As of 31 December and 1 January 2004, the Group had advances and receivables due from OAO Stroytransgaz in the amounts of RR 5 670 and RR 2 039, respectively. As of 31 December and 1 January 2004, the Group had accounts payable to OAO Stroytransgaz in respect of construction of RR 10 343 and RR 11 102, respectively.

Remuneration to senior management and directors

In 2004 and 2003 OAO Gazprom paid to members of the Board of Directors and Management Committee remuneration (salary and bonuses) for the total amount of RR 363 and RR 243, respectively. The remuneration of members of the Board of Directors is subject to approval by the General shareholders meeting. Salary and bonus compensation paid to members of the Management Committee is determined by the terms of employment contracts.

21. PROFIT PER SHARE

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

The weighted average number of common shares outstanding for the years ended 31 December 2004 and 2003 amounted to 20 427 million and 20 490 million, respectively.

22. CONTINGENCIES

Guarantees issued

	As of 1 January 2004	As of 31 December 2004
Outstanding guarantees issued on behalf of:		
Blue Stream Pipeline Company B.V. (BSPC)	51 687	46 803
Interconnector (UK) Ltd.	32 400	30 524
NAK Naftogaz Ukraine	7 184	1 077
Eural Trans Gas	6 474	-
SGT EuRoPol GAZ s.a.	5 947	5 603
Albustan Investments Ltd.	2 396	-
Itera Group	1 731	-
OOO Interprokom	1 295	-
Other	6 091	6 633
Total	115 205	90 640

The Group is obligated to provide guarantees to BSPC, an associated undertaking, for credit facilities provided primarily by a group of Italian and Japanese banks to BSPC for the construction of the offshore portion of the Blue Stream pipeline. As of 31 December and 1 January 2004, BSPC had borrowed RR 34 325 and RR 36 170, respectively, of credit facilities which are guaranteed by the Group.

The Group provided guarantees on behalf of Interconnector (UK) Ltd in connection with equipment and fixed assets leased for the construction of the Interconnector gas pipeline linking the United Kingdom to the continental Europe. The Group has a 10 % interest in Interconnector (UK) Ltd.

In 2004 Eural Trans Gas, OOO Interprokom, Itera Group and Albustan Investments Ltd. notified the Group that they fulfilled their obligations under contracts guaranteed by the Group. Therefore, the Group's obligations under the above guarantee contracts were terminated as of 31 December 2004.

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Included within other guarantees are mainly guarantees issued by subsidiaries under contracts for purchasing equipment, construction and installation works. As of 31 December and 1 January 2004 this balance includes guarantees issued by OAO AK Sibur to third parties in the amount of RR 150 and RR 83, respectively.

Other guarantees issued

As of 31 December 2004 26,1 % of common shares and 15,5 % of preferred shares of OAO Stroytransgaz, held by the Group (see Note 19), were pledged as a guarantee of the loan received from OAO Vneshtorgbank.

Operating environment

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

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

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.

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

In 2004 the tax authorities commenced challenges to the Group's interpretation of the tax legislation in respect of natural resources production tax related to gas condensate, and in 2004 and 2005 issued several decisions resulting in additional natural resources production tax and associated penalties and interest in respect of certain of the Group subsidiaries. The management of the subsidiaries disagree with the decisions of the tax authorities in respect of additional natural resources production tax on stable gas condensate and associated penalties and interest, and are now defending their tax positions with regards to those decisions in court. Management is not able to estimate the range of potential additional taxes, interest and fines for the Group, if any, resulting from claims from the tax authorities.

23. POST BALANCE SHEET EVENTS

Investments

In September 2004 a decision was made to increase the interest of the State in the charter capital of OAO Gazprom by exchanging treasury shares, currently held by the Group. The Group management is continuing to evaluate alternative transactions which would satisfy the State's objective of increasing its direct equity interest in OAO Gazprom, in accordance with a Government initiative announced in the autumn of 2004. The Group management, together with the Government, have considered and continue to discuss different options for facilitating such an increase, including the use by the Government of immediately available funds to purchase for cash OAO Gazprom shares currently held by certain OAO Gazprom subsidiaries, which is the alternative that is preferred by OAO Gazprom.

At various times, other options under consideration have included a merger with, or acquisition by OAO Gazprom, by means of a share exchange, of certain companies in which the State owns shares, including OAO NK Rosneft, a large Russian oil producer that is 100 % owned by the Russian Federation. The Group management believe that any merger with, or acquisition of, Rosneft or any other State owned company by OAO Gazprom is unlikely. Depending on the nature and the terms of the consummation, a transaction may have a significant effect on the financial position or results of operations of the Group.

In January 2005 the Group acquired a further 9 % interest in AO Latvias Gaze from OOO Itera Latvia for USD 58 million thus increasing its interest to 34 % + 1 share.

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In March 2005 the Group acquired a further 42 % interest in ZAO Sevmorneftegaz from NK Rosneft-Purneftegaz for RR 31 335 thus increasing its interest to 100 %.

Loans and borrowings

In February 2005 the Group issued RR 5 000 documentary bonds due 2010 at an interest rate of 8,22 %.

In March 2005 the Group received SEK 152 million of borrowings from ING Bank N.V. due in 2014 at an interest rate LIBOR + 0,37 %.

In May 2005 the Group signed an agreement to receive a non-secured loan of USD 972 million syndicated by ABN AMRO. The loan will be provided in two tranches (USD 700 million due in 2008 and USD 272 million due in 2010), with annual interest rates of LIBOR+1,25 % and LIBOR+1,50 %, respectively.

Fixed assets revaluation

In 2003 the OAO Gazprom entered an agreement with an independent appraiser Ernst & Young (CIS) Limited for the revaluation of OAO Gazprom fixed assets to be recorded as of 1 January 2005. The prior revaluation of fixed assets was performed as of 1 January 2001. The revaluation resulted in a RR 937 091 increase of the net book value of the fixed assets as of 1 January 2005.

Taxation

From 1 January 2005 the following changes in tax and customs legislation became effective and may impact the financial position and financial results of the Group:

- natural resources production tax rate for natural gas changed from a fixed rate of 107 roubles per mcm to a fixed rate of 135 roubles per mcm;
- zero VAT rate became effective for sales of natural gas and gas condensate to certain CIS countries;
- excise tax rates for certain oil products increased;
- new scale of Unified Social Tax (UST) rates.

Management is currently not able to quantify the effect of the changes in tax legislation but estimates that they will likely result in an increased tax burden in 2005.

Chairman of the Management Committee



Chief Accountant

17 May 2005

A.B. Miller

E.A. Vasilieva