

ОАО ГАЗПРОМ

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

30 SEPTEMBER 2004

REVIEW REPORT

To the Shareholders of OAO Gazprom

1. We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 30 September 2004, the related consolidated interim condensed statement of income for the three and nine months then ended, and the related consolidated interim condensed statements of cash flows and of changes in shareholders' equity for the nine months then ended. This consolidated interim condensed financial information as set out on pages 3 to 21 is the responsibility of the Group's management. Our responsibility is to issue a report on this consolidated interim condensed financial information based on our review.
2. We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim condensed financial information is free of material misstatement. A review is limited primarily to inquiries of Group personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial information has not been properly prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".
4. Without qualifying the results of our review, we draw your attention to Note 22 to the consolidated interim condensed financial information. The Government of the Russian Federation is the principal shareholder of the Group and governmental economic and social policies affect the Group's financial position, results of operations and cash flows.
5. Also without qualifying the results of our review, we draw your attention to Note 24 to the consolidated interim condensed financial information. 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, for the shares in State owned oil company OAO NK Rosneft.

Moscow, Russian Federation
9 February 2005

OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 30 SEPTEMBER 2004
(In millions of Russian Roubles)

Notes	30 September 2004	31 December 2003
Assets		
Current assets		
6	79,712	71,396
6	16,479	33,743
	37,370	57,069
7	315,487	234,929
8	136,846	111,330
	84,375	85,909
	<u>17,832</u>	<u>6,086</u>
	688,101	600,462
Non-current assets		
9	2,034,763	1,973,781
10	75,725	56,533
11	132,275	93,769
12	<u>65,624</u>	<u>39,542</u>
	<u>2,308,387</u>	<u>2,163,625</u>
	2,996,488	2,764,087
Liabilities and equity		
Current liabilities		
	164,771	124,273
	71,922	103,799
	161,234	170,622
	<u>20,834</u>	<u>27,433</u>
	418,761	426,127
Non-current liabilities		
13	389,988	303,755
	4,910	13,715
	6,207	6,111
	47,772	34,880
14	117,630	96,823
	<u>11,387</u>	<u>12,753</u>
	<u>577,894</u>	<u>468,037</u>
	996,655	894,164
Shareholders' equity		
15	325,194	325,194
15	(30,208)	(33,889)
	<u>1,689,171</u>	<u>1,563,825</u>
	<u>1,984,157</u>	<u>1,855,130</u>
	15,676	14,793
	2,996,488	2,764,087

A.B. Miller
Chairman of the Management Committee
2 February 2005

E.A. Vasilieva
Chief Accountant
2 February 2005

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

OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2004
(In millions of Russian Roubles)

Notes	Three months ended 30 September		Nine months ended 30 September		
	2004	2003	2004	2003	
5, 16	Sales	211,856	175,555	683,330	597,382
5, 17,19	Operating expenses	<u>(148,263)</u>	<u>(135,987)</u>	<u>(494,845)</u>	<u>(415,360)</u>
5	Operating profit	63,593	39,568	188,485	182,022
18	Net finance costs	(2,125)	(3,430)	(2,741)	(1,011)
	Share of net income of associated undertakings	1,373	1,640	4,092	4,194
	Gains (losses) on available-for-sale investments	<u>1,562</u>	<u>1,008</u>	<u>3,740</u>	<u>(1,626)</u>
	Profit before profit tax and minority interest	64,403	38,786	193,576	183,579
	Current profit tax expense	(8,889)	(6,790)	(35,068)	(31,259)
	Deferred profit tax expense	<u>(6,667)</u>	<u>(8,172)</u>	<u>(19,049)</u>	<u>(23,939)</u>
	Profit tax expense	(15,556)	(14,962)	(54,117)	(55,198)
	Profit before minority interest	48,847	23,824	139,459	128,381
	Minority interest	<u>(939)</u>	<u>(1,146)</u>	<u>(1,586)</u>	<u>(1,942)</u>
19	Net profit	47,908	22,678	137,873	126,439
20	Basic and diluted earnings per share (in Roubles)	2.38	1.15	6.89	6.41

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OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004
(In millions of Russian Roubles)

Note	Nine months ended 30 September	
	2004	2003
	Operating activities	
	193,576	183,579
	Profit before tax and minority interest	
	Adjustments to profit before profit tax and minority interest	
	77,714	71,095
	(4,184)	(5,666)
	16,777	22,601
	(10,598)	(9,499)
	(2,217)	51
	(34,031)	(29,553)
	(4,092)	(4,194)
	(19,357)	3,004
	<u>(14,822)</u>	<u>(14,892)</u>
	<u>5,190</u>	<u>32,947</u>
	Total effect of adjustments	
	198,766	216,526
	Adjusted profit before profit tax and minority interest and before changes in working capital	
	(101,047)	(61,154)
	Total effect of working capital changes	
	<u>(40,307)</u>	<u>(40,058)</u>
	Profit tax paid	
	<u>57,412</u>	<u>115,314</u>
	Net cash provided by operating activities	
	Investing activities	
	(105,940)	(99,233)
	Capital expenditures	
	(19,565)	(5,534)
	Change in long-term available-for-sale investments	
	(6,065)	2,387
	Change in investments in associated undertakings	
	<u>(441)</u>	<u>3,087</u>
	Other	
	<u>(132,011)</u>	<u>(99,293)</u>
	Net cash used for investing activities	
	Financing activities	
	158,272	129,701
	Proceeds from long-term borrowings (including current portion)	
	(104,935)	(63,777)
	Repayment of long-term borrowings (including current portion)	
	25,971	(13,083)
	Net proceeds from (repayment of) short-term borrowings	
	(10,769)	(1,048)
	Redemption of promissory notes	
	(12,705)	(16,258)
	Interest paid	
	(75,896)	(48,135)
	Purchases of treasury shares	
	85,835	39,801
	Sales of treasury shares	
	17,264	8,875
	Change in cash restricted on borrowings	
	<u>(19)</u>	<u>(1,574)</u>
	Dividends	
	<u>83,018</u>	<u>34,502</u>
	Net cash provided by financing activities	
	(103)	(460)
	Effect of exchange rate changes on cash and cash equivalents	
	8,316	50,063
	Increase in cash and cash equivalents	
6	<u>71,396</u>	<u>58,354</u>
	Cash and cash equivalents, at beginning of reporting period	
6	79,712	108,417
	Cash and cash equivalents, at end of reporting period	

A.B. Miller
Chairman of the Management Committee
2 February 2005

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Chief Accountant
2 February 2005

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ОАО ГАЗПРОМ
IFRS CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004
(In millions of Russian Roubles)

Note		Number of shares outstanding (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total shareholders' equity
	<u>Nine months ended 30 September 2004</u>					
	Balance as of 31 December 2003	19.8	325,194	(33,889)	1,563,825	1,855,130
	Net income		-	-	137,873	137,873
15	Net treasury share transactions	0.3	-	3,681	3,450	7,131
	Translation differences		-	-	383	383
	Return of social assets to governmental authorities		-	-	(1,688)	(1,688)
15	Dividends		-	-	(14,672)	(14,672)
	Balance as of 30 September 2004	20.1	325,194	(30,208)	1,689,171	1,984,157
	<u>Nine months ended 30 September 2003</u>					
	Balance as of 31 December 2002	19.8	325,194	(30,367)	1,417,045	1,711,872
	Net income		-	-	126,439	126,439
15	Net treasury share transactions	(0.2)	-	(8,487)	184	(8,303)
	Translation differences		-	-	299	299
	Return of social assets to governmental authorities		-	-	(2,023)	(2,023)
15	Dividends		-	-	(8,463)	(8,463)
	Balance as of 30 September 2003	19.6	325,194	(38,854)	1,533,481	1,819,821

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2 February 2005

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ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2004
(In millions of Russian Roubles)

1 NATURE OF OPERATIONS

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 is involved in the following principal activities:

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

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. The volumes of gas shipped for the three and nine months ended 30 September 2004 represented approximately 19% and 74% of annual volumes shipped to customers in the year ended 31 December 2003, and for the three and nine months ended 30 September 2003 represented approximately 18% and 74% of annual volumes shipped to customers in the year ended 31 December 2002, respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

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

3 BASIS OF PRESENTATION

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

The Group subsidiaries and associated undertakings maintain their statutory financial statements in accordance with the Regulation on Accounting and Reporting of the Russian Federation (“RAR”) or the accounting regulations of the country in which the particular Group company is resident. The Group’s financial statements are based on the statutory records, with adjustments and reclassifications recorded in the financial statements for the purpose of proper preparation in accordance with IAS 34.

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

The official US dollar to RR exchange rates as determined by the Central Bank of the Russian Federation were 29.22 and 29.45 as of 30 September 2004 and 31 December 2003, respectively. The official Euro to RR exchange rates as determined by the Central Bank of the Russian Federation were 35.99 and 36.82 as of 30 September 2004 and 31 December 2003, respectively.

3 BASIS OF PRESENTATION (continued)

Accounting for the effect of inflation

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

Reclassifications

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As of 1 January 2004 the Group early adopted IFRS 3 “Business Combinations”, IAS 36 (revised 2004) “Impairment of Assets” and IAS 38 (revised 2004) “Intangible Assets” resulting in a change in the accounting policy for goodwill and minority interest.

Until 31 December 2003, goodwill was amortised using the straight-line method over the shorter of its estimated useful life or 20 years, and assessed for an indication of impairment annually. In accordance with the provisions of IFRS 3 the Group ceased amortisation of goodwill from 1 January 2004, and for 2004 and onwards goodwill is tested annually for impairment as well as when there are indications of impairment. The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment. Until 31 December 2003, minority interest at the balance sheet dates represented the minority shareholders’ portion of the pre-acquisition carrying amount of the identifiable assets and liabilities of the subsidiary as of the acquisition date, and the minorities’ portion of movements in equity since the date of the combination. In accordance with the provisions of IFRS 3, the acquirer recognises the acquiree’s identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date, any minority interest in the acquiree is stated at the minority’s proportion of the net fair value of those items. These changes are applied prospectively from 1 January 2004.

Recent accounting pronouncements

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

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2004
(In millions of Russian Roubles)

5 SEGMENT INFORMATION

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

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

	Production	Refining	Transport	Distribution	Other	Total
Nine months ended 30 September 2004						
Segment revenues						
Inter-segment sales	113,725	17,525	187,676	21,313	3,045	343,284
External sales	<u>2,167</u>	<u>87,133</u>	<u>21,307</u>	<u>534,647</u>	<u>38,076</u>	<u>683,330</u>
Total segment revenues	115,892	104,658	208,983	555,960	41,121	1,026,614
Segment expenses						
Inter-segment expenses	(2,937)	(14,929)	(26,556)	(298,862)	-	(343,284)
External expenses	<u>(107,867)</u>	<u>(70,550)</u>	<u>(159,572)</u>	<u>(103,639)</u>	<u>(39,991)</u>	<u>(481,619)</u>
Total segment expenses	<u>(110,804)</u>	<u>(85,479)</u>	<u>(186,128)</u>	<u>(402,501)</u>	<u>(39,991)</u>	<u>(824,903)</u>
Segment result	5,088	19,179	22,855	153,459	1,130	201,711
Unallocated operating expenses						<u>(13,226)</u>
Operating profit						188,485
Share of net income of associated undertakings	-	-	1,521	2,114	457	4,092
Nine months ended 30 September 2003						
Segment revenues						
Inter-segment sales	78,723	15,950	159,258	18,189	-	272,120
External sales	<u>3,295</u>	<u>62,269</u>	<u>20,421</u>	<u>474,877</u>	<u>36,520</u>	<u>597,382</u>
Total segment revenues	82,018	78,219	179,679	493,066	36,520	869,502
Segment expenses						
Inter-segment expenses	(1,918)	(11,793)	(22,883)	(235,526)	-	(272,120)
External expenses	<u>(66,709)</u>	<u>(56,026)</u>	<u>(136,421)</u>	<u>(112,224)</u>	<u>(42,034)</u>	<u>(413,414)</u>
Total segment expenses	<u>(68,627)</u>	<u>(67,819)</u>	<u>(159,304)</u>	<u>(347,750)</u>	<u>(42,034)</u>	<u>(685,534)</u>
Segment result	13,391	10,400	20,375	145,316	(5,514)	183,968
Unallocated operating expenses						<u>(1,946)</u>
Operating profit						182,022
Share of net income of associated undertakings	-	-	2,170	1,106	918	4,194

ОАО ГАЗПРОМ
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2004
(In millions of Russian Roubles)

5 SEGMENT INFORMATION (continued)

	Production	Refining	Transport	Distribution	Other	Total
Three months ended 30 September 2004						
Segment revenues						
Inter-segment sales	36,803	6,332	66,198	6,522	385	116,240
External sales	<u>672</u>	<u>32,165</u>	<u>6,010</u>	<u>157,040</u>	<u>15,969</u>	<u>211,856</u>
Total segment revenues	37,475	38,497	72,208	163,562	16,354	328,096
Segment expenses						
Inter-segment expenses	(976)	(5,044)	(8,141)	(102,079)	-	(116,240)
External expenses	<u>(34,340)</u>	<u>(24,457)</u>	<u>(58,525)</u>	<u>(5,547)</u>	<u>(15,084)</u>	<u>(137,953)</u>
Total segment expenses	<u>(35,316)</u>	<u>(29,501)</u>	<u>(66,666)</u>	<u>(107,626)</u>	<u>(15,084)</u>	<u>(254,193)</u>
Segment result	2,159	8,996	5,542	55,936	1,270	73,903
Unallocated operating expenses						<u>(10,310)</u>
Operating profit						63,593
Share of net income (loss) of associated undertakings	-	-	355	1,178	(160)	<u>1,373</u>
Three months ended 30 September 2003						
Segment revenues						
Inter-segment sales	24,429	4,935	52,077	5,986	-	87,427
External sales	<u>924</u>	<u>23,140</u>	<u>7,253</u>	<u>130,847</u>	<u>13,391</u>	<u>175,555</u>
Total segment revenues	25,353	28,075	59,330	136,833	13,391	262,982
Segment expenses						
Inter-segment expenses	(516)	(3,892)	(7,229)	(75,790)	-	(87,427)
External expenses	<u>(21,445)</u>	<u>(22,786)</u>	<u>(50,917)</u>	<u>(27,370)</u>	<u>(13,401)</u>	<u>(135,919)</u>
Total segment expenses	<u>(21,961)</u>	<u>(26,678)</u>	<u>(58,146)</u>	<u>(103,160)</u>	<u>(13,401)</u>	<u>(223,346)</u>
Segment result	3,392	1,397	1,184	33,673	(10)	39,636
Unallocated operating expenses						<u>(68)</u>
Operating profit						39,568
Share of net income of associated undertakings	-	-	759	134	747	<u>1,640</u>

Internal transfer prices are established by the management of the Group with the objective of providing for the specific funding requirements of the individual subsidiaries within each segment. Prices are determined on the basis of the statutory accounting reports of the individual subsidiaries on a cost plus basis. The change in inter-segment sales and expenses by segment in the three and nine months ended 30 September 2004 is primarily due to changes in internal transfer prices.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2004
(In millions of Russian Roubles)

6 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Balances included within cash and cash equivalents in the consolidated interim condensed balance sheet represent cash on hand and balances with banks. Included within restricted cash are balances of cash and cash equivalents totalling RR 11,236 and RR 24,330 as of 30 September 2004 and 31 December 2003, respectively, which are restricted as to withdrawal under the terms of certain borrowings and other contractual obligations. In addition, restricted cash also comprises cash balances of RR 5,243 and RR 9,413 as of 30 September 2004 and 31 December 2003, respectively, in subsidiary banks, which are restricted as to withdrawal under banking regulations.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2004	31 December 2003
Trade receivables	131,563	117,868
Prepayments and advances	84,439	47,953
Other receivables	<u>99,485</u>	<u>69,108</u>
	<u>315,487</u>	<u>234,929</u>

Accounts receivable and prepayments are presented net of provision for impairment of RR 96,463 and RR 130,601 as of 30 September 2004 and 31 December 2003, respectively (see Note 19).

8 INVENTORY

Inventories are presented net of provision for obsolescence of RR 7,907 and RR 8,761 as of 30 September 2004 and 31 December 2003, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

Notes	Total operating assets	Social assets	Assets under construction	Total
	For the nine months ended 30 September 2004			
	1,675,426	87,893	210,462	1,973,781
	(77,479)	(2,609)	-	(80,088)
	3,097	740	151,310	155,147
	3,361	-	1,193	4,554
21	(7,863)	(378)	-	(8,241)
	34,458	1,270	(35,728)	-
	<u>(3,800)</u>	<u>(2,416)</u>	<u>(4,174)</u>	<u>(10,390)</u>
	1,627,200	84,500	323,063	2,034,763
	As of 30 September 2004			
	3,324,820	120,456	323,063	3,768,339
	<u>(1,697,620)</u>	<u>(35,956)</u>	<u>-</u>	<u>(1,733,576)</u>
	1,627,200	84,500	323,063	2,034,763

Operating assets are shown net of provision for impairment of RR 1,985 as of 30 September 2004 and 31 December 2003. Assets under construction are presented net of a provision for impairment of RR 91,466 and RR 91,481 as of 30 September 2004 and 31 December 2003 respectively.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation with a net book value of RR 32,251 and RR 35,047 as of 30 September 2004 and 31 December 2003, respectively.

OAO GAZPROM
NOTES TO THE IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED) – 30 SEPTEMBER 2004
(In millions of Russian Roubles)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

The fair value adjustment on acquisition of subsidiaries relates to the management's assessment of the fair value of the identifiable assets and liabilities of petrochemical companies, in which the Group acquired additional interests in the period from April 2003 to August 2004 (see Note 21).

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Notes	30 September 2004	31 December 2003
22 EuRoPol GAZ S.A.	29,243	28,681
22 OAO Mosenergo	18,324	-
22 WINGAS GmbH	4,561	5,239
22 OAO Stroytransgaz	3,496	3,488
ZAO Armrosgazprom	3,411	3,170
Altalanos Ertekeforgalmi Bank Rt (“AEB”)	2,337	2,523
Other (net of provision for impairment of RR 7,468 and RR 8,351 as of 30 September 2004 and 31 December 2003, respectively)	<u>14,353</u>	<u>13,432</u>
	<u>75,725</u>	<u>56,533</u>

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 and the Group's investment in OAO Mosenergo was reclassified from short-term investments to investments in associated undertakings. Group management has not completed a formal assessment of goodwill, if any, arising on this transaction.

11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

Notes	30 September 2004	31 December 2003
19 Long-term accounts receivable and prepayments (net of impairment provision of RR 18,527 and RR 9,976 as of 30 September 2004 and 31 December 2003, respectively)	106,886	71,875
Advances for assets under construction (net of impairment provision of RR 1,398 as of 30 September 2004 and 31 December 2003)	<u>25,389</u>	<u>21,894</u>
	<u>132,275</u>	<u>93,769</u>

12 OTHER NON-CURRENT ASSETS

	30 September 2004	31 December 2003
Available-for-sale investments (net of provision for impairment of RR 15,722 and RR 16,266 as of 30 September 2004 and 31 December 2003, respectively)	29,167	10,584
VAT related to assets under construction	23,563	17,827
Other non-current assets	<u>12,894</u>	<u>11,131</u>
	<u>65,624</u>	<u>39,542</u>

Included in available-for-sale investments is a 5.2% interest in RAO UES acquired by the Group in January 2004. As of 30 September 2004 the estimated fair value of this investment was RR 18,677.

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13 LONG-TERM BORROWINGS

	Currency	Due	30 September 2004	31 December 2003
Long-term borrowings payable to:				
Morgan Stanley AG	US dollar	2003-2013	51,540	53,199
Structured export notes issued in July 2004	US dollar	2004-2020	36,974	-
Loan participation notes issued in April 2004	US dollar	2004-2034	36,346	-
Loan participation notes issued in September 2003	Euro	2003-2010	36,020	37,593
Calyon	US dollar	2004-2010	30,988	-
Eurobonds issued by AB Gazprombank (ZAO) in October 2003	US dollar	2003-2008	22,630	22,185
Salomon Brothers AG	US dollar	2002-2009	21,406	21,039
ABN AMRO	US dollar	2004-2010	21,304	-
Salomon Brothers AG	US dollar	2002-2007	15,186	14,974
Depfa Bank	US dollar	2003-2008	14,624	15,116
Mannesmann (Deutsche Bank AG)	Euro	1997-2008	13,658	15,424
ABN AMRO	US dollar	2004-2007	11,801	-
Intesa BCI	US dollar	1996-2007	10,413	16,423
Russian bonds issued in February 2004	RR	2004-2007	10,133	-
Eurobonds issued by AB Gazprombank (ZAO) in January 2004	US dollar	2004-2009	9,052	-
Deutsche Bank AG	US dollar	2002-2004	8,796	8,870
Commerzbank AG	US dollar	2003-2009	8,775	2,950
Mizuho Bank (Fuji Bank)	US dollar	2001-2010	8,543	8,816
SACE	US dollar	2001-2012	7,203	7,503
Deutsche Bank AG	US dollar	2003-2006	7,044	8,878
German banking consortium	Euro	1996-2007	6,794	7,889
WestLB AG	US dollar	2003-2005	6,283	6,335
Deutsche Bank AG	US dollar	2004-2009	5,924	-
Bayerische Hypo-und Vereinsbank AG	US dollar	2002-2008	5,650	18,326
Eurobonds issued by AB Gazprombank (ZAO) in October 2002	Euro	2002-2005	5,575	5,547
International banking consortium	Euro	2003-2007	5,307	7,733
Russian bonds issued in October 2002	RR	2002-2005	5,278	5,071
Bayerische Hypo-und Vereinsbank AG	Euro	2001-2006	3,024	4,642
Credit Lyonnais SA	US dollar	2001-2005	-	32,556
Dresdner Bank AG	US dollar	2001-2005	-	20,070
Societe Generale	US dollar	2002-2008	-	9,183
ABN AMRO	US dollar	2002-2004	-	5,990
Moscow Narodny Bank	US dollar	2001-2006	-	5,215
OAO Vneshtorgbank	US dollar	2001-2004	-	4,720
OAO Alfa Bank	US dollar	2002-2004	-	4,426
Other long-term borrowings	Various	Various	22,701	27,849
Total long-term borrowings			448,972	398,522
Less: current portion of long-term borrowings			(58,984)	(94,767)
			389,988	303,755

	30 September 2004	31 December 2003
Due for repayment:		
Between one and two years	57,810	68,253
Between two and five years	134,162	109,521
After five years	198,016	125,981
	389,988	303,755

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13 LONG-TERM BORROWINGS (continued)

Long-term borrowings include fixed rate loans with a carrying value of RR 316,746 and RR 247,763 as of 30 September 2004 and 31 December 2003, respectively. Other long-term borrowings generally have variable interest rates linked to LIBOR.

14 PROFIT TAX

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

	30 September 2004	Differences recognition and reversals	31 December 2003	30 September 2003	Differences recognition and reversals	31 December 2002
Tax effects of taxable temporary differences:						
Property, plant and equipment	115,428	16,675	98,753	86,559	19,554	67,005
Investments	1,412	274	1,138	4,030	(377)	4,407
Inventories	<u>2,940</u>	<u>(8)</u>	<u>2,948</u>	<u>2,267</u>	<u>412</u>	<u>1,855</u>
	119,780	16,941	102,839	92,856	19,589	73,267
Tax effects of deductible temporary differences:						
Tax losses carry forward	(488)	4,017	(4,505)	(5,498)	4,750	(10,248)
Other deductible temporary differences	<u>(1,662)</u>	<u>(151)</u>	<u>(1,511)</u>	-	-	-
Total net deferred tax liabilities	<u>117,630</u>	<u>20,807</u>	<u>96,823</u>	<u>87,358</u>	<u>24,339</u>	<u>63,019</u>

15 SHAREHOLDERS' EQUITY

Share capital

Share capital authorised, issued and paid totals RR 325,194 as of 30 September 2004 and 31 December 2003 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 roubles.

Dividends

During the nine months ended 30 September 2004 the Group accrued final dividends for the year ended 31 December 2003 in the amount of 0.69 roubles per share.

Treasury shares

At 30 September 2004 and 31 December 2003, subsidiaries of OAO Gazprom held 3,570 and 3,841 million, respectively, of the ordinary shares of OAO Gazprom. The management of the Group controls the voting rights of these shares.

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16 SALES

	Three months ended		Nine months ended	
	30 September		30 September	
	2004	2003	2004	2003
Gas sales (including excise tax and customs duties, net of VAT) to customers in:				
Russian Federation	38,654	33,149	173,444	143,956
Former Soviet Union (excluding Russian Federation)	23,584	10,609	63,599	41,872
Europe	<u>137,833</u>	<u>127,905</u>	<u>431,224</u>	<u>427,167</u>
Gross sales of gas	200,071	171,663	668,267	612,995
Excise tax	(3)	(33,402)	(2,810)	(115,240)
Customs duties	<u>(42,356)</u>	<u>(6,490)</u>	<u>(128,643)</u>	<u>(19,583)</u>
Net sales of gas	157,712	131,771	536,814	478,172
Sales of gas condensate and oil and gas products	32,165	23,140	87,133	62,269
Gas transportation sales	6,010	7,253	21,307	20,421
Other revenues	<u>15,969</u>	<u>13,391</u>	<u>38,076</u>	<u>36,520</u>
	<u>211,856</u>	<u>175,555</u>	<u>683,330</u>	<u>597,382</u>

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

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

Gross sales of gas for the three and nine months ended 30 September 2004 include customs duties and to conform to the current year presentation, reclassifications have been made for the three and nine months ended 30 September 2003 as gross sales of gas were previously presented including excise tax but net of customs duties and VAT.

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

The Itera Group is a producer and distributor of gas in the Russian Federation and other former Soviet Union countries. Gas transportation sales (net of VAT) to companies of the Itera Group amounted to RR 1,226 (3 bcm) and RR 4,470 (12 bcm) for the three and nine months ended 30 September 2004 and RR 1,976 (6 bcm) and RR 5,518 (25 bcm) for the three and nine months ended 30 September 2003, respectively. Trade receivables in respect of gas transportation services supplied to the Itera Group amounted to RR 657 and RR 1,372 as of 30 September 2004 and 31 December 2003, respectively.

The Group also had gas sales in the Russian Federation (including excise tax and net of VAT) to companies of the Itera Group in the amount of RR 858 (2 bcm) and RR 4,736 (9 bcm) for the three and nine months ended 30 September 2004 and RR 809 (2 bcm) and RR 2,878 (5 bcm) for the three and nine months ended 30 September 2003, respectively. Trade receivables in respect of gas sales to the Itera Group amounted to RR 802 and RR 1,694 as of 30 September 2004 and 31 December 2003, respectively.

Eural Trans Gas is engaged in purchasing gas from Central Asia for resale to customers in Europe. Gas transportation sales to Eural Trans Gas, which commenced in January 2003, amounted to RR 2,595 (7 bcm) and RR 9,398 (26 bcm) for the three and nine months ended 30 September 2004 and RR 2,723 (8 bcm) and 9,234 (25 bcm) for the three and nine months ended 30 September 2003, respectively. Trade receivables in respect of gas transportation services supplied to Eural Trans Gas amounted to RR 3,066 and RR 2,971 as of 30 September 2004 and 31 December 2003, respectively.

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17 OPERATING EXPENSES

Operating expenses include natural resources production tax in the amount of RR 14,042 and RR 45,355 for the three and nine months ended 30 September 2004, respectively, and RR 4,760 and RR 15,207 for the three and nine months ended 30 September 2003, respectively. The increase was primarily due to the change in tax legislation. From 1 January 2004, the natural resources production tax rate changed from 16.5% of the value of natural gas produced to a fixed rate of 107 roubles per mcm, and for gas condensate – from 16.5% of the value of gas condensate produced from gas condensate fields and RR 340 per ton of gas condensate produced from oil and gas condensate fields (the latter rate was subject to adjustments depending on fluctuations of oil prices and the RR exchange rate) to a single rate of 17.5% of the value of gas condensate produced.

18 NET FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2004	2003	2004	2003
Net exchange (losses) gains	(2,232)	(1,149)	2,932	8,042
Interest income	4,418	3,161	10,598	9,499
Interest expense	(4,312)	(6,287)	(16,777)	(22,601)
Gains on and extinguishment of restructured liabilities	<u>1</u>	<u>845</u>	<u>506</u>	<u>4,049</u>
	(2,125)	(3,430)	(2,741)	(1,011)

19 SETTLEMENT OF ACCOUNTS RECEIVABLE DUE FROM NAK NAFTOGAZ UKRAINE

In August 2004 OAO Gazprom signed agreements to settle RR 47,462 (including RR 36,908 of principal and RR 10,554 interest and fines) of accounts receivable due from NAK Naftogaz Ukraine for gas shipments made from 1997-2000, for RR 36,548. Only the principal amount of the accounts receivable from NAK Naftogaz Ukraine of RR 36,908 had previously been recognized and this amount had a full impairment provision against it in the Group's IFRS financial records.

By their legal form the transactions following the August 2004 agreements were represented by the transfer and settlement of the debt for old gas shipments, and the payment of an advance for future transit services. For IFRS purposes, the transactions were treated as a change in the method of settlement of the original receivable. In August 2004, in accordance with an addendum to the existing transit agreement, NAK Naftogaz Ukraine agreed to provide OAO Gazprom with gas transit services from 2005-2009, RR 36,548 of which, in effect, will be provided in settlement of the accounts receivable for gas shipments made from 1997-2000.

The net effect on profit after tax of the transactions in the three months ended 30 September 2004 was net profit of RR 21,674. As of 30 September 2004, short-term and long-term accounts receivable include RR 4,926 (net of an impairment provision of RR 552) and RR 18,616 (net of an impairment provision of RR 12,454), respectively. These balances reflect management's reassessment of the future recoverability of the accounts receivable balance based on discounted future cash benefits of the accounts receivable settlement in accordance with the August 2004 agreements referred to above.

20 EARNINGS PER SHARE

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

There were 20.0 and 19.7 billion weighted average shares outstanding for the nine months ended 30 September 2004 and 2003, respectively.

21 SUBSIDIARY UNDERTAKINGS

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%. There was no significant gain or loss resulting from the change in ownership interest.

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 30 September 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%. Group management revised its estimation of the fair value of the long-term promissory notes issued by the Group in respect of acquisition of additional interests in the petrochemical companies, to RR 2,745 as of 30 September 2004. Fair values of the identifiable assets and liabilities of petrochemical companies, in which the Group acquired additional interests in the period from April 2003 to August 2004, have been determined on a provisional basis and might be subject to subsequent adjustments over the period to 31 December 2004. Group management has not completed a formal assessment of goodwill, if any, arising on these transactions.

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 30 September 2004 OAO Sogaz was included within investments in associated undertakings.

22 RELATED PARTIES

For the purpose of this consolidated interim condensed financial information, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Government

The Government of the Russian Federation is the principal shareholder of the Group and directly owns approximately 38.37% of the issued shares of the Group. As of 30 September 2004 and 31 December 2003 the subsidiaries of the Group held 15.1% and 16.2% of OAO Gazprom shares, respectively, through which they are entitled to vote as owners. Following the General Meeting of Shareholders in June 2004, the 11 seats on the Board of Directors include five state representatives, four management representatives and two independent directors. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

As a condition of privatisation in 1992, the Government imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government controlled prices.

Associated undertakings

Included within investments in associated undertakings (see Note 10) is a loan receivable from EuRoPol GAZ S.A., in the amount of RR 22,440 and RR 23,576 as of 30 September 2004 and 31 December 2003, respectively, issued by AB Gazprombank (ZAO), a subsidiary of the Group, at an interest rate of LIBOR + 2.6%.

22 RELATED PARTIES (continued)

Included within accounts receivable and prepayments (see Note 7) are accounts receivable from Group associated undertakings in the amount of RR 10,304 and RR 14,602 as of 30 September 2004 and 31 December 2003, respectively.

Included within long-term accounts receivable and prepayments (see Note 11) are accounts receivable from Group associated undertakings in the amount of RR 21,736 and RR 22,813 as of 30 September 2004 and 31 December 2003, respectively, including USD and Euro denominated long-term receivables from EuRoPol GAZ S.A. in the amount of RR 5,487 and RR 6,216 as of 30 September 2004 and 31 December 2003, respectively.

Also included within long-term accounts receivable and prepayments is a Euro denominated loan receivable from WINGAS GmbH in the amount of RR 14,496 and RR 14,830 as of 30 September 2004 and 31 December 2003, respectively. The interest rates vary for the different loan tranches. As of 30 September 2004 and 31 December 2003 the average effective interest rate for the loan receivable from WINGAS GmbH was 3.4% and 4.4%, respectively.

During the three and nine months ended 30 September 2004 the Group recorded sales of gas to its associated undertakings in the amount of RR 19,631 and RR 58,354, and during the three and nine months ended 30 September 2003 – RR 20,382 and RR 66,616, respectively. Gas is sold to associated undertakings, except for that sold to AO Moldovagaz, on the basis of long-term contracts, with index prices based on world oil products prices. Gas prices per thousand cubic meters for such sales ranged from USD 80 to USD 151 and from USD 68 to USD 155 in the nine months ended 30 September 2004 and 2003, respectively. Gas is sold to AO Moldovagaz based on annual contracts with fixed prices. Prices of gas per thousand cubic meters sold to Moldova amounted to USD 80 in the nine months ended 30 September 2004 and 2003.

The Group's impairment provision on accounts receivable included RR 17,547 and RR 16,450 in respect of amounts due from AO Moldovagaz as of 30 September 2004 and 31 December 2003, respectively.

In addition, the Group purchased gas transportation services from certain of the associated undertakings, principally EuRoPol GAZ S.A., which amounted to RR 4,004 and RR 10,996 for the three and nine months ended 30 September 2004, and RR 6,757 and RR 14,988 for the three and nine months ended 30 September 2003, respectively. The cost of these services was determined based on prices of gas sold to these companies.

During the three months ended 30 September 2004 the Group recorded sales of gas to OAO Mosenergo in the amount of RR 3,581 (see Note 10). Gas is sold on the domestic market at prices regulated by the Federal Tariffs Service.

OAO Sroytransgaz is a major Russian constructor of pipelines, compressor stations and oil refineries. In the normal course of business, the Group outsources pipeline construction services to third-party contractors through a tender process. OAO Sroytransgaz has been a successful bidder in a large number of these tenders to construct pipelines in the Russian Federation. During the three and nine months ended 30 September 2004 and 2003 transactions with OAO Sroytransgaz were entered into under framework contracts, which had been executed by certain prior representatives of the Group's Board of Directors and members of their families who at that time owned shareholdings in OAO Sroytransgaz.

OAO Sroytransgaz rendered construction services for the Group in the amounts of RR 3,992 and RR 13,639 for the three and nine months ended 30 September 2004 and RR 5,699 and RR 19,379 for the three and nine months ended 30 September 2003, respectively. As of 30 September 2004 and 31 December 2003, the Group had advances and receivables due from OAO Sroytransgaz in the amounts of RR 2,139 and RR 1,306, respectively. As of 30 September 2004 and 31 December 2003, the Group had accounts payable to OAO Sroytransgaz for construction contracts of RR 3,698 and RR 10,064, respectively.

OAO AK Sibur

Prior to acquisition of additional interests in a number of Russian petrochemical companies in 2003, OAO AK Sibur's related party transactions were mainly with the then associated undertakings. During that period, a substantial portion of OAO AK Sibur's transactions were executed with related parties.

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22 RELATED PARTIES (continued)

OOO Interprokom

During the three and nine months ended 30 September 2004 and 2003 transactions with OOO Interprokom were entered into under framework contracts which had been executed by certain prior members of the Board of Directors and a member of the Management Committee of OAO Gazprom and members of their families who at that time or currently owned interests in OOO Interprokom.

OOO Interprokom acts as an agent for the Group in the acquisition of equipment and is remunerated for those services based on a fixed commission percentage. OOO Interprokom acted as an agent in the Group's acquisition of equipment in the amount of RR 107 and RR 308 in the three and nine months ended 30 September 2004, and RR 255 and RR 1,177 in the three and nine months ended 30 September 2003, respectively. As of 30 September 2004 and 31 December 2003, the Group had advances and receivables due from OOO Interprokom in the amount of RR 819 and RR 3,891, respectively. Commissions paid to OOO Interprokom amounted to RR 1 and RR 9 in the three and nine months ended 30 September 2004, and RR 14 and RR 42 for the three and nine months ended 30 September 2003, respectively. As of 30 September 2004 and 31 December 2003, the Group had accounts payable to OOO Interprokom in respect of equipment supplies of RR 757 and RR 1,884, respectively.

AB Gazprombank (ZAO), the Group's principal banking subsidiary, had outstanding import letters of credit issued on behalf of OOO Interprokom and sub-contractors of OOO Interprokom in the amount of RR 60 and RR 1,159 as of 30 September 2004 and 31 December 2003, respectively. These import letters of credit are issued to third party suppliers in connection with the purchase of equipment by OOO Interprokom on behalf of the Group.

23 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 30 September 2004 management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

Financial guarantees

	30 September 2004	31 December 2003
Outstanding guarantees issued on behalf of:		
BSPC	35,820	36,170
Interconnector (UK) Limited	32,139	32,400
Eural Trans Gas	1,157	6,274
NAK Naftogaz Ukraine	1,487	2,945
Albustan Investments Ltd	-	2,396
Itera Group companies	-	1,731
Other	<u>4,243</u>	<u>7,848</u>
	<u>74,846</u>	<u>89,764</u>

23 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (continued)

Included in financial guarantees are amounts denominated in USD of USD 2,423 million and USD 2,993 million as of 30 September 2004 and 31 December 2003, respectively.

In April 2000, credit facilities were provided to BSPC, an associated undertaking, by a group of Italian and Japanese banks for the amount of RR 71,233 (USD 2,053 million) for the construction of the offshore portion of the Blue Stream pipeline. Beginning in 2001, the Group was obligated to provide guarantees on behalf of BSPC in respect of RR 39,152 (USD 1,187) related to these credit facilities. As of 30 September 2004 and 31 December 2003 BSPC had borrowed RR 34,944 (USD 1,196 million) and RR 36,023 (USD 1,223 million), respectively, of these credit facilities, which were guaranteed by the Group, pursuant to its obligation. As of 30 September 2004 BSPC also borrowed RR 877 (USD 30 million) of new credit facilities, provided by DEPFA, which were guaranteed by the Group.

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

In the nine months ended 30 September 2004 Itera Group companies and Albustan Investments Ltd settled the loans in respect of which the Group had issued guarantees.

Line "Other" includes mainly guarantees issued by AB Gazprombank (ZAO) to third parties in amount of RR 1,917 and RR 4,343 as of 30 September 2004 and 31 December 2003, respectively.

24 POST BALANCE SHEET EVENTS

Financial 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, for the shares in State owned oil company OAO NK Rosneft. The transaction structure is currently being developed to reflect changes in the consolidated assets and liabilities of OAO NK Rosneft subsequent to September 2004. OAO NK Rosneft is one of the major Russian oil companies with sales of USD 3,641 million for the year ended 31 December 2003, in accordance with accounting principles generally accepted in the United States of America.

In October 2004 the Group acquired 53.85% in the charter capital of ZAO Atomstroieksport for RR 731 paid in cash. ZAO Atomstroieksport is a major general contractor for construction of nuclear power plants and other nuclear projects abroad. Group management has not completed a formal assessment of goodwill, if any, arising on this transaction.

In November 2004 the Group exchanged a 8.34% interest in OAO Purneftegazgeologiya for 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. Group management has not completed a formal assessment of goodwill, if any, arising on this transaction.

In December 2004 the Group acquired an additional 49.0% interest in ZAO Stimul for RR 2,821, paid in cash. As a result of this transaction the Group increased its interest in the charter capital of ZAO Stimul from 51.0% to 100%. ZAO Stimul is a production company, which holds a license for the development of the Eastern part of the Orenburg oil and gas condensate deposit. Group management is still assessing the financial effect of this transaction.

In December 2004 the Group signed agreements and paid RR 6,290 in cash to acquire from OAO NK Rosneft its interest in the joint activity, established to develop the Arctic shelf (Shtokmanovskoye and Prirazlomnoye fields) in the Barents and Pechora Seas.

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24 POST BALANCE SHEET EVENTS (continued)

In December 2004 the Group also invested RR 44,000 of surplus cash to acquire securities of oil and gas companies.

Borrowings

Lender	Received	Due	Interest rate	Currency	Amount in currency units, millions
Deutsche Bank AG	October 2004	2011	LIBOR + 4.35%	US dollar	200
Russian bonds	October 2004	2007	7.58%	RR	5,000
BNP Paribas	November 2004	2007	LIBOR + 2.50%	US dollar	100
ABN Amro	November 2004	2009	LIBOR + 3.50%	US dollar	100
ABN Amro	December 2004	2008	LIBOR + 2.00%	US dollar	200
Deutsche Bank	December 2004	2014	LIBOR + 4.35%	US dollar	200
Deutsche Bank	December 2004	2011	LIBOR + 3.68%	US dollar	150
JP Morgan	December 2004	2011	LIBOR + 3.70%	US dollar	200
Deutsche Bank AG	December 2004	2014	LIBOR + 4.30%	US dollar	300
Deutsche Bank AG	December 2004	2011	LIBOR + 3.63%	US dollar	350
Deutsche Bank AG	December 2004	2009	LIBOR + 3.25%	US dollar	350

Contingencies

In July 2004 the Constitutional Court of the Russian Federation made publicly available an interpretation of existing VAT legislation. This interpretation was followed by a further interpretation issued in November 2004. These interpretations may have the possible effect of denying the offset of input VAT incurred by the Group to the extent the arising of such VAT is deemed to be attributable to the utilization of funds other than own funds. Management is unable to quantify any potential risk in this respect nor fully predict the outcome of this uncertainty.

Recent accounting pronouncements

The IASB published IFRS 6 “Exploration for and Evaluation of Mineral Resources” in December 2004. The standard is effective for periods commencing on or after 1 January 2006 but earlier application is encouraged. The Group is currently considering the implications of this standard and whether it should apply it early.

Taxation

From 1 January 2005 the following changes in tax 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.

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