



PRESS RELEASE

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Gazprom reports its consolidated financial results under Russian Accounting Regulations for the year ended 31 December 2003

On 22 June 2004 OAO Gazprom issued its audited consolidated financial (accounting) reports for the year ended 31 December 2003 prepared under Russian Accounting Regulations (RAR).

The table below presents the condensed statement of operations for 2003 compared to 2002. All amounts are expressed in millions of Russian Roubles unless otherwise stated.

| | For the year ended 31 December | |
|---|---|-----------------|
| | 2003 | 2002 |
| Sales of goods, products, works, services (net of value added tax (VAT), excise and other similar mandatory payments) | 844,566 | 613,745 |
| Cost of goods, products, works and services sold | (503,535) | (381,665) |
| Commercial and management expenses | <u>(51,815)</u> | <u>(43,948)</u> |
| Gross profit from sales | 289,216 | 188,132 |
| Operating expenses (net) | (46,797) | (43,370) |
| Non-operating (expenses) income (net) | (1,836) | 2,217 |
| Profit of associated undertakings | 10,705 | 5,754 |
| Extraordinary expenses (net) | <u>(23)</u> | <u>(36)</u> |
| Profit before profit tax | 251,265 | 152,697 |
| Deferred tax assets | (988) | 15,108 |
| Deferred tax liabilities | (28,000) | (32,741) |
| Current profit tax | (41,565) | (23,894) |
| Other similar payments | <u>(7,102)</u> | <u>(9,282)</u> |
| Net profit before minority interest | 173,610 | 101,888 |
| Minority interest | <u>(2,733)</u> | <u>2,077</u> |
| Net profit of the reporting period | 170,877 | 103,965 |

For the year ended 31 December 2003 sales were RR 844,566 million, or 38% higher than in 2002, primarily due to the increase in revenues from natural gas sales in the Russian Federation and Europe.

More detailed information on our sales in 2003 and 2002 is presented in the table below:

| in million Roubles (unless otherwise stated) | For the year ended | |
|---|---------------------------|----------------|
| | 31 December | |
| | 2003 | 2002 |
| Sales of gas | | |
| <i>Europe</i> | | |
| Net sales (net of VAT and excise tax) | 427,075 | 314,432 |
| Volume in bcm | 144.7 | 128.6 |
| <i>FSU</i> | | |
| Net sales (net of VAT and excise tax) | 44,049 | 47,973 |
| Volume in bcm | 42.6 | 42.6 |
| <i>Russia</i> | | |
| Net sales (net of VAT and excise tax) | 186,650 | 134,664 |
| Volume in bcm | 308.7 | 298.0 |
| <i>Total sales of gas</i> | | |
| Net sales (net of VAT and excise tax) | 657,774 | 497,069 |
| Volume in bcm | 496.0 | 469.2 |
| Sales of gas condensate and other oil and gas products (net of VAT and excise tax) | 92,180 | 53,702 |
| Gas transportation sales (net of VAT) | 28,226 | 17,013 |
| Other sales (net of VAT) | 66,386 | 45,961 |
| Total sales (net of VAT, excise tax and other similar mandatory payments) | 844,566 | 613,745 |

Average price for gas, exported to Europe was higher than in 2002 following the increase in world oil prices. Domestic sales increased in 2003 as compared with 2002 primarily due to increased tariffs for gas set by the Federal Energy Commission (renamed Federal Tariffs Service from March 2004).

Sales of gas condensate and other oil and gas products increased primarily due to the growth in operations of OAO AK Sibur as a result of the Group's effort to normalize and develop activities of the company.

The cost of **goods, products, works, services** sold (including commercial and management expenses) increased in 2003 as compared with 2002 by RR 129,737 million, or 31%. The increase is primarily due to the increase following items: in gas transit costs, staff costs, repair and maintenance costs and costs of purchased gas. Transit costs increased primarily due to higher transportation costs in Poland and gas transportation costs in connection with transportation services provided. The increase in staff costs was primarily due to a rise in average salaries. Cost of purchased gas increased in connection with the purchases of gas from Central Asia for resale to customers in Western Europe which started in 2003.

Due to the factors above gross profit margin of Gazprom Group sales in 2003 amounted to 34% compared to 31% in 2002.

Following the enactment of PBU 18/02 "Accounting for Profit Tax" (adopted by order of the Ministry of Finance of the Russian Federation No 114n dated 19 November 2002) the Group included into its financials several new parameters. Profit and loss accounts presents information on deferred tax assets, deferred tax liabilities, as well as constant profit tax obligations. To ensure comparability the comparative information for 2002 in the 2003 accounting reports have been adjusted to be consistent with 2003.

In 2003 current profit tax totalled RR 41,565 million which is 74% or RR 17,671 million higher than in 2002. However, the effective current profit tax rate (calculated as the ratio of the current profit tax to profit before taxation) increased in 2003 by only 1%, from 16% in 2002 to 17% in 2003. The fact that the effective tax rate is lower than the nominal profit tax rate of 24% is primarily due to the use of shorter useful lives of fixed assets (as stipulated by Law) for tax purposes effective in 2002 and 2003.

Net profit of the Group for 2003 totalled RR 170,877 million which is RR 66,912 million, or 64%, higher than in 2002.

More detailed information on the 2003 RAR consolidated financial (accounting) reports of OAO Gazprom can be found on OAO Gazprom's web site ([WWW.Gazprom.ru](http://www.gazprom.ru)).

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