MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following management's discussion in conjunction with our unaudited consolidated interim condensed financial information as of and for the three months ended 31 March, 2009. The consolidated interim condensed financial information has been prepared in accordance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34"). This financial information should be read together with the consolidated financial statements for the year ended December 31, 2008, prepared in accordance with International Financial Reporting Standards ("IFRS").

OVERVIEW

We are one of the world's largest oil and gas companies in terms of reserves, production and market capitalization. Our revenues are primarily derived from sales of natural gas, crude oil and other hydrocarbon products to Western and Central Europe, Russia and other former Soviet Union countries.

We divide our operations into the following principal businesses:

- Production of gas – exploration and production of gas;
- Transport – transportation of gas;
- Distribution – domestic and export sales of gas;
- Gas storage – storage of gas in underground gas storages;
- Production of crude oil and gas condensate – exploration of oil and gas condensate, sales of crude oil and gas condensate;
- Refining – processing of oil, gas condensate and other hydrocarbons, and sales of refined products;
- Electric and heat energy generation and sales.

Other businesses primarily comprise banking.

Our main business segments are mutually dependent, with a significant portion of the revenues of one segment comprising a part of the costs of another segment. In particular, our Distribution segment purchases natural gas from our Production of gas segment and transportation services from our Transport segment. Our Refining segment purchases gas from our Production of gas segment and crude oil and gas condensate from the Production of crude oil and gas condensate segment. We establish internal transfer prices with reference to the specific funding requirements of the individual subsidiaries within each segment. Accordingly, the results of operations of these segments on a stand-alone basis do not necessarily represent each segment's underlying financial position and results of operations as if it was a stand-alone business. For this reason, we do not analyze any of our main segments separately in the discussion that follows.

RECENT VOLATILITY IN GLOBAL AND RUSSIAN FINANCIAL MARKETS

The ongoing global financial crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial market, have also led to bank failures and bank rescues in the United States of America, Western Europe and in Russia. Such circumstances could affect our ability to obtain new borrowings and re-finance our existing borrowings at terms and conditions similar to those applied to earlier transactions. Our debtors and borrowers may also be affected by the crisis which could in turn impact their ability to repay their outstanding debts to us.

These market conditions have an impact on medium term cash flow forecast and assessment of potential impairment of financial and non-financial assets. We believe that as of March 31, 2009 market conditions did not result in significant change from December 31, 2008 in medium and long-term cash flow forecasts and impairment assessment.

We are unable to estimate reliably the effects on our financial position of any further deterioration in financial markets and of any increased volatility in the currency, commodity and equity markets. We believe we are taking all the necessary measures to support the sustainability and growth of our business in the current circumstances.

RESULTS OF OPERATIONS

(RR million)	Three month periods ended March 31, 2009	2008
Sales (net of excise tax, VAT and customs duties)	931,403	911,750
Operating expenses	(648,810)	(546,123)
Operating profit	**282,593**	**365,627**
Loss from change in fair value of call option	-	(17,423)
Finance income	119,014	56,644
Finance expenses	(268,438)	(40,590)
Share of net income of associated undertakings and jointly controlled entities	13,536	12,454
Gains on disposal of available-for-sale financial assets	516	3,616
Profit before profit tax	**147,221**	**380,328**
Current profit tax expense	(33,787)	(92,196)
Deferred profit tax expense	(3,257)	(2,082)
Total profit tax expense	(37,044)	(94,278)
Profit for the period	**110,177**	**286,050**
Other comprehensive income		
Gains (losses) arising from change in fair value of available-for-sale financial assets, net of tax	1,740	(40,187)
Share of other comprehensive income of associated undertakings and jointly controlled entities	1,617	-
Translation differences	11,811	3,056
Other comprehensive income (loss) for the period, net of tax	**15,168**	**(37,131)**
Total comprehensive income for the period	**125,345**	**248,919**
Attributable to:		
owners of OAO Gazprom	103,679	273,439
non-controlling interest	6,498	12,611
	110,177	**286,050**
Total comprehensive income attributable to:		
owners of OAO Gazprom	119,135	237,266
non-controlling interest	6,210	11,653
	125,345	**248,919**

Sales

The following table sets out our volumes and realized prices for the three month periods ended March 31, 2009 and 2008.

(RR million unless indicated otherwise)	Three month periods ended March 31, 2009	2008
Sales of gas		
Europe and other countries		
Gross sales [1]	481,541	448,617
Excise tax	(290)	-
Customs duties	(48,012)	(109,580)
Net sales	433,239	339,037
Volumes in billion cubic meters (bcm)	37.1	53.5
Gross average price, U.S.$ per mcm[2] (including excise tax and customs duties) [3]	382.7	345.5
Gross average price, RR per mcm[2] (including excise tax and customs duties)	12,986.4	8,381.7
FSU (Former Soviet Union)		
Gross sales (net of value added tax (VAT)	89,545	91,213
Customs duties	(4,264)	(7,834)
Net sales	85,281	83,379
Volumes in bcm	9.7	25.0
Gross average price, U.S.$ per mcm [2] (including excise tax and customs duties, net of VAT) [3]	271.7	150.6
Gross average price, RR per mcm [2] (including excise tax and customs duties, net of VAT)	9,219.3	3,654.1
Russia		
Gross sales (net of VAT)	157,947	173,376
Net sales	157,947	173,376
Volumes in bcm	93.2	105.0
Gross average price, RR per mcm [2] (including excise tax, net of VAT)	1,695.1	1,651.5
Total sales of gas		
Gross sales (net of VAT)	729,033	713,206
Excise tax	(290)	-
Customs duties	(52,276)	(117,414)
Net sales	676,467	595,792
Volumes in bcm	140.0	183.5
Net sales of refined products (net of excise tax, VAT and customs duties)	97,804	171,163
Net sales of crude oil and gas condensate (net of excise tax, VAT and customs duties)	35,955	57,950
Net sales of electric and heat energy (net of VAT)	83,147	40,286
Gas transportation sales (net of VAT)	12,825	15,905
Other revenues (net of VAT)	25,205	30,654
Total sales (net of excise tax, VAT and customs duties)	**931,403**	**911,750**

Notes:

(1) VAT is not charged on sales to Europe and other countries.

(2) One mcm is equivalent to 35,316 cubic feet.

(3) Calculated on the basis of average rate.

Total sales (net of excise tax, VAT and customs duties) increased by RR 19,653 million, or 2%, to RR 931,403 million in the three month period ended March 31, 2009 compared to the same period of the prior year.

Net sales of gas accounted for 73% and 65% of total net sales in the three month periods ended March 31, 2009 and 2008, respectively.

Net sales of gas increased from RR 595,792 million in the three month period ended March 31, 2008 to RR 676,467 million in the three month period ended March 31, 2009 or by 14%.

Net sales of gas to Europe and other countries increased in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008, by RR 94,202 million, or 28%, to RR 433,239 million. The overall increase in Europe and other countries sales was primarily driven by price. The gross average RR price (including excise and customs duty) increased by 55% for the three month period ended March 31, 2009, compared to the three month period ended March 31, 2008. At the same time volume of gas sold for the three month period ended March 31, 2009 decreased by 31% compared to the three month period ended March 31, 2008.

Net sales of gas to FSU countries increased in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008, by RR 1,902 million, or 2%, to RR 85,281 million. This increase was mainly due to price increase in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008. This increase was offset by decrease in volumes of gas sold to FSU countries in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008.

Net sales of gas in the domestic market decreased by RR 15,429 million, or 9%, in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008. This decrease was mainly due to the decrease in the volume of gas sold by 11% in the three month period ended March 31, 2009 compared to three month period ended March 31, 2008. At the same time the gross average price for domestic gas sales increased by 3% in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008 due to increase in tariffs which are set by the Federal Tariffs Service (FTS).

Net sales of refined products (net of excise tax, VAT and customs duties) decreased by RR 73,359 million, or 43%, to RR 97,804 million in the three month period ended March 31, 2009 compared to RR 171,163 million in the three month period ended March 31, 2008. The decrease mainly resulted from the deconsolidation of Sibur Group as of June 30, 2008 and by a decrease in world prices for refined products in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008. In the three month periods ended March 31, 2009 and 2008 Gazprom Neft Group's sales comprised 86% and 60% of the total amount of our consolidated refined products sales, respectively.

Net sales of crude oil and gas condensate (net of excise tax, VAT and customs duties) decreased by RR 21,995 million, or 38%, to RR 35,955 million in the three month period ended March 31, 2009 compared to RR 57,950 million in the three month period ended March 31, 2008. The decrease was mainly caused by the decrease of oil price in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008. This decrease was partly offset by increase of the volume of crude oil and gas condensate sold in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008. Sales of crude oil included in net sales of crude oil and gas condensate (net of excise tax, customs duties and VAT), amounted to RR 33,705 million and RR 51,885 million in the three month periods ended March 31, 2009 and 2008, respectively.

Net sales of electric and heat energy (net of VAT) increased by RR 42,861 million, or 106% in the three month period ended March 31, 2009 compared to the month period ended March 31, 2008. This increase was mainly due to sales by WGC-2 and WGC-6, which were consolidated in the second half of 2008, and also due to the sales of the Gazprom Germania Group.

Gas transportation sales decreased by RR 3,080 million, or 19%, to RR 12,825 million in the three month period ended March 31, 2009 from RR 15,905 million in the three month period ended March 31, 2008. The decrease was mainly due to the fact that transportation of Turkmen and Russian gas through RosUkrEnergo AG to the Ukraine was discontinued after 2008.

Other revenues decreased by RR 5,449 million, or 18%, to RR 25,205 million in the three month period ended March 31, 2009 compared to RR 30,654 million in the three month period ended March 31, 2008. Other revenues include sales of other services and goods.

Operating expenses

Operating expenses increased by 19% in the three month period ended March 31, 2009 to RR 648,810 million from RR 546,123 million in the three month period ended March 31, 2008. Operating expenses as a percentage of sales increased from 60% in the three month period ended March 31, 2008 to 70% in the three month period ended March 31, 2009. The table below presents a breakdown of operating expenses in each period:

	Three month periods ended March 31,	
(RR million)	**2009**	**2008**
Purchased oil and gas	303,459	137,348
Transit of gas, oil and refined products	62 833	48,278
Staff costs	59,653	72,133
Depreciation	54,480	56,409
Cost of goods for resale, including refined products	50,891	32,327
Taxes other than on income	49,886	72,648
Repairs and maintenance	23,745	28,546
Materials	14,562	19,910
Electricity and heating expenses	10,539	16,854
Charge for impairment provision	6,024	3,732
Social expenses	4,182	4,099
Insurance expenses	3,697	4,097
Rental expenses	3,695	3,597
Other operating expenses	1 164	46,145
Total operating expenses	**648,810**	**546,123**

Purchased oil and gas

Cost of purchased oil and gas increased by 121% to RR 303,459 million in the three month period ended March 31, 2009 from RR 137,348 million in the three month period ended March 31, 2008. The increase primarily relates to the increase in the gas purchase price from central Asian suppliers. The cost of purchased oil included in the cost of purchased oil and gas decreased by RR 12,419 million, or 36%, and amounted to RR 22,356 million in the three month period ended March 31, 2009 in comparison with RR 34,775 million in the three month period ended March 31, 2008 due to decrease in oil price.

Transit of gas, oil and refined products

Transit of gas, oil and refined products increased by 30% to RR 62,833 million in the three month period ended March 31, 2009 from RR 48,278 million in the three month period ended March 31, 2008. This increase is primarily attributable to higher gas transportation expenses incurred in Kazakhstan and Uzbekistan in the three month period ended March 31, 2009 in comparison with the three month period ended March 31, 2008.

Staff costs

Staff costs decreased by 17% to RR 59,653 million in the three month period ended March 31, 2009 from RR 72,133 million in the three month period ended March 31, 2008. The decrease mainly resulted from the deconsolidation of the Gazprombank Group (including Sibur Group and Gazprom Media Group).

Depreciation

Depreciation decreased by 3% or RR 1,929 million to RR 54,480 million in the three month period ended March 31, 2009 from RR 56,409 million in the three month period ended March 31, 2008.

Cost of goods for resale, including refined products

Cost of goods for resale, including refined products increased by 57% to RR 50,891 million in the three month period ended March 31, 2009 from RR 32,327 million in the three month period ended March 31, 2008. The increase in cost of goods for resale, including refined products, mainly results from operations of the Gazprom Germania Group (purchase of electricity).

Taxes other than on income

Taxes other than on income consist of:

(RR million)	Three month periods ended March 31, 2009	2008
Natural resources production tax	27,964	53,179
Property tax	7,978	7,151
Other taxes	13,944	12,318
Taxes other than on income	**49,886**	**72,648**

The natural resources production tax decreased by 47% to RR 27,964 million in the three month period ended March 31, 2009 from RR 53,179 million in the three month period ended March 31, 2008. The decrease mainly related to our crude oil production activity and was caused by a decrease in average world oil prices, which resulted in a lower effective tax rate.

Repairs and maintenance

Cost of repairs and maintenance decreased by 17% to RR 23,745 million in three month period ended March 31, 2009 from RR 28,546 million in the three month period ended March 31, 2008. This decrease resulted from the decrease in volumes of repair services rendered by third parties to us in first quarter of 2009, and from the timing of gas outflows from underground gas storages.

Materials

Cost of materials decreased by 27% to RR 14,562 million in the three month period ended March 31, 2009 from RR 19,910 million in the three month period ended March 31, 2008. The decrease mainly resulted from the deconsolidation of the Sibur Group.

Electricity and heating expenses

Electricity and heating expenses decreased by 37% to RR 10,539 million in the three month period ended March 31, 2009 from RR 16,854 million in the three month period ended March 31, 2008. The decrease mainly resulted from the deconsolidation of the Sibur Group.

Other operating expenses

Other operating expenses decreased by 97% to RR 1,164 million in the three month period ended March 31, 2009 from RR 46,145 million in the three month period ended March 31, 2008. Other operating expenses mainly decreased due to gain from revaluation of accounts receivable nominated in foreign currency in the amount of RR 52,591 million in three month period ended March 31, 2009, compared to loss in the amount of RR 3,484 million in three month period ended March 31, 2008. Other operating expenses include heating transfer services purchased by OAO Mosenergo, research and development expenses, refining services, transportation expenses, bank charges, security services, legal and consulting services, and advertising.

Operating profit

As a result of the factors discussed above, our operating profit decreased by RR 83,034 million, or 23%, to RR 282,593 million in the three month period ended March 31, 2009 from RR 365,627 million in the three months period ended March 31, 2008. Our operating profit margin decreased from 40% in the three month period ended March 31, 2008 to 30% in the three month period ended March 31, 2009.

Finance income and expenses

(RR million)	Three month periods ended March 31, 2009	2008
Exchange gains	115,027	38,140
Exchange losses	(255,397)	(21,587)
Net exchange (loss) gain	(140,370)	16,553
Interest income	3,951	18,499
Interest expense	(13,041)	(19,003)
Gains on extinguishment of restructured liabilities	36	5
Net finance (expense) income	**(149,424)**	**16,054**

Exchange gains increased by RR 76,887 million to RR 115,027 million in the three month period ended March 31, 2009, compared to RR 38,140 million in the three month period ended March 31, 2008. Exchange losses increased by RR 233,810 million to RR 255,397 million in the three month period ended March 31, 2009 from RR 21,587 million in the three month period ended March 31, 2008. The net exchange loss of RR 140,370 million in the three month period ended March 31, 2009 compared to net exchange gain of RR 16,553 million in the three month period ended March 31, 2008, is explained mainly by a significant appreciation of USD against RUR in the three month period ended March 31, 2009, respectively, compared to depreciation of USD against RUR in the three month ended March 31, 2008.

Interest income decreased by 79% to RR 3,951 million in the three month period ended March 31, 2009 from RR 18,499 million in the three month period ended March 31, 2008, mainly caused by deconsolidation of Gazprombank Group.

Interest expense decreased by 31% from RR 19,003 million in the three month period ended March 31, 2008 to RR 13,041 million in the three month period ended March 31, 2009 mainly due to Gazprombank Group deconsolidation.

Share of net income of associated undertakings and jointly controlled entities

Share of net income of associated undertakings and jointly controlled entities increased by 9% or RR 1,082 million from RR 12,454 million in the three month period ended March 31, 2008 to RR 13,536 million in the three month period ended March 31, 2009.

Profit tax

Total profit tax expense decreased by RR 57,234 million, or 61%, to RR 37,044 million in the three month period ended March 31, 2009 compared to RR 94,278 million in the three month period ended March 31, 2008. The decrease is mainly effected by change of the tax rate from 24% to 20% starting from January 1, 2009, and the fact that in the three month period ended March 31, 2009 financial results went down and profit before profit tax decreased significantly. The effective income tax rate was 25.2% in the three month period ended March 31, 2009, compared to 24.8% in the same period of the prior year.

Profit for the period attributable to owners of OAO Gazprom

As a result of the factors discussed above, our profit for the period attributable to owners of OAO Gazprom decreased by RR 169,760 million or 62%, from RR 273,439 million in the three month period ended March 31, 2008 to RR 103,679 million in the three month period ended March 31, 2009.

Profit for the period attributable to non-controlling interest

Profit for the period attributable to non-controlling interest decreased by RR 6,113 million or 48% to RR 6,498 million in the three month period ended March 31, 2009 compared to RR 12,611 million in the three month period ended March 31, 2008 mainly due to the deconsolidation of Gazprombank Group effective June 24, 2008.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes our statements of cash flows for the three months ended March 31, 2009 and 2008:

(RR million)	Three month periods ended March 31, 2009	2008
Net cash provided by operating activities	233,963	375,935
Net cash used for investing activities	(236,071)	(232,832)
Net cash used for financing activities	(16,249)	(47,888)

Net cash provided by operating activities

Net cash provided by operating activities amounted to RR 233,963 million in the three month period ended March 31, 2009 compared to RR 375,935 million in the three month period ended March, 2008. The decrease was primarily due to our operating profit reduction for the three month period ended March 31, 2009 in comparison with the three month period ended March 31, 2008.

Net cash used for investing activities

Net cash used for investing activities increased by RR 3,239 million or 1% to RR 236,071 million in the three month period ended March 31, 2009 compared to RR 232,832 million in the three month period ended March 31, 2008.

Net cash used for by financing activities

Net cash used for financing activities amounted to RR 16,249 million in the three month period ended March 31, 2009 compared to RR 47,888 million in the three month period ended March 31, 2008. This decrease was primarily due to lower repayment of long-term borrowings in the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008.

CAPITAL EXPENDITURES

Total capital expenditures (excluding the effect of acquisitions of subsidiaries and reclassifications) by segment for the three month periods ended March 31, 2009 and 2008 in nominal RR terms, amounted to the following:

(RR million)	Three month periods ended March 31, 2009	2008
Transport	62,223	34,454
Production of gas	52,987	36,300
Production of crude oil and gas condensate	15,805	19,203
Distribution	9,110	8,318
Refining	7,924	9,252
Electric and heat energy generation and sales	2,994	5,994
Gas storage	1,489	236
All other segments	2,863	4,828
Total	**155,395**	**118,585**

Total capital expenditures (excluding the effect of acquisitions of subsidiaries and reclassifications) increased by RR 36,810 million, or 31%, from RR 118,585 million in the three month period ended March 31, 2008 to RR 155,395 million in the three month period ended March 31, 2009. The increase of our capital expenditures in the Transportation segment was primarily due to increased capital expenditure on the construction of major transportation projects, including Bovanenkovo-Uhta and Pochinki-Gryazovets. The increase of our capital expenditures in the Production of gas segment was primarily due to increased capital expenditure on the construction of new wells and associated gas preparation units at Bovanenkovskoye field.

DEBT OBLIGATIONS

Net debt balance (defined as the sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable and restructured tax liabilities, net of cash and cash equivalents and balances of cash and cash equivalents restricted as to withdrawal under the terms of certain borrowings and other contractual obligations) increased by RR 172,964 million, or 17%, from RR 1,018,346 million as of December 31, 2008 to RR 1,191,310 million as of March 31, 2009. This growth resulted from an increase of long-term and short-term borrowings due to appreciation of USD and EUR against RUR.