

**OA0 GAZPROM
IFRS CONSOLIDATED
INTERIM CONDENSED
FINANCIAL INFORMATION
(UNAUDITED)
31 MARCH 2003**

REVIEW REPORT

To the Shareholders of OAO Gazprom

1. We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 31 March 2003, and the related consolidated interim condensed statements of operations and cash flows and of changes in shareholders' equity for the three months then ended. This consolidated interim condensed financial information as set out on pages 3 to 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 19 to the consolidated interim condensed financial information. The Government of the Russian Federation is the principal shareholder of the Group and governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

Moscow, Russian Federation
26 September 2003

OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
(In millions of Russian Roubles)

Notes	31 March 2003	31 December 2002
Assets		
Current assets		
6	88,401	58,354
6	51,011	45,593
	39,167	28,895
7	243,778	192,042
8	73,277	88,561
	<u>17,226</u>	<u>16,490</u>
	<u>512,860</u>	<u>429,935</u>
Long-term assets		
9	1,863,830	1,855,276
10	82,155	84,875
11	33,641	38,152
	<u>85,061</u>	<u>72,461</u>
	<u>2,064,687</u>	<u>2,050,764</u>
	2,577,547	2,480,699
Liabilities and equity		
Current liabilities		
	111,013	95,840
	59,920	47,728
	167,693	184,823
	<u>46,016</u>	<u>41,384</u>
	<u>384,642</u>	<u>369,775</u>
Long-term liabilities		
12	284,676	248,603
	10,797	20,218
	10,135	10,592
	24,194	24,454
	23,995	21,989
13	<u>69,091</u>	<u>63,019</u>
	<u>422,888</u>	<u>388,875</u>
	807,530	758,650
	10,337	10,177
Shareholders' equity		
14	325,194	325,194
14	(36,867)	(30,367)
	<u>1,471,353</u>	<u>1,417,045</u>
	<u>1,759,680</u>	<u>1,711,872</u>
	2,577,547	2,480,699

A.B. Miller
Chairman of the Management Committee
26 September 2003

E.A. Vasilieva
Chief Accountant
26 September 2003

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

OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF OPERATIONS (UNAUDITED)
(In millions of Russian Roubles)

Notes		Three months ended	
		2003	2002
		31 March	
		2003	2002
5, 15	Sales	232,250	172,864
5	Operating expenses	<u>(157,472)</u>	<u>(125,105)</u>
5	Operating profit	74,778	47,759
16	Net finance costs	(2,798)	(9,994)
3	Monetary gain	-	<u>12,302</u>
	Net monetary effects and financing items	<u>(2,798)</u>	2,308
	Share of net income of associated undertakings	962	1,751
	Gains on available-for-sale investments	<u>3,117</u>	<u>608</u>
	Profit before profit tax and minority interest	76,059	52,426
	Current profit tax expense	(14,096)	(35,834)
	Deferred profit tax expense	<u>(5,799)</u>	<u>(20,801)</u>
13	Profit tax expense	<u>(19,895)</u>	<u>(56,635)</u>
	Profit (loss) before minority interest	56,164	(4,209)
	Minority interest	<u>(192)</u>	<u>(119)</u>
	Net profit (loss)	55,972	(4,328)
17	Basic and diluted earnings per share (in Roubles)	2.84	(0.21)

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OA O GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
(In millions of Russian Roubles)

Note	Three months ended 31 March	
	2003	2002
	Operating activities	
	76,059	52,426
	Profit before tax and minority interest	
	Adjustments to profit before profit tax and minority interest	
	31,489	27,619
	(3,008)	6,397
	7,557	9,165
	-	(14,994)
	(3,239)	1,185
	235	(1,146)
	<u>33,034</u>	<u>28,226</u>
	Total effect of adjustments	
	109,093	80,652
	Adjusted profit before profit tax and minority interest and before changes in working capital	
	(43,654)	(13,993)
	Total effect of working capital changes	
	(9,381)	(13,211)
	<u>56,058</u>	<u>53,448</u>
	Net cash provided by operating activities	
	Investing activities	
	(35,381)	(23,601)
	4,710	(7,671)
	<u>(30,671)</u>	<u>(31,272)</u>
	Net cash used for investing activities	
	Financing activities	
	72,813	19,901
	(33,498)	(23,729)
	(17,968)	395
	-	(16,406)
	(3,393)	(7,554)
	(21,544)	(3,263)
	14,023	2,176
	(5,418)	418
	(75)	(58)
	<u>4,940</u>	<u>(28,120)</u>
	Net cash provided by (used for) financing activities	
	(280)	2,712
	-	(2,980)
	Effect of exchange rate changes on cash and cash equivalents	
	Effect of inflation accounting on cash and cash equivalents	
	30,047	(6,212)
	Increase (decrease) in cash and cash equivalents	
6	<u>58,354</u>	<u>51,713</u>
	Cash and cash equivalents, at beginning of reporting period	
6	88,401	45,501
	Cash and cash equivalents, at end of reporting period	

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ОАО ГАЗПРОМ
IFRS CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(In millions of Russian Roubles)

Note		Number of shares outstanding (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total shareholders' equity
	<u>Three months ended 31 March 2003</u>					
	Balance as of 31 December 2002	19.8	325,194	(30,367)	1,417,045	1,711,872
	Net income for the period		-	-	55,972	55,972
14	Net treasury share transactions	(0.3)		(6,500)	(1,300)	(7,800)
	Translation differences		-	-	(179)	(179)
	Return of social assets to governmental authorities		-	-	(185)	(185)
	Dividends		-	-	-	-
	Balance as of 31 March 2003	19.5	325,194	(36,867)	1,471,353	1,759,680
	<u>Three months ended 31 March 2002</u>					
	Balance as of 31 December 2001	21.0	325,194	(20,872)	1,399,391	1,703,713
	Net loss for the period		-	-	(4,328)	(4,328)
14	Net treasury share transactions	-	-	1,579	(205)	1,374
	Translation differences		-	-	188	188
	Return of social assets to governmental authorities		-	-	(506)	(506)
	Dividends		-	-	-	-
	Balance as of 31 March 2002	21.0	325,194	(19,293)	1,394,540	1,700,441

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26 September 2003

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

1 NATURE OF OPERATIONS

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

The Group is involved in the following principal activities:

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

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

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

Whilst there have been improvements in the economic situation in the Russian Federation in recent years, the country 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 prospects for future economic stability in the Russian Federation are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.

3 BASIS OF PRESENTATION

The 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 2002 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 financial statements of the Group’s subsidiaries and associated undertakings resident in the Russian Federation, which account for substantially all the assets and liabilities of the Group, are based on their statutory records, which are maintained under the historical cost convention with adjustments and reclassifications recorded in the financial statements for the purpose of fair presentation in accordance with IAS 34. Similar adjustments are recorded in the financial statements in respect of Group companies not resident in the Russian Federation.

The preparation of consolidated interim condensed financial information in conformity with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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

3 BASIS OF PRESENTATION (continued)

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 information prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Russian Federation indicate that hyperinflationary has ceased, effective from 1 January 2003 the Group no longer applies the provisions of IAS 29. Accordingly, no adjustments for the effects of changes in general purchasing power have been made for the three months ended 31 March 2003.

Corresponding figures, for the three months ended 31 March 2002, were restated for the changes in the general purchasing power of the RR as of 31 December 2002. The restatement was calculated using the conversion factors derived from the Russian Federation Consumer Price Index (“CPI”), published by the Russian State Committee on Statistics (“Goscomstat”), and from indices obtained from other sources for years prior to 1992. The indices used to restate corresponding figures, based on 1988 prices (1988 = 100) for the five years ended 31 December 2002, and the respective conversion factors, are:

Year	Index	Conversion Factor
31 December 1998	1,216,400	2.24
31 December 1999	1,661,481	1.64
31 December 2000	1,995,937	1.37
31 December 2001	2,371,572	1.15
31 March 2002	2,501,534	1.09
31 December 2002	2,730,154	1.00

The main guidelines followed in restating the corresponding figures were:

- All corresponding amounts were stated in terms of the measuring unit current as of 31 December 2002;
- Monetary assets and liabilities held as of 31 December 2002 were not restated because they were already expressed in terms of the monetary unit current as of 31 December 2002.
- 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.
- All items in the statement of operations and cash flows were restated by applying the change in the general price index from the dates when the items were initially transacted to 31 December 2002.
- Gains or losses that arose as a result of holding monetary assets and liabilities for the reporting period ended 31 March 2002 were included in the statement of operations as a monetary gain or loss.

The US dollar to RR exchange rates were 31.38 and 31.78 as of 31 March 2003 and 31 December 2002, respectively. The Euro to RR exchange rates were 33.59 and 33.11 as of 31 March 2003 and 31 December 2002, respectively.

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 2002.

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

5 SEGMENT INFORMATION

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

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

	Production	Refining	Transport	Distribution	Other	Total
Three months ended 31 March 2003						
Segment revenues						
Inter-segment sales	27,688	5,093	52,799	6,425	-	92,005
External sales	<u>929</u>	<u>19,119</u>	<u>6,888</u>	<u>194,101</u>	<u>11,213</u>	<u>232,250</u>
Total segment revenues	28,617	24,212	59,687	200,526	11,213	324,255
Segment expenses						
Inter-segment expenses	(540)	(3,885)	(7,702)	(79,878)	-	(92,005)
External expenses	<u>(19,022)</u>	<u>(18,436)</u>	<u>(53,830)</u>	<u>(51,705)</u>	<u>(10,811)</u>	<u>(153,804)</u>
Total segment expenses	<u>(19,562)</u>	<u>(22,321)</u>	<u>(61,532)</u>	<u>(131,583)</u>	<u>(10,811)</u>	<u>(245,809)</u>
Segment result	9,055	1,891	(1,845)	68,943	402	<u>78,446</u>
Unallocated operating expenses						<u>(3,668)</u>
Operating profit						74,778
Share of net (losses) income of associated undertakings	-	(23)	519	350	116	<u>962</u>
Three months ended 31 March 2002						
Segment revenues						
Inter-segment sales	32,574	3,746	53,264	4,924	-	94,508
External sales	<u>684</u>	<u>11,930</u>	<u>4,348</u>	<u>147,195</u>	<u>8,707</u>	<u>172,864</u>
Total segment revenues	33,258	15,676	57,612	152,119	8,707	267,372
Segment expenses						
Inter-segment expenses	(334)	(3,754)	(5,409)	(85,011)	-	(94,508)
External expenses	<u>(16,319)</u>	<u>(11,597)</u>	<u>(44,325)</u>	<u>(41,857)</u>	<u>(7,139)</u>	<u>(121,237)</u>
Total segment expenses	<u>(16,653)</u>	<u>(15,351)</u>	<u>(49,734)</u>	<u>(126,868)</u>	<u>(7,139)</u>	<u>(215,745)</u>
Segment result	16,605	325	7,878	25,251	1,568	<u>51,627</u>
Unallocated operating expenses						<u>(3,868)</u>
Operating profit						47,759
Share of net income of associated undertakings	-	-	387	26	1,338	<u>1,751</u>

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

5 SEGMENT INFORMATION (continued)

Internal transfer prices are established by the management of the Group with the objective of providing for the specific funding requirements of the individual subsidiaries within each segment. Prices are determined on the basis of the statutory accounting reports of the individual subsidiaries on a cost plus basis. The change in inter-segment sales and expenses by segment in the three months ended 31 March 2003 is primarily due to changes in internal transfer prices.

6 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Balances included within cash and cash equivalents in the consolidated balance sheet represent cash on hand and balances with banks. Included within restricted cash are balances of cash and cash equivalents totalling RR 42,278 and RR 38,637 as of 31 March 2003 and 31 December 2002, respectively, which are restricted as to withdrawal under the terms of certain borrowings and other contractual obligations. In addition, restricted cash comprises cash balances of RR 8,733 and RR 6,956 as of 31 March 2003 and 31 December 2002 respectively, in subsidiary banks, which are restricted as to withdrawal under banking regulations.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 March 2003	31 December 2002
Trade receivables	134,597	113,990
Prepayments and advances paid	54,205	34,026
Other receivables	<u>54,976</u>	<u>44,026</u>
	<u>243,778</u>	<u>192,042</u>

Accounts receivable and prepayments are presented net of an impairment provision of RR 131,137 and RR 127,206 as of 31 March 2003 and 31 December 2002, respectively.

8 INVENTORY

Inventories are presented net of a provision for obsolescence of RR 12,235 and RR 12,987 as of 31 March 2003 and 31 December 2002, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

	Total operating assets	Social assets	Assets under construction	Total
For the three months ended 31 March 2003				
Net book value as of 31 December 2002	1,561,007	92,103	202,166	1,855,276
Depreciation	(24,102)	(887)	-	(24,989)
Additions	246	-	37,040	37,286
Transfers	3,939	51	(3,990)	-
Disposals	(801)	(866)	(486)	(2,153)
Impairment provision	<u>-</u>	<u>-</u>	<u>(1,590)</u>	<u>(1,590)</u>
Net book value as of 31 March 2003	1,540,289	90,401	233,140	1,863,830
As of 31 March 2003				
Cost	3,095,752	123,770	233,140	3,452,662
Accumulated depreciation	<u>(1,555,463)</u>	<u>(33,369)</u>	<u>-</u>	<u>(1,588,832)</u>
Net book value as of 31 March 2003	1,540,289	90,401	233,140	1,863,830

Assets under construction are presented net of a provision for impairment of RR 97,160 and RR 95,570 as of 31 March 2003 and 31 December 2002 respectively.

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

9 PROPERTY, PLANT AND EQUIPMENT (continued)

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 39,962 and RR 40,526 as of 31 March 2003 and 31 December 2002, respectively.

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS

Notes	31 March 2003	31 December 2002
19 EuRoPol GAZ S.A.	38,113	38,502
19 WINGAS GmbH	19,869	21,360
19 ZAO Armrosgazprom	3,201	3,276
Other	<u>20,972</u>	<u>21,737</u>
	<u>82,155</u>	<u>84,875</u>

Associated undertakings are presented net of provision for impairment of RR 9,322 and RR 8,767 as of 31 March 2003 and 31 December 2002, respectively.

11 OTHER LONG-TERM INVESTMENTS

	31 March 2003	31 December 2002
South Pars	20,969	22,930
Joint ventures	2,248	2,354
Available-for-sale investments	<u>10,424</u>	<u>12,868</u>
	<u>33,641</u>	<u>38,152</u>

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

12 LONG-TERM BORROWINGS

	Currency	Due	31 March 2003	31 December 2002
Long-term borrowings payable to:				
Morgan Stanley AG	US dollar	2003 – 2013	55,371	-
Credit Lyonnais	US dollar	2001 – 2005	54,082	54,325
Salomon Brothers AG	US dollar	2002 – 2007	39,290	38,849
Dresdner Bank AG	US dollar	2001 – 2005	29,849	39,219
Bayerische Hypo-und Vereinsbank AG	US dollar	2002 – 2008	22,833	23,557
Intesa BCI	US dollar	2001 – 2007	20,287	23,959
Mannesmann (Deutsche Bank AG)	Euro	2001 – 2008	18,321	17,908
OAO Vneshtorgbank	US dollar	2001 – 2004	11,316	21,330
an International banking consortium	Euro	2001 – 2007	10,526	11,728
Societe Generale	US dollar	2002 – 2008	10,217	10,348
Deutsche Bank AG	US dollar	2003 – 2005	9,450	4,838
DEPFA Investment Bank Ltd	US dollar	2003 – 2008	9,430	-
Fuji Bank	US dollar	2003 – 2010	9,326	9,598
a German banking consortium	Euro	2001 – 2007	9,081	8,872
SACE	US dollar	2002 – 2012	7,294	7,435
Moscow Narodny Bank Limited	US dollar	2001 – 2006	6,948	7,507
ABN AMRO	US dollar	2002 – 2004	6,382	6,473
Bayerische Hypo-und Vereinsbank AG	Euro	2001 – 2006	5,647	6,037
Credit Suisse First Boston	US dollar	2001 – 2006	4,900	5,366
OAO Alfa Bank	US dollar	2002 – 2004	4,717	4,776
a Hungarian banking consortium	US dollar	2001 – 2005	3,488	3,858
Other long-term borrowings	Various	Various	<u>38,787</u>	<u>40,383</u>
Total long-term borrowings			382,542	346,366
Less: current portion of long-term borrowings			<u>(97,866)</u>	<u>(97,763)</u>
			284,676	248,603

	31 March 2003	31 December 2002
Due for repayment:		
Between one and two years	78,839	92,378
Between two and five years	136,706	132,010
After five years	<u>69,131</u>	<u>24,215</u>
	284,676	248,603

Long-term borrowings include fixed rate loans with a carrying value of RR 167,493 and RR 111,157 as of 31 March 2003 and 31 December 2002, respectively. Other long-term borrowings generally have variable interest rates linked to LIBOR.

13 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 statutory rate of 24%.

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

13 PROFIT TAX (continued)

	31 March 2003	Differences, recognition and reversals	31 December 2002
Tax effects of taxable temporary differences:			
Property, plant and equipment	(71,873)	(4,868)	(67,005)
Investments	(3,623)	784	(4,407)
Inventories	<u>(1,371)</u>	<u>484</u>	<u>(1,855)</u>
	(76,867)	(3,600)	(73,267)
Tax effects of deductible temporary differences:			
Tax losses carryforward	<u>7,776</u>	<u>(2,472)</u>	<u>10,248</u>
Total net deferred tax liabilities	(69,091)	(6,072)	(63,019)

Deferred tax assets and liabilities arise mainly from differences in the taxable and financial reporting bases of property, plant and equipment. These differences for property, plant and equipment are historically due to the fact that a significant proportion of the tax base is based upon independent appraisals, the most recent of which was recognised as of 1 January 2001, while the financial reporting base is historical cost restated for changes in the general purchasing power of the RR to 31 December 2002 (see Note 3).

Following the enactment of Chapter 25 "Profit tax" of the Russian Federation Tax Code on 1 January 2002, the profit tax regulations allowed for different tax depreciation lives for different groups of property, plant and equipment. In accordance with the tax regulations, the Group recognised shorter tax depreciation lives effective 1 January 2002, resulting in increased tax depreciation and a RR 3,666 and RR 30,171 increase in the deferred tax liability attributable to property, plant and equipment as of 31 March 2003 and 31 December 2002, respectively. The Group recognised the results of the assessment of the revised tax depreciation lives for property, plant and equipment in the three months ended 30 September 2002 when such an assessment was completed by the Group.

The revised tax depreciation lives also gave rise to current period tax losses in the statutory books of OAO Gazprom. Statutory entities can carry forward tax losses generated in an individual period for ten years, subject to a maximum utilization of 30% of the total amount of taxable profit each year. This resulted in a recognition of a deferred tax asset of RR 7,776 and RR 10,248 as of 31 March 2003 and 31 December 2002, respectively, as management believes it is probable that these losses will be realized through offset against future taxable profit.

14 SHAREHOLDERS' EQUITY

Share capital

Share capital authorised and issued totals RR 325,194 as of 31 March 2003 and 31 December 2002 and consists of 23.7 billion ordinary shares, each with a historical par value of RR 5.

Treasury shares

At 31 March 2003 and 31 December 2002, subsidiaries of OAO Gazprom held 4,134 and 3,841 million, respectively, of the ordinary shares of OAO Gazprom. The Group controls the voting rights of these shares.

As of 31 December 2002 voting rights for the ordinary shares of OAO Gazprom, held by a joint activity with OAO Stroytransgaz were controlled by the Group in accordance with the specific terms of the joint activity agreement. Accordingly, as of 31 December 2002, the Group's contribution into the joint activity was recorded as an investment in treasury shares, classified as a deduction from shareholders' equity. In March 2003 OAO Stroytransgaz terminated its participation in the joint activity agreement with the Group in return for promissory notes contributed by the Group into this joint activity. As a result, the Group now owns (as well as votes) the 1,144 million treasury shares held by the joint activity.

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

15 SALES

	Three months ended	
	31 March	
	2003	2002
Gas sales (including excise tax, net of VAT and customs duties) to customers in:		
Russian Federation	70,970	42,170
Former Soviet Union (excluding Russian Federation)	17,963	19,425
Europe	<u>151,097</u>	<u>120,878</u>
Gross sales of gas	240,030	182,473
Excise tax	<u>(45,000)</u>	<u>(34,594)</u>
Net sales of gas	195,030	147,879
Sales of gas condensate and oil and gas products	19,119	11,930
Gas transportation sales	6,888	4,348
Other revenues	<u>11,213</u>	<u>8,707</u>
	<u>232,250</u>	<u>172,864</u>

Included in gas sales in the Russian Federation (including excise tax, net of VAT) are sales to companies of the Itera Group totaling RR 1,863 (4 bcm) and nil for the three months ended 31 March 2003 and 2002, respectively. Trade receivables in respect of gas sales to the Itera Group amounted to RR 470 and RR 347 as of 31 March 2003 and 31 December 2002, respectively.

Gas transportation sales (net of VAT) to companies of the Itera Group totaled RR 1,839 (10 bcm) and RR 3,400 (17 bcm) for the three months ended 31 March 2003 and 2002, respectively. Trade receivables in respect of gas transportation services supplied to the Itera Group amounted to RR 2,846 and RR 4,029 as of 31 March 2003 and 31 December 2002, respectively.

The Itera Group is a producer and distributor of gas in the Russian Federation and other former Soviet Union countries.

In January 2003, the Group commenced gas transportation sales to Eural Trans Gas, which amounted to RR 3,982 (9 bcm) in the three months ended 31 March 2003. Trade receivables in respect of gas transportation services supplied to Eural Trans Gas amounted to RR 2,897 and nil as of 31 March 2003 and 31 December 2002, respectively. Eural Trans Gas, incorporated in Hungary, was established to sell Central Asian gas to customers in Europe.

16 NET FINANCE COSTS

	Three months ended	
	31 March	
	2003	2002
Net exchange gains (losses)	2,014	(3,450)
Interest income	2,815	2,876
Interest expense	<u>(7,627)</u>	<u>(9,420)</u>
	<u>(2,798)</u>	<u>(9,994)</u>

17 EARNINGS PER SHARE

Earnings per share have 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 14).

The weighted average number of shares outstanding was 19.7 and 21.0 billion for the three months ended 31 March 2003 and 2002, respectively.

18 SUBSIDIARY UNDERTAKINGS

Principal subsidiaries of the Group remain unchanged since 31 December 2002 except for the changes disclosed below.

OAO Severneftegazprom

In February 2003 the Group acquired a 51.0% additional interest in OAO Severneftegazprom from the Itera Group at the nominal value of the shares (RR 102 thousand) for cash and thereby increased its interest in the share capital of OAO Severneftegazprom to 100%. In connection with the acquisition of this interest, the Group paid RR 369 in cash to the Itera Group to settle the amount owed by OAO Severneftegazprom to finance development work. Management believes that the carrying value of consideration paid approximated the fair values of the Group's interest in the net assets acquired. OAO Severneftegazprom, a production company, holds a license for the development of the Yuzhno-Russkoye field. OAO Severneftegazprom was accounted for as subsidiary from the date on which control was obtained. At the same time the Group sold to the Itera Group a 10.0% interest in OAO Sibirsky Oil and Gas Company at its carrying value of RR 2.55 plus a 7.8% interest in OAO Tarkosaleneftegaz at its carrying value of RR 356 for cash.

Rosshelf joint activity

The Rosshelf joint activity was established to develop the Prirazlomnoye and Shtokmanovskoye fields in the Barents Sea. From inception OAO Gazprom and its subsidiary ZAO Rosshelf had direct 99.1% and 0.9% interests in the joint activity, respectively. In October 2002 OAO Gazprom and its subsidiary ZAO Rosshelf signed an amendment to the Rosshelf joint activity agreement that provided for an additional participant – ZAO Sevmorneftegaz. ZAO Sevmorneftegaz is a company jointly controlled by ZAO Rosshelf and OAO Rosneft-Purneftegaz. Under the agreement in February 2003 ZAO Sevmorneftegaz made its non-cash contribution valued at RR 4,334 in exchange for a 48.9% interest in the Rosshelf 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 the Group's total effective interest decreased from 99.1% to 62.9% (see Note 21).

19 RELATED PARTIES

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 operating 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, directly owns approximately 38.37% of the issued shares of the Group. Government representatives also have the majority of seats on the Board of Directors. As of 31 March 2003 the subsidiaries of the Group held 17.46% of OAO Gazprom shares, through which they are entitled to vote as owners. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

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

Associated undertakings

Included within associated undertakings (see Note 10) is the loan receivable from EuRoPol GAZ S.A., in the amount of RR 26,657 and RR 27,344 as of 31 March 2003 and 31 December 2002, respectively, issued by AB Gazprombank (ZAO), a subsidiary of the Group, at an interest rate of LIBOR + 2.6%. Also included within associated undertakings (see Note 10) as a component of the carrying amount are USD and Euro denominated long-term receivables from EuRoPol GAZ S.A. of RR 8,152 and RR 8,555 as of 31 March 2003 and 31 December 2002, respectively.

ОАО ГАЗПРОМ
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19 RELATED PARTIES (continued)

Associated undertakings (see Note 10) include a Euro denominated loan receivable from WINGAS GmbH, in the amount of RR 14,536 and RR 14,331 as of 31 March 2003 and 31 December 2002, respectively. The interest rates vary for different loan tranches. As of 31 March 2003 and 31 December 2002 the aggregate effective interest rate for the loan receivable from WINGAS GmbH was 5.6%.

Included within accounts receivable (see Note 7) are accounts receivable from Group associates (excluding EuRoPol GAZ S.A.) in the amount of RR 16,664 and RR 15,767 as of 31 March 2003 and 31 December 2002, respectively.

During the three months ended 31 March 2003 and 2002 the Group recorded sales of gas to its associates in the amount of RR 24,117 and RR 17,192, respectively.

Gas is sold to associates, except for that sold to AO Moldovagaz, on the basis of long-term contracts, at index prices based on world oil and gas prices. Gas prices per thousand cubic meters for such sales ranged from USD 73 to USD 114 and from USD 77 to USD 133 in the three months ended 31 March 2003 and 2002, 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 81 in the three months ended 31 March 2003 and 2002, respectively.

The Group's impairment provision on accounts receivable included RR 17,181 and RR 14,914 in respect of amounts due from AO Moldovagaz as of 31 March 2003 and 31 December 2002, respectively.

In addition, the Group purchased gas transportation services from certain of the associated undertakings, principally EuRoPol GAZ S.A., which amounted to RR 2,471 and RR 5,628 for the three months ended 31 March 2003 and 2002, respectively. The cost of these services was determined based on prices of gas sold to these companies.

ОАО АК Сибур

A substantial portion of ОАО АК Сибур's transactions were executed with related parties. ОАО АК Сибур's related party transactions are mainly with its associated undertakings listed below:

ОАО Омскшина	ОАО Voltair-Prom
ОАО Сибур-Неftekhim	ОАО Voltair
ОАО Сибур-Тyumen	ОАО Tomsky NKhZ
ОАО Tobolsky NKhK	ОАО Voronezhsyntezkauchuk
ООО Togliatti-Kauchuk	ОАО Yaroslavskiy Shinniy Zavod

The table below presents summarised financial information of ОАО АК Сибур's and its subsidiaries as of and for the three months ended 31 March 2003 and 2002, and as of 31 December 2002 before Group intercompany eliminations and adjustments for minority interests:

	31 March 2003	31 December 2002
Current assets	23,752	15,651
Non-current assets	20,314	17,870
Current liabilities	(29,820)	(27,978)
Non-current liabilities	<u>(32,169)</u>	<u>(24,569)</u>
	(17,923)	(19,026)

ОАО ГАЗПРОМ
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19 RELATED PARTIES (continued)

	Three months ended	
	31 March	
	2003	2002
Sales	14,874	6,629
Operating expenses	(14,446)	(5,024)
Net profit	2,584	1,182

ОАО Стройтрансгаз

ОАО Стройтрансгаз is a major Russian constructor of pipelines, compressor stations and refineries. In the normal course of business, the Group enters into transactions with ОАО Стройтрансгаз for the construction of pipelines in the Russian Federation on the basis of the results of tenders. During the three months ended 31 March 2003 and 2002 transactions with ОАО Стройтрансгаз were entered into under contracts, which had been executed by certain prior representatives of the Group's Board of Directors and members of their families who at that time owned significant shareholdings in ОАО Стройтрансгаз.

ОАО Стройтрансгаз rendered construction services for the Group in the amounts of RR 2,308 and RR 4,631 for the three months ended 31 March 2003 and 2002, respectively. As of 31 March 2003 and 31 December 2002, the Group had advances and receivables due from ОАО Стройтрансгаз in the amounts of RR 3,755 and RR 6,276, respectively. As of 31 March 2003 and 31 December 2002, the Group had accounts payable to ОАО Стройтрансгаз in respect of construction of RR 9,255 and RR 10,911, respectively.

ООО Интерпроком

During the three months ended 31 March 2003 and 2002 transactions with ООО Интерпроком were entered into under contracts which had been executed by certain prior members of the Board of Directors and a member of the Management Committee of the Company and members of their families who at that time owned significant interests in ООО Интерпроком.

ООО Интерпроком acts as an agent for the Group in the acquisition of equipment and is remunerated for those services based on a fixed commission percentage. ООО Интерпроком acted as an agent in the Group's acquisition of RR 282 and RR 1,833 of equipment in the three months ended 31 March 2003 and 2002, respectively. As of 31 March 2003 and 31 December 2002, the Group had advances and receivables due from ООО Интерпроком in the amount of RR 795 and RR 877, respectively. Commission paid to ООО Интерпроком amounted to RR 12 and RR 27 for the three months ended 31 March 2003 and 2002, respectively. As of 31 March 2003 and 31 December 2002, the Group had accounts payable to ООО Интерпроком in respect of equipment supplies of RR 4,280 and RR 5,265, respectively.

AB Gazprombank (ZAO), the Group's principal banking subsidiary, had outstanding import letters of credit issued on behalf of ООО Интерпроком and sub-contractors of ООО Интерпроком in the amount of RR 4,850 and RR 6,982 as of 31 March 2003 and 31 December 2002, respectively. These import letters of credit are issued to third party suppliers in connection with the purchase of equipment by ООО Интерпроком on behalf of the Group.

ОАО GAZPROM
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20 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Taxation

Russian tax legislation is subject to varying interpretations and frequent changes. Further, the interpretation of tax legislation by tax authorities applied to the transactions and activity of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest, which can be significant. Under Russian legislation, penalties are levied at 20% of the tax amount underpaid and interest is charged at a rate of 1/300 of the refinancing rate of the Central Bank of the Russian Federation per day (the refinancing rate as of 31 March 2003 was 18.0%). The Group's tax records remain open to review by the tax and customs authorities with respect to tax liabilities for three years.

Financial guarantees

The Group had outstanding issued guarantees to third parties in the amount of RR 85,679 and RR 87,707 (including guarantees denominated in USD of USD 2,611 million and USD 2,634 million) as of 31 March 2003 and 31 December 2002, respectively.

No provisions were recorded within provisions for liabilities and charges as of 31 March 2003 and 31 December 2002, respectively, in respect of the outstanding issued guarantees.

	31 March 2003	31 December 2002
Outstanding guarantees issued on behalf of:		
BSPC	37,720	37,258
Interconnector (UK) Limited	34,519	34,963
Itera Group companies	2,806	3,088
Albustan Investments Ltd	2,743	2,843
Other	<u>7,891</u>	<u>9,555</u>
	<u>85,679</u>	<u>87,707</u>

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. In 2001, the Group was obligated to provide guarantees on behalf of BSPC in respect of RR 39,152 (USD 1,187) related to these credit facilities. As of 31 March 2003 and 31 December 2002 BSPC had borrowed RR 37,720 and RR 37,258 (USD 1,202 million and USD 1,172 million), respectively, of these credit facilities, which were guaranteed by the Group, pursuant to its obligation.

Line "Other" includes mainly guarantees issued by subsidiaries under contracts for purchasing equipment, construction and installation works. As of 31 March 2003 and 31 December 2002 this balance includes guarantees issued by OAO AK Sibur to third parties of RR 2,803 and RR 2,572, respectively.

21 POST BALANCE SHEET EVENTS

Financial investments

Petrochemical companies

In the third quarter of 2002 the Group signed agreements to acquire additional interests in a number of Russian petrochemical companies, the majority of which were already affiliated with OAO AK Sibur. The consideration to be paid is expected to consist primarily of long-term promissory notes with nominal value of RR 17,824. The fair value of the consideration has not yet been determined. As of 31 March 2003 the Group did not complete the majority of transactions and therefore did not control the voting rights associated with the additional interests. In April 2003, following the completion of the legal procedures the Group established control over majority of these companies and thereby increased its controlling interest in the charter capital of OAO AK Sibur from 50.7% to 75.7%. The management believes that the Group will not incur any substantial cash outflow in connection with these acquisitions.

ZAO Agrochemical Corporation Azot

In February 2003 the Group sold 40.1% of its 46.4% interest in the share capital of ZAO Agrochemical Corporation Azot at its carrying value of RR 394 for cash. The shares were sold to the other shareholders of ZAO Agrochemical Corporation Azot as a result of the latter taking advantage of the pre-emptive purchase rights. In April 2003 a part of this transaction was cancelled by an agreement of the parties. As a result the Group received back a 33.9% interest in ZAO Agrochemical Corporation Azot and returned RR 333 of the cash received in February 2003. In July 2003 the Group acquired an additional 7.2% of ZAO Agrochemical Corporation Azot at par value from the existing shareholders thereby increasing its interest from 40.2% to 47.4%. The consideration of RR 71 was paid in cash.

OAO Stroytransgaz

In April 2003 the Group increased its interest in Stroytransgaz to 25.9% (see Note 19). The consideration paid with an aggregated fair value of RR 3,335 included investments, promissory notes and cash.

Rosshelf joint activity

In July 2003 OAO Rosneft acquired a 49.95% direct interest in the Rosshelf joint activity in exchange for a commitment to make a contribution valued at RR 4,268 (USD 136 million) into the joint activity. The effect of this transaction was to decrease the Group's total effective interest in the Rosshelf joint activity from 62.9% to 48.85% and to give the Group and OAO Rosneft joint controlling interest. In July 2003 OAO Rosneft contributed RR 606 in cash to the joint activity.

Borrowings

In April 2003 OAO Gazprom received a loan from DEPFA Investment Bank Ltd of USD 200 million due 2008 at an interest rate of 9.8% per annum.

In May 2003 ZGG, a Group subsidiary in Germany, repaid the outstanding balance of the loan payable to an international banking consortium totalling Euro 318 million. At the same time ZGG received another loan from a different consortium totalling Euro 280 million. The new loan bears interest at six-month EURIBOR plus margin. The margin can vary from 1% to 2% depending on the debt service cover ratio. As of the date of the borrowing receipt the interest rate was 4.2% per annum. The loan will be repaid from October 2003 to October 2007 (similar to the replaced loan).

In May and June 2003, the Group received two loans, each secured by a pledge of OAO Gazprom promissory notes, from Sberbank of RR 4,000 each, each for a six month period and each at an interest rate between 10.5% and 12.5% (depending on the aggregate deposits that OAO Gazprom maintains at Sberbank).

OAQ GAZPROM
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21 POST BALANCE SHEET EVENTS (continued)

In May and June 2003 OAO Gazprom received unsecured loans from West LB AG totaling \$215 million for a two-year period at an interest rate of LIBOR plus 4%.

In June 2003, the Board of Directors of OAO Gazprom approved the issuance of RR 10,000 face value of three-year bonds to be issued on the Russian capital markets with a semi-annual coupon of 4%. This issuance was registered by the Federal Commission for the Securities Market on August 5, 2003. In accordance with Russian legislation, OAO Gazprom may issue the bonds within one year of the date of the registration.

In June 2003, OAO Gazprom received an unsecured loan from Deutsche Bank AG for U.S.\$200 million for a three-year period at an interest rate of 8% per annum.

In July 2003 the Group received a loan from a syndicate of European banks of USD 300 million for a six-year period at an interest rate of LIBOR plus 3.5% per annum.

In September 2003 the Group issued Euro 1 billion of Loan Participation Notes due 2010 at an interest rate of 7.8%.

Treasury shares

In May 2003 the Group entered into a sale agreement with an affiliate of Ruhrgas AG to sell 117 million ordinary shares of OAO Gazprom for cash consideration of RR 3,109 (USD 0.86 per share).

ОАО ГАЗПРОМ
INVESTOR RELATIONS

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