MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003

You should read the following management's discussion in conjunction with our unaudited consolidated interim condensed financial information as of and for the three and nine months ended 30 September 2003. The interim condensed financial information has been 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").

OVERVIEW

We are the world's largest natural gas company, and the world's largest publicly-traded hydrocarbons company, in terms of reserves, transportation and production volumes. Our revenues are primarily derived from sales of natural gas to western and central Europe, Russia and other former Soviet Union countries.

We divide our operations into the following four main business segments:

- Production: exploration, development and production operations relating to natural gas and other hydrocarbons. These activities are primarily located within Russia.
- Refining: processing and refining of natural gas, gas condensate and other hydrocarbons (including crude oil), and sales of hydrocarbon products. Operations relating to refining of natural gas, gas condensate and oil significantly increased in the nine months ended 30 September 2003 due to increase of OAO AK Sibur ("Sibur") activities following the completion of bankruptcy procedures in 2002.
- Transportation: transportation of natural gas through the world's largest high-pressure trunk pipeline system (155,000 km). We own and operate a single centrally controlled system for natural gas production, processing, transportation, storage and deliveries. Beginning in the late 1990s, we began acquiring interests in regional gas distribution companies that own and operate medium-and low-pressure pipelines.
- Distribution: domestic and export sale of gas. We are the world's largest exporter of natural gas.

Other businesses primarily comprise banking, insurance, construction and media. These businesses are not separately reflected in our financial statements because they do not represent individually material segments.

Our four main business segments are mutually dependent, with a significant portion of the revenues of one segment being a part of the costs of another segment. In particular, our Distribution and Refining segments purchase natural gas from our Production segment and transportation services from our Transportation segment. We establish internal transfer prices to provide funding requirements of the individual segments. Accordingly, the results of operations of these segments on a stand-alone basis do not necessarily represent that 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.

As the characteristics of the economic environment of the Russian Federation indicated that hyperinflation had ceased, effective from 1 January 2003 we no longer apply the provisions of IAS 29. However, all prior period amounts are stated in terms of the measuring unit current as of 31 December 2002.

RESULTS OF OPERATIONS

(RR' millions)	Nine months ended 30 September 2003	2002
Sales (net of excise tax, VAT and customs duties)	597,382	441,510
Operating expenses	(415,360)	(342,627)
Operating profit	**182,022**	**98,883**
Net monetary effects and financing items	(1,011)	5,516
Share of net income of associated undertakings	4,194	2,412
(Losses) gains on available-for-sale investments	(1,626)	1,092
Profit before profit tax and minority interest	**183,579**	**107,903**

(RR' millions)	Nine months ended 30 September 2003	2002
Current profit tax expense	(31,259)	(43,256)
Deferred profit tax expense	(23,939)	(46,999)
Profit tax expense	(55,198)	(90,255)
Profit before minority interest	**128,381**	**17,648**
Minority interest	(1,942)	(1,006)
Net profit	**126,439**	**16,642**

The following tables set out our volumes and realized prices for the nine months ended 30 September 2003 and 2002.

(RR' millions, unless indicated otherwise)	Nine months ended 30 September 2003	2002
Europe		
Gross sales (net of customs duties)	409,536	309,104
Excise tax	(93,020)	(70,355)
Net sales	316,516	238,749
Volumes in billion cubic meters (bcm)	102.9	95.9
Average price, constant RR per mcm[1] (including excise tax, net of customs duties)	3,980.4	3,221.7
FSU		
Gross sales (net of value added tax (VAT) and customs duties)	39,920	44,532
Excise tax	(7,103)	(7,464)
Net sales	32,817	37,068
Volumes in bcm	31.3	32.2
Average price, constant RR per mcm (including excise tax, net of VAT and customs duties)	1,276.1	1,385.0
Russia		
Gross sales (net of VAT)	143,956	93,333
Excise tax	(15,117)	(1,606)
Net sales	128,839	91,727
Volumes in bcm	212.8	197.5
Average price, nominal RR per mcm (including excise tax and net of VAT)	676.6	438.7
Average price, constant RR per mcm (including excise tax and net of VAT)	676.6	472.5
Total sales of gas		
Gross sales (net of VAT and customs duties)	593,412	446,969
Excise tax	(115,240)	(79,425)
Net sales	478,172	367,544
Volumes in bcm	347.0	325.6
Sales of gas condensate and oil and gas products (net of excise tax and VAT)	62,269	35,913
Gas transportation sales (net of excise tax and VAT)	20,421	12,428
Other sales (net of VAT)	36,520	25,625
Total sales (net of excise tax, VAT and customs duties)	**597,382**	**441,510**

[1] Mcm is the equivalent of thousand cubic meters.

Net sales revenues increased by RR155,872 million or 35% to RR597,382 million in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002. Net sales of gas accounted for 80% of total sales in the nine months ended 30 September 2003 and were RR110,628 million or 30% higher than in the same period of 2002.

Net sales of natural gas to Europe increased by RR77,767 million or 33% to RR316,516 million in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002. This was primarily due to a 24% increase in prices in constant RR terms and an 7% or 7 bcm increase in sales volumes. Following the increase in U.S. dollar oil prices, average U.S. dollar export gas prices increased 32% in the nine months ended 30 September 2003 to

U.S.$132.7 per mcm (including excise and customs duties) compared to the nine months ended 30 September 2002. Nevertheless, average constant RR export gas prices to Europe, increased by only 24% to RR3,980.4 per mcm as a result of 1% appreciation of the RR against the U.S. dollar for the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002 and 4% inflation for the period from 30 September 2002 to 31 December 2002. The increase in sales volumes was primarily due to increased volumes sold to Romania, Hungary, Austria and Holland under existing long-term contracts.

Net sales of natural gas to FSU countries decreased by RR4,251 million or 11% to RR32,817 million in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002. This was due to a 8% decrease in the average constant RR price of gas and a 3% or 0.9 bcm decrease in volumes. The 8% decrease in the average constant RR price of gas to RR1,276.1 per mcm resulted from the 7% decrease in average realized U.S. dollar price to U.S.$41.1 per mcm, cumulative appreciation of the RR against the U.S. dollar and cumulative inflation. The decrease in volumes of gas sold to FSU countries was primarily due to a 1.4 bcm reduction in sales volumes to Belarus, which more than offset increased shipments of gas to Baltic countries. In 2003 we continued to restrict our shipments to Ukraine to those required to cover transportation services, so called "transit-gas", which mitigates our collection risk. Shipments to Ukraine in the nine months ended 30 September 2003 were 19.7 bcm compared to 19.5 bcm in the nine months ended 30 September 2002.

Net sales of natural gas in the domestic market increased by RR37,112 million or 40% to RR128,839 million in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002. This was due to the increase in domestic gas tariffs set by the Federal Energy Commission and the 8% or 15.3 bcm increase in sales volumes. The nominal average domestic price increased by 54% from RR438.7 per mcm in the nine months ended 30 September 2002 to RR676.6 per mcm in the nine months ended 30 September 2003. However, due to the impact of inflation for the period from 30 September 2002 to 31 December 2002, the average constant RR domestic price increased by 43% in the comparable periods. The 8% increase in domestic sales volumes, which increased by 15.3 bcm to 212.8 bcm in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002, includes increase of sales by Sibur (3.0 bcm), and gas sales through an electronic terminal by our subsidiary Mezhregiongaz which commenced at the end of 2002 (1.1 bcm).

Total excise taxes on natural gas sales increased by 45% to RR115,240 million in the nine months ended 30 September 2003 from RR79,425 million in the nine months ended 30 September 2002, representing 19% and 18% of gross sales of natural gas, respectively. The increase was primarily due to higher natural gas sales to customers in Europe and Russia and the impact of the consolidation of regional trade houses in 2002, which increased excise tax by RR13,104 million in the nine months, ended 30 September 2003.

Sales of gas condensate and oil and gas products increased by RR26,356 million or 73% to RR62,269 million in the nine months ended 30 September 2003 compared to RR35,913 million in the nine months ended 30 September 2002. This increase was primarily due to higher oil product prices and the fact that Sibur increased its level of operations following the completion of bankruptcy procedures in September 2002, and consolidation of additional petrochemical companies in the three months ended 30 June 2003. Sibur and these petrochemical companies accounted for 60% of sales of gas condensate and oil and gas products in the nine months ended 30 September 2003.

Gas transportation sales increased by 64% to RR20,421 million in the nine months ended 30 September 2003 from RR12,428 million in the nine months ended 30 September 2002. This was primarily due to increased transportation sales of Central Asian gas in the nine months ended 30 September 2003.

Other sales increased by RR10,895 million or 43% to RR36,520 million in the nine months ended 30 September 2003 compared to RR25,625 million in the nine months ended 30 September 2002, which was primarily attributable to the increased level of operations of Sibur. Other sales represent activities including construction works, gas storage services, drilling works and sales of other services and goods.

Operating expenses

Operating expenses increased by 21% in the nine months ended 30 September 2003 to RR415,360 million from RR342,627 million in the nine months ended 30 September 2002. Operating expenses decreased as a percentage of sales from 78% in the first nine months of 2002 to 70% in the first nine months of 2003. The table below presents a breakdown of operating expenses in each period:

(RR' millions)	**Nine months ended 30 September 2003**	**2002**
Transit costs	80,062	71,782
Depreciation	71,095	68,314
Staff costs	64,511	47,535
Taxes other than on income	26,748	32,564
Materials	25,756	27,793
Repairs and maintenance	22,316	15,079
Purchased gas	20,872	7,320
Electricity	13,840	8,676
Processing services	13,464	8,546
Cost of goods for resale, including refined products	11,844	11,649
Provisions	9,672	9,697
Other	55,180	33,672
Total operating expenses	**415,360**	**342,627**

Transit costs

Transit costs increased by 12% to RR80,062 million in the nine months ended 30 September 2003 from RR71,782 million in the nine months ended 30 September 2002. Transit costs relate principally to fees charged by Ukraine, Poland and other Eastern Europe and Central Asian countries for the transit of gas to markets in Europe. The increase was primarily due to the increased volume of gas sales to Europe, new transit contracts in Central Asia and higher transportation tariffs in Poland.

In the nine months ended 30 September 2003, ZGG, our wholly owned subsidiary in Germany, started to purchase gas for resale to customers in Western Europe and incur transit costs primarily in the territory of Ukraine. Also, in January 2003 we commenced gas transportation sales to Eural Trans Gas, which resulted in increased transportation costs to third parties related to the transportation of gas across Kazakhstan and Uzbekistan. Our increased transit cost in Poland resulted from an increase in the U.S. dollar denominated gas transportation tariff by U.S.$1.35 to U.S.$2.68 per mcm per 100km in January 2003. The effect of increased tariffs, largely U.S. dollar denominated, was partially offset by the appreciation of the RR against the U.S. dollar for the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002 and the cumulative inflation for the period from 30 September 2002 to 31 December 2002.

Depreciation

Depreciation increased by 4% to RR71,095 million in the nine months ended 30 September 2003 from RR68,314 million in the nine months ended 30 September 2002. The increase primarily resulted from the Group's growing fixed asset base and the effect of a decrease in volume of gas in storage in the nine months ended 30 September 2003, which in turn decreased the amount of depreciation that was capitalized as gas in storage and increased depreciation charged to expenses.

Staff costs

Staff costs increased by 36% to RR64,511 million in the nine months ended 30 September 2003 from RR47,535 million in the nine months ended 30 September 2002. The increase was primarily due to the rise in the average base salaries in February 2002, January 2003 and June 2003. There was no significant change in the number of employees.

Taxes other than on income

Taxes other than on income consist of:

(RR' millions)	**Nine months ended 30 September 2003**	**2002**
Mineral severance tax	15,207	15,436
Property tax	7,538	7,010
Road users tax	-	7,617
Other taxes	4,003	2,501
Taxes other than on income	**26,748**	**32,564**

Taxes other than on income decreased by 18% to RR26,748 million in the nine months ended 30 September 2003 from RR32,564 million in the nine months ended 30 September 2002. The decrease was primarily attributable to road users tax, which was abolished effective January 1, 2003.

Materials

Cost of materials decreased by 7% million to RR25,756 million in the nine months ended 30 September 2003 from RR27,793 million in the nine months ended 30 September 2002. The decrease was primarily related to lower prices for material purchases as the Group reduced the use of non-cash settlements.

Repairs and maintenance

Cost of repairs and maintenance increased by 48% million to RR22,316 million in the nine months ended 30 September 2003 from RR15,079 million in the nine months ended 30 September 2002. The increase was primarily related to increased repair and maintenance activities in the transportation segment.

Purchased gas

Cost of purchased gas increased by 185% or RR13,552 million to RR20,872 million in the nine months ended 30 September 2003 from RR7,320 million in the nine months ended 30 September 2002. The increase was primarily related to purchases of gas from Central Asia for resale to customers in Western Europe, which commenced in January 2003.

Electricity

Electricity expense increased by 60% million to RR13,840 million in the nine months ended 30 September 2003 from RR8,676 million in the nine months ended 30 September 2002 primarily resulting from an increase in electricity tariffs set by the Federal Energy Commission, and increased usage due to increased volumes of gas transportation in Russia in line with increased volume of gas sales.

Processing services

Processing services increased by 58% to RR13,464 million in the nine months ended 30 September 2003 from RR8,546 million in the nine months ended 30 September 2002. Processing services primarily pertain to the operations of Sibur, which increased its level of operations following the completion of bankruptcy procedures in September 2002.

Provisions

Provision expense decreased by RR25 million to RR9,672 million in the nine months ended 30 September 2003 compared to RR9,697 million in the nine months ended 30 September 2002. The decrease was a result of smaller impairment provisions for accounts receivable and inventory obsolescence in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002, partially offset by an increase in provisions for assets under construction.

The impairment provision expense for accounts receivable decreased by RR5,075 million or 63% to RR3,004 million in the nine months ended 30 September 2003 from RR8,079 million in the nine months ended 30 September 2002, which primarily related to trade receivables and other debtors. As of 30 September 2003, the aggregated provision related to accounts receivable was RR131,661 million or 31% of the gross receivable balance.

The impairment provision expense for assets under construction was RR3,923 million in the nine months ended 30 September 2003 compared to nil for the nine months ended 30 September 2002. The impairment provision expense in the nine months ended 30 September 2003 was primarily due to changes in the current investment program which have reduced funding for certain projects. These projects include the development of the Kharasaveiskoye and Bovanenkovskoye fields, construction of part of the Obskaya-Bovanenkovskoye railroad, Long-Labytnangi-Salekhard-Kharp pipeline and parts of the Novy Urengoi Chemical Complex. Although these projects have not been abandoned, under the current investment program we do not believe they will generate sufficient positive cash flows in the future to recover all costs incurred.

Because of our operating cycle, certain significant decisions about capital construction projects are made after the end of our fiscal year. Accordingly, we typically have larger impairment charges in the fourth quarter of our fiscal year as compared to other quarters.

Other operating expenses

Other expenses increased by RR21,508 million or 64% to RR55,180 million in the nine months ended 30 September 2003 compared to RR33,672 million in the nine months ended 30 September 2002. The increase was primarily related to increase in costs of auto transportation services, equipment maintenance services, insurance costs and charitable donations.

Net monetary effects and financing items

(RR' millions)	**Nine months ended 30 September 2003**	**2002**
Net exchange gain (loss)	8,042	(8,659)
Interest income	9,499	6,576
Interest expense	(22,601)	(25,401)
Gains on and extinguishment of restructured liabilities	4,049	12,356
Monetary gain	-	20,644
Net monetary effects and financing items	**(1,011)**	**5,516**

We incurred a net exchange gain of RR8,042 million in the nine months ended 30 September 2003 compared to a net exchange loss of RR8,659 million in the nine months ended 30 September 2002. The change reflects primarily the impact on foreign currency denominated borrowings of a 4% appreciation of the RR against the U.S. dollar in the nine months ended 30 September 2003 compared to a 5% devaluation in the nine months ended 30 September 2002.

Interest expense decreased by RR2,800 million to RR22,601 million in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002 primarily due to the increased capitalized interest.

Gains on and extinguishment of restructured liabilities decreased by RR8,307 million to RR4,049 million in the nine months ended 30 September 2003. This was primarily due to a significant reduction in tax payables eligible for restructuring in 2003, and a one off RR3,358 million gain on the restructuring of Sibur's debts, following the approval of the settlement agreement with Sibur's creditors on 10 September 2002 recognized in the nine months ended 30 September 2002. These factors more than offset RR4,049 million of gains due to the forgiveness by certain tax authorities of penalties relating to overdue taxes that had previously been restructured, that were recognized in the nine months ended 30 September 2003.

There was no monetary gain for the nine months ended 30 September 2003 as the characteristics of the economic environment of the Russian Federation indicated that hyperinflation had ceased, effective from 1 January 2003 we no longer apply the provisions of IAS 29. Accordingly, no adjustments for the effects of changes in general purchasing power are recorded in the financial statements subsequent to 31 December 2002.

Share of net income of associated undertakings

Share in net income of associates increased by RR1,782 million to RR4,194 million in the nine months ended 30 September 2003 compared to the nine months ended 30 September 2002. The increase was primarily due to higher net profits recorded by EuRoPol GAZ S.A. and the consolidation as a subsidiary of Sibur-Tyumen in 2003 against which we had recorded losses in 2002 when it was an associated undertaking.

(Losses) gains on available-for-sale investments

In the nine months ended 30 September 2003 we recognized losses on available-for-sale investments of RR1,626 million compared to gains of RR1,092 million in the nine months ended 30 September 2002. The change was primarily due to decreases in the estimated fair value of third party promissory notes held by our subsidiaries.

Profit tax

Profit tax expense decreased by RR35,057 million or 39% to RR55,198 million in the nine months ended 30 September 2003 compared to RR90,255 million in the nine months ended 30 September 2002.

Our current profit tax expense decreased by RR11,997 million to RR31,259 million in the nine months ended 30 September 2003 from RR43,256 million in the nine months ended 30 September 2002. Our effective current profit tax rate decreased to 17% in the nine months ended 30 September 2003 compared to 40% for the nine months ended 30 September 2002, primarily resulting from the effect of a "transition period" profit tax in the nine months ended 30 September 2002 and the impact of increased tax depreciation and the utilization of tax losses at OAO Gazprom in the nine months ended 30 September 2003. The transition period profit tax was a one time current tax charge of RR22,637 million resulting from the change in tax legislation, effective January 1, 2002, to recognize profit tax on an accrual rather than a cash basis. Transition period profit tax is payable over a period of five years.

Our overall profit tax rate decreased from 84% in the nine months ended 30 September 2002 to 30% in the nine months ended 30 September 2003. The decrease primarily resulted from the fact that from January 1, 2003 we no longer apply the provisions of IAS 29. The deferred tax expense resulting from the effect of inflation on our fixed assets for the nine months ended 30 September 2002 totaled RR42,298 million.

Minority interests

Minority interest expense increase by RR936 million to RR1,942 million expense in the nine months ended 30 September 2003 compared to RR1,006 million in the nine months ended 30 September 2002, which was primarily due to increased earnings of Purgaz and Sibur.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the statements of cash flows for the nine months ended 30 September 2003 and 2002.

	Nine months ended 30 September	
(RR' millions)	**2003**	**2002**
Net cash provided by operating activities	115,314	43,630
Net cash used for investing activities	(99,293)	(78,629)
Net cash provided by financing activities	34,502	13,786

Net cash provided from operating activities

Net cash provided by operating activities amounted to RR115,314 million in the nine months ended 30 September 2003 compared to RR43,630 million in the nine months ended 30 September 2002. This was primarily due to higher operating income generated by our gas sales during the nine months ended 30 September 2002. The positive impact of higher gas prices on our cash flow was partially offset by increases in our net working capital position and higher profit tax paid compared to the nine months ended 30 September 2002. The increase in our working capital position reflected an increase in accounts receivable and prepayments, inventories and other current assets and a decrease in taxes payable other than profit tax, which more than offset the increase in accounts payable.

Net cash flows from investing activities

Net cash used for investing activities amounted to RR99,293 million in the nine months ended 30 September 2003 compared to RR78,629 million in the nine months ended 30 September 2002. This was primarily due to the increase in cash capital expenditures reflecting our ability to utilize higher cash flows generated by our operating and financing activities during the nine months ended 30 September 2003 for a number of major construction projects.

Net cash flows from financing activities

Net cash provided by financing activities amounted to RR34,502 million in the nine months ended 30 September 2003 compared to RR13,786 million of net cash used for financing activities in the nine months ended 30 September 2002. This was primarily due to the increase in long-term borrowings, which exceeded repayments of short-term and long-term borrowings and redemption of promissory notes, an increase in net purchases of treasury shares partially offset by lower interest paid and a reduction of restricted cash.

Capital expenditures

Total capital expenditures (including cash advances to contractors and suppliers, which are recorded within other long-term assets, and excluding the effect of acquisitions of subsidiaries and reclassifications) increased from RR136,282 million in the nine months ended 30 September 2002 to RR148,241 million in the nine months ended 30 September 2003. The increase was primarily due to increased funding of new production projects including the development of Yamburgskoye, Pestsovoye, Vyngayakhinskoye and Yen-Yakhinskoe fields and Aneryakhinskoe area of Yamburgskoye field.

Most of our capital expenditures during these periods were for production assets and transportation infrastructure. In the nine months ended 30 September 2003 capital expenditure on production assets were RR76,987 million, or 52% of total capital expenditure in the nine months ended 30 September 2003, increasing from RR53,091 million, or 39% in the nine months ended 30 September 2002. The increase reflects our plan to develop gas fields, including Yamburgskoye, Pestsovoye and Vyngayakhinskoye, in order to at least maintain stable gas production volumes. Capital expenditures on the transportation infrastructure comprised RR57,321 million, or 39% of total capital expenditure in the nine months ended 30 September 2003, decreasing from RR64,956 million, or 48% of total capital expenditure in the nine months ended 30 September 2002. The major portion of these expenditure were for funding of major projects including the Zapolyarnoye-Urengoy pipeline and the Yamal-Europe pipeline.

Total capital expenditures by segment for the nine months ended 30 September 2003 and 2002 and budgeted total capital expenditure by segment for the year ended 31 December 2003 are as follows:

(RR' millions)	**Nine months ended 30 September 2003**	**2002**	**Budget for the year ended 31 December 2003[1]**
Production	76,987	53,091	93,486
Transportation	57,321	64,956	85,535
Refining	3,611	2,080	3,183
Distribution	2,242	5,677	52
Other	8,080	10,478	11,444
Total	148,241	136,282	193,700

[1]The Board of Directors initially approved a capital expenditure budget for 2003 of RR179,800 million, including RR21,128 million for construction of the Zapolyarnoye-Urengoy pipeline, RR20,950 million for construction of a pipeline from the northern region of the Tyumen Oblast to Torzhok and RR13,929 million for the development of the Zapolyarnoye gas field. In September 2003, the Board of Directors approved a RR13,900 million increase in the budget for 2003, including RR4,650 million for further development of the Zapolyarnoye field, RR3,950 million for the Pestsovoye field and RR3,100 million for booster compressor stations.

The Management Committee has approved a capital expenditure budget for 2004 in the amount of RR212,300 million, although the final allocation of funds will not be determined until early 2004.

The actual amount and timing of capital expenditures made are subject to change depending on economic and political conditions. Management cannot rule out strategic acquisitions if opportunities arise.

Debt obligations

Our 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) decreased by RR12,853 million, or 3%, from RR408,629 million as of 31 December 2002 to RR395,776 million as of 30 September 2003. This was primarily due to an increase in cash from the proceeds of Euro 1 billion Loan Participation Notes issued in September 2003.

In October 2003 AB Gazprombank (ZAO) issued USD 750 million of eurobonds due 2008 at an interest rate of 7.25%.

In November 2003 the Group signed a loan agreement with Commerzbank of USD 300 million due 2009 at an interest rate of LIBOR + 2.75% per annum.