OAO GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 SEPTEMBER 2005

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REVIEW REPORT

To the Shareholders of OAO Gazprom

1. We have reviewed the accompanying consolidated interim condensed balance sheet of OAO Gazprom and its subsidiaries (the "Group") as of 30 September 2005, and the related consolidated interim condensed statements of income for the three and nine months then ended and of cash flows and of changes in equity for the nine months then ended. This consolidated interim condensed financial information as set out on pages 3 to 29 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 Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance about 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 all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

4. Without qualifying our opinion, we draw your attention to Notes 15 and 21 to the consolidated interim condensed financial information. The Government has a controlling interest in OAO Gazprom and Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

Moscow, Russian Federation

19 January 2006

OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED BALANCE SHEET (UNAUDITED)
AS OF 30 SEPTEMBER 2005
(In millions of Russian Roubles)

Notes		30 September 2005	31 December 2004
	Assets		
	Current assets		
6	Cash and cash equivalents	185,900	106,157
6	Restricted cash	16,732	16,861
	Short-term investments	53,183	40,428
7	Accounts receivable and prepayments	531,871	316,709
8	Inventories	146,591	130,400
21	VAT recoverable	114,955	94,863
	Other current assets	27,483	21,262
		1,076,715	726,680
	Non-current assets		
9	Property, plant and equipment	2,259,773	2,183,084
10	Investments in associated undertakings and jointly controlled entities	87,793	81,783
11	Long-term accounts receivable and prepayments	161,584	146,302
12	Other non-current assets	128,537	67,940
		2,637,687	2,479,109
	Total assets	3,714,402	3,205,789
	Liabilities and equity		
	Current liabilities		
	Accounts payable and accrued charges	196,553	174,433
21	Taxes payable	99,390	84,977
	Short-term borrowings and current portion of long-term borrowings	157,905	156,172
	Short-term promissory notes payable	21,561	20,845
		475,409	436,427
	Non-current liabilities		
13	Long-term borrowings	527,170	427,086
	Long-term promissory notes payable	9,784	11,640
21	Restructured tax liabilities	937	1,829
	Provisions for liabilities and charges	49,867	44,275
14	Deferred tax liabilities	151,251	137,062
	Other non-current liabilities	6,077	9,446
		745,086	631,338
	Total liabilities	1,220,495	1,067,765
	Equity		
15	Share capital	325,194	325,194
15	Treasury shares	(21,506)	(41,586)
	Retained earnings and other reserves	2,175,861	1,808,865
		2,479,549	2,092,473
15	Minority interest	14,358	45,551
	Total equity	2,493,907	2,138,024
	Total liabilities and equity	3,714,402	3,205,789

A.B. Miller
Chairman of the Management Committee
19 January 2006

E.A. Vasilieva
Chief Accountant
19 January 2006

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

OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2005
(In millions of Russian Roubles)

Notes		Three months ended 30 September 2005	Three months ended 30 September 2004	Nine months ended 30 September 2005	Nine months ended 30 September 2004
5, 16	Sales	291,002	211,856	902,235	683,330
5, 17	Operating expenses	(185,160)	(147,666)	(587,338)	(496,738)
5	**Operating profit**	**105,842**	**64,190**	**314,897**	**186,592**
3, 18	Finance income	11,416	5,649	37,204	35,909
3, 18	Finance expenses	(6,676)	(8,371)	(40,244)	(36,757)
	Share of net income of associated undertakings and jointly controlled entities	1,992	970	10,935	4,092
	Gains on available-for-sale investments	416	953	1,843	5,250
	Profit before profit tax	**112,990**	**63,391**	**324,635**	**195,086**
21	Current profit tax expense	(27,102)	(8,889)	(78,183)	(35,068)
	Deferred profit tax expense	(5,926)	(6,439)	(12,491)	(19,049)
	Profit tax expense	(33,028)	(15,328)	(90,674)	(54,117)
	Profit for the period	**79,962**	**48,063**	**233,961**	**140,969**
	Attributable to:				
	Equity holders of OAO Gazprom	79,320	47,124	232,130	139,383
	Minority interest	642	939	1,831	1,586
		79,962	**48,063**	**233,961**	**140,969**
19	**Basic and diluted earnings per share for profit attributable to the equity holders of OAO Gazprom (in Roubles)**	**3.53**	**2.34**	**11.09**	**6.96**

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OAO GAZPROM
IFRS CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005
(In millions of Russian Roubles)

Notes		Nine months ended 30 September 2005	Nine months ended 30 September 2004
	Operating activities		
	Profit before profit tax	**324,635**	**195,086**
	Adjustments to profit before profit tax		
	Depreciation	87,286	77,714
	Net unrealised foreign exchange losses (gains)	1,402	(4,825)
	Interest expense on borrowings and promissory notes	18,224	16,777
	Interest income	(15,539)	(10,598)
	Gains on available-for-sale investments and fair value adjustments for trading investments	(259)	(3,727)
	Share of net income of associated undertakings and jointly controlled entities	(10,935)	(4,092)
	Impairment provision reversal for accounts receivable	(4,668)	(19,357)
	Other	4,498	3,774
	Total effect of adjustments	80,009	55,666
	Adjusted profit before profit tax and before changes in working capital and changes in long-term accounts receivable and other non-current liabilities	404,644	250,752
	Net increase in long-term accounts receivable	(2,675)	(16,635)
	Net decrease in other non-current liabilities	(1,710)	(1,320)
	Total effect of working capital changes	(104,632)	(117,354)
	Profit tax paid	(67,619)	(40,307)
	Net cash provided by operating activities	**228,008**	**75,136**
	Investing activities		
3	Capital expenditures	(163,870)	(123,664)
	Interest received	14,750	9,638
	Interest paid and capitalised	(15,652)	(13,120)
	Change in long-term available-for-sale investments	(59,141)	(19,565)
	Other	(1,186)	(3,024)
	Net cash used for investing activities	**(225,099)**	**(149,735)**
	Financing activities		
	Proceeds from long-term borrowings (including current portion)	161,738	158,272
	Repayment of long-term borrowings (including current portion)	(75,345)	(104,935)
	Net (repayment) proceeds from short-term borrowings	14,374	25,971
	Net issue (redemption) of promissory notes	(52)	(10,769)
	Interest paid	(17,744)	(12,705)
	Purchases of treasury shares	(88,080)	(75,896)
	Sales of treasury shares	83,174	85,835
	Change in cash restricted on borrowings	129	17,264
	Dividends paid	-	(19)
	Net cash (used for) provided by financing activities	**78,194**	**83,018**
	Effect of exchange rate changes on cash and cash equivalents	(1,360)	(103)
	Increase in cash and cash equivalents	**79,743**	**8,316**
6	Cash and cash equivalents, at the beginning of reporting period	106,157	71,396
6	Cash and cash equivalents, at the end of reporting period	**185,900**	**79,712**

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19 January 2006

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19 January 2006

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OAO GAZPROM
IFRS CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005
(In millions of Russian Roubles)

Notes		Number of shares outstanding (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total	Minority interest	Total equity
			Attributable to equity holders of OAO Gazprom					
	Nine months ended 30 September 2004							
	Balance as of 31 December 2003	19.8	325,194	(33,889)	1,563,825	1,855,130	14,793	1,869,923
	Losses arising from change in fair value of available-for-sale investments		-	-	(1,510)	(1,510)	-	(1,510)
	Translation differences		-	-	383	383	-	383
4	Net loss recognised directly in equity (restated)		-	-	(1,127)	(1,127)	-	(1,127)
4	Profit for the period (restated)		-	-	139,383	139,383	1,586	140,969
	Total recognised income for the period		-	-	138,256	138,256	1,586	139,842
15	Net treasury shares transactions	0.3	-	3,681	3,450	7,131	-	7,131
	Return of social assets to governmental authorities		-	-	(1,688)	(1,688)	-	(1,688)
15	Dividends		-	-	(14,672)	(14,672)	-	(14,672)
	Business combinations and purchase of minority		-	-	-	-	(703)	(703)
	Balance as of 30 September 2004	20.1	325,194	(30,208)	1,689,171	1,984,157	15,676	1,999,833
	Nine months ended 30 September 2005							
	Balance as of 31 December 2004	20.1	325,194	(41,586)	1,808,865	2,092,473	45,551	2,138,024
	Gains arising from change in fair value of available-for-sale investments		-	-	2,148	2,148	-	2,148
	Translation differences		-	-	(4,109)	(4,109)	-	(4,109)
	Net loss recognised directly in equity		-	-	(1,961)	(1,961)	-	(1,961)
	Profit for the period		-	-	232,130	232,130	1,831	233,961
	Total recognised income for the period		-	-	230,169	230,169	1,831	232,000
15	Net treasury shares transactions	2.6	-	20,080	162,280	182,360	-	182,360
	Return of social assets to governmental authorities		-	-	(1,595)	(1,595)	-	(1,595)
15	Dividends		-	-	(23,858)	(23,858)	-	(23,858)
15, 20	Purchase of minority interest		-	-	-	-	(33,024)	(33,024)
	Balance as of 30 September 2005	22.7	325,194	(21,506)	2,175,861	2,479,549	14,358	2,493,907

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19 January 2006

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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 a major exporter of gas to European countries.

The Group is involved in the following principal activities:

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

The gas business is subject to seasonal fluctuations with peak demand in the first and fourth quarters of each year. Typically approximately 60% of total annual gas volumes are shipped in the first and fourth calendar quarters.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

3 BASIS OF PRESENTATION

The consolidated interim condensed financial information is prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). This financial information should be read together with the consolidated financial statements for the year ended 31 December 2004 prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

The official US dollar to RR exchange rates as determined by the Central Bank of the Russian Federation were 28.50 and 27.75 as of 30 September 2005 and 31 December 2004, respectively. The official Euro to RR exchange rates as determined by the Central Bank of the Russian Federation were 34.38 and 37.81 as of 30 September 2005 and 31 December 2004, respectively.

3 BASIS OF PRESENTATION (continued)

Reclassifications

Certain reclassifications have been made to prior period balances to conform to the current year presentation, including the following:

- The Group previously disclosed all foreign exchange gains and losses within finance income (costs) of the consolidated interim condensed statement of income. For the nine months ended 30 September 2004 total exchange losses attributable to non-finance activities reclassified to operating expenses were RR 1,893. For the nine months ended 30 September 2005 total exchange losses attributable to non-finance activities recorded in operating expenses amounted to RR 2,407. Management believes that inclusion of the exchange gains and losses attributable to non-finance activities in operating expenses of the consolidated interim condensed statement of income is a fairer presentation of the Group's activities.
- The Group had also recorded cash outflows attributable to VAT on assets under construction within operating activities of the consolidated interim condensed statement of cash flows. For the nine months ended 30 September 2004 cash outflows attributable to VAT on assets under construction reclassified to investing activity were RR 17,724. For the nine months ended 30 September 2005 cash outflows attributable to VAT on assets under construction recorded in investing activity were RR 19,439. Management believes that presentation of cash outflows attributable to VAT on assets under construction within investing activities as part of the purchase of property, plant and equipment in the consolidated statement of cash flows is a fairer presentation of the Group's activities.
- Certain intersegment sales and expenses for the periods ended 30 September 2004 have been adjusted in the current period presentation. The net result of this adjustment was to increase the segment result for the production segment and to decrease the segment result of the refining segment by RR 3,279 for the nine months ended 30 September 2004. Management believes that this presentation of intersegment sales and expenses is a fairer presentation of segments' results.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies followed by the Group are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2004, except as noted below.

New accounting developments

During the period December 2003 to December 2005, the International Accounting Standards Board ("IASB") revised 17 of its standards and issued 7 new standards. In addition, during the same period, the International Financial Reporting Interpretations Committee ("IFRIC") issued seven new interpretations, one of which was subsequently withdrawn. These standards are effective for accounting periods commencing on or after 1 January 2005, except for IFRS 6 "Exploration and Evaluation of Mineral Resources" ("IFRS 6") and IFRS 7 "Financial instruments: disclosures", which are effective for periods commencing on or after 1 January 2006 and 1 January 2007 respectively, but may be adopted early.

Effective 1 January 2005 the Group adopted all of those IFRS, which are relevant to its operations, except for IFRS 3 "Business Combinations" ("IFRS 3"), IAS 36 (revised 2004) "Impairment of Assets" ("IAS 36") and IAS 38 (revised 2004) "Intangible Assets" ("IAS 38"), which were adopted early by the Group in 2004. IFRS 6 was adopted early by the Group effective 1 January 2005.

The adoption of IAS 1 "Presentation of Financial Statements" ("IAS 1"), IAS 2 "Inventories" ("IAS 2"), IAS 8 "Policies, Changes in Accounting Estimates and Errors" ("IAS 8"), IAS 10 "Events after the Balance Sheet Date" ("IAS 10"), IAS 16 "Property, Plant and Equipment" ("IAS 16"), IAS 17 "Leases" ("IAS 17"), IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"), IAS 24 "Related Party Disclosures" ("IAS 24"), IAS 27 "Consolidated and Separate Financial Statements" ("IAS 27"), IAS 28 "Investments in Associates" ("IAS 28"), IAS 32 "Financial Instruments: Disclosure and Presentation" ("IAS 32") and IAS 33 "Earnings per Share" ("IAS 33") (all revised 2003), and IFRS 2 "Share-based Payments" ("IFRS 2"), IFRS 4 "Insurance contracts" ("IFRS 4") and IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") did not result in substantial changes to the Group's accounting policies.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In summary:

– The adoption of IAS 1 (revised 2003) clarifies certain presentation requirements. Most significantly, the revised standard requires that minority interest be presented within equity. The Group has retroactively reflected the revised presentation standard for equity in the consolidated interim condensed financial information.

– IAS 2, 8, 10, 16, 17, 27, 28, 32 and 33 (all revised 2003), IFRS 2 and 4 had no material effect on the Group's financial position, statements of income or of cash flows.

– IAS 21 (revised 2003) had no material effect on the Group's financial position, statements of income or of cash flows. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. The functional currency of the Group subsidiaries has not changed as a result of this re-evaluation.

– IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures. Under IAS 24 (revised 2003) the Group is no longer exempt from disclosing transactions with other state-controlled entities as with parties under common Governmental control.

– The Group accounts for non-current assets held for sale and discontinued operations in accordance with IFRS 5. IFRS 5 replaced IAS 35 "Discontinuing Operations". Assets or disposal groups that are classified as held for sale are presented separately on the balance sheet and are carried at the lower of the carrying amount and fair value less costs to sell. Additionally, the results of discontinued operations are shown separately on the face of statement of income. The adoption of IFRS 5 did not have a material effect on the Group.

On 1 January 2005, the Group adopted early IFRS 6. This standard provides guidance on accounting for costs incurred in the exploration for and evaluation of mineral resources. Adoption of the standard did not have a material effect on the Group and did not result in changes of the Group's accounting policies.

The early adoption of amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates: Net Investment in a Foreign Operation" had no material effect on the Group's financial position, statements of income or of cash flows.

The adoption of IAS 39 (revised 2004) "Financial Instruments: Recognition and Measurement" ("IAS 39") has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and recognition of gains (losses) arising from changes in fair value of available-for-sale investments. As a result of adopting IAS 39 (revised 2004) on 1 January 2005, the Group's accounting policy for investments is modified as set forth in 4.1 below. Early adoption of amendments to IAS 39 "Cash Flow Hedge Accounting of Forecast Intragroup Transactions", "The Fair Value Option" and to IAS 39 and IFRS 4 "Financial Guarantee Contracts" had no material effect on the Group's financial position, statements of income or of cash flows.

In addition to the new standards summarised above, interpretations early adopted by the Group on 1 January 2005 are as follows: IFRIC 4 "Determining whether an Arrangement contains a Lease", IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds" and IFRIC Amendment to Standards Interpretations Committee ("SIC") – 12. The adoption of these interpretations did not have a material impact of the Group's financial position, statements of income or of cash flows.

The following new Standards and amendments to Standards are not yet effective and have not been applied in preparing these Financial Statements:

– IFRS 7 "Financial instruments: Disclosures", which is effective for annual periods beginning on or after 1 January 2007. The standard will require increased disclosure in respect of the Group's financial instruments.

– Amendment to IAS 1 "Presentation of Financial Statements—Capital Disclosures", which is effective for annual periods beginning on or after 1 January 2007. The Standard will require increased disclosure in respect of the Group's capital.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards where applicable, otherwise IAS 8 was followed. All standards adopted by the Group require retrospective application.

4.1 Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. There were no financial assets designated at fair value through profit or loss at inception as of 30 September 2005 and 31 December 2004.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. There were no such investments as of 30 September 2005 and 31 December 2004.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the consolidated statement of income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of income as gains and losses from investment securities.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated statement of income. Impairment losses on equity instruments recognised in the consolidated statement of income are not reversed through the consolidated statement of income.

(In millions of Russian Roubles)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of IAS 39 (revised 2004) resulted in the following changes within the consolidated statement of equity:

	Nine months ended 30 September	
	2005	**2004**
Increase (decrease) in retained earnings and other reserves	2,148	(1,510)
(Decrease) increase in profit for the period	(2,148)	1,510
(Decrease) increase in basic and diluted earnings per share (in Roubles)	(0.10)	0.08

Cumulative losses arising from the change in fair value of available-for-sale investments in the amount of RR 7,185 are included within retained earnings and other reserves as of 31 December 2003.

4.2 Critical accounting estimates and assumptions

Impairment provision for accounts receivable

The impairment provision for accounts receivable is based on the Group's assessment of the collectibility of specific customer accounts. If there is deterioration in a major customer's creditworthiness or actual defaults are higher than the estimates, the actual results could differ from these estimates.

Impairment of other assets and accounting for provisions

At each balance sheet date the Group assesses whether there is any indication that the recoverable amount of the Group's assets has declined below the carrying value. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When such a decline is identified, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recorded in the consolidated statement of income in the period in which the reduction is identified. If conditions change and management determines that the asset value has increased, the impairment provision will be fully or partially reversed.

Accounting for impairment includes provisions against capital construction projects, investments, other long-term assets and inventory obsolescence. Because of the Group's operating cycle, certain significant decisions about capital construction projects are made after the end of our fiscal year. Accordingly, the Group typically has larger impairment charges or releases in the fourth quarter of the fiscal year as compared to other quarters. The provisions for liabilities and charges primarily include provisions for environmental and pension liabilities. The Group records impairment or accrues these provisions when its assessments indicate that it is probable that a liability has been incurred or an asset will not be recovered, and an amount can be reasonably estimated. The Group's estimates for provisions for liabilities and charges are based on currently available facts and the Group's estimates of the ultimate outcome or resolution of the liability in the future. Actual results may differ from the estimates, and the Group's estimates can be revised in the future, either negatively or positively, depending upon the outcome or expectations based on the facts surrounding each exposure.

Tax contingencies

Russian tax and customs legislation is subject to varying interpretations and changes, which can occur frequently. Where the Group management believes it is probable that their interpretation of the relevant legislation and the Group's tax and customs positions cannot be sustained, an appropriate amount is accrued for in the IFRS financial information.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Site restoration and environmental costs

Site restoration costs that may be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The cost is depreciated through the consolidated statement of income on a straight-line basis over the asset's productive life. Changes in the measurement of an existing site restoration obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period.

IFRS prescribes the recording of liabilities for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgment. This judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Liabilities for site restoration are subject to change because of change in laws and regulations, and their interpretation.

5 SEGMENT INFORMATION

Management does not separately identify segments within the Group as it operates as a vertically integrated business with a substantial proportion of external sales generated by the gas distribution business. However, following the practice proposed 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.

(In millions of Russian Roubles)

5 SEGMENT INFORMATION (continued)

	Production	Refining	Transport	Distribution	Other	Total
Nine months ended 30 September 2005						
Segment revenues						
Inter-segment sales	145,734	3,880	251,858	25,719	-	427,191
External sales	2,110	115,268	18,032	721,200	45,625	902,235
Total segment revenues	147,844	119,148	269,890	746,919	45,625	1,329,426
Segment expenses						
Inter-segment expenses	(3,478)	(8,292)	(27,426)	(387,995)	-	(427,191)
External expenses	(125,790)	(81,160)	(185,853)	(143,866)	(41,264)	(577,933)
Total segment expenses	(129,268)	(89,452)	(213,279)	(531,861)	(41,264)	(1,005,124)
Segment result	18,576	29,696	56,611	215,058	4,361	324,302
Unallocated operating expenses						(9,405)
Operating profit						314,897
Share of net income (loss) of associated undertakings and jointly controlled entities	-	-	3,230	8,516	(811)	10,935
Nine months ended 30 September 2004						
Segment revenues						
Inter-segment sales	117,004	6,215	187,676	21,313	3,045	335,253
External sales	2,167	87,133	21,307	534,647	38,076	683,330
Total segment revenues	119,171	93,348	208,983	555,960	41,121	1,018,583
Segment expenses						
Inter-segment expenses	(2,937)	(6,898)	(26,556)	(298,862)	-	(335,253)
External expenses	(107,867)	(70,550)	(159,572)	(105,532)	(39,991)	(483,512)
Total segment expenses	(110,804)	(77,448)	(186,128)	(404,394)	(39,991)	(818,765)
Segment result	8,367	15,900	22,855	151,566	1,130	199,818
Unallocated operating expenses						(13,226)
Operating profit						186,592
Share of net income of associated undertakings and jointly controlled entities	-	-	1,521	2,114	457	4,092

(In millions of Russian Roubles)

5 SEGMENT INFORMATION (continued)

	Production	Refining	Transport	Distribution	Other	Total
Three months ended 30 September 2005						
Segment revenues						
Inter-segment sales	46,308	1,189	79,364	7,490	-	134,351
External sales	681	41,160	5,851	226,673	16,637	291,002
Total segment revenues	46,989	42,349	85,215	234,163	16,637	425,353
Segment expenses						
Inter-segment expenses	(1,158)	(2,781)	(7,965)	(122,447)	-	(134,351)
External expenses	(38,786)	(29,388)	(65,458)	(32,393)	(15,462)	(181,487)
Total segment expenses	(39,944)	(32,169)	(73,423)	(154,840)	(15,462)	(315,838)
Segment result	7,045	10,180	11,792	79,323	(1,175)	109,515
Unallocated operating expenses						(3,673)
Operating profit						105,842
Share of net (loss) income of associated undertakings and jointly controlled entities	-	-	(311)	3,215	(912)	1,992
Three months ended 30 September 2004						
Segment revenues						
Inter-segment sales	37,793	983	66,198	6,522	379	111,875
External sales	672	32,165	6,010	157,040	15,969	211,856
Total segment revenues	38,465	33,148	72,208	163,562	16,348	323,731
Segment expenses						
Inter-segment expenses	(636)	(2,052)	(7,954)	(101,233)	-	(111,875)
External expenses	(34,340)	(24,457)	(58,525)	(4,950)	(15,084)	(137,356)
Total segment expenses	(34,976)	(26,509)	(66,479)	(106,183)	(15,084)	(249,231)
Segment result	3,489	6,639	5,729	57,379	1,264	74,500
Unallocated operating expenses						(10,310)
Operating profit						64,190
Share of net income (loss) of associated undertakings and jointly controlled entities	-	-	355	1,178	(563)	970

Internal transfer prices are established by the management of the Group with the objective of providing for the specific funding requirements of the individual subsidiaries within each segment. Prices are determined on the basis of the statutory accounting reports of the individual subsidiaries on a cost plus basis. The change in inter-segment sales and expenses by segment in the three and nine months ended 30 September 2005 is primarily due to changes in internal transfer prices.

(In millions of Russian Roubles)

6 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Balances included within cash and cash equivalents in the consolidated interim condensed balance sheet represent cash on hand and balances with banks. Included within restricted cash are balances of cash and cash equivalents totalling RR 10,843 and RR 11,560 as of 30 September 2005 and 31 December 2004, 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 5,889 and RR 5,301 as of 30 September 2005 and 31 December 2004 respectively, in subsidiary banks, which are restricted as to withdrawal under banking regulations.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2005	31 December 2004
Trade receivables	163,138	135,015
Prepayments and advances	72,641	84,488
Other receivables	296,092	97,206
	531,871	316,709

Accounts receivable and prepayments are presented net of impairment provision of RR 87,569 and RR 94,891 as of 30 September 2005 and 31 December 2004, respectively.

As of 30 September 2005 and 31 December 2004 other receivable include RR 89,278 and RR 73,602, respectively, relating to the operations of the consolidated subsidiary, AB Gazprombank (ZAO). These balances mainly represent deposits with other banks and loans issued to customers at commercial rates based on credit risks and maturities.

Other receivables as of 30 September 2005 include RR 187,266 relating to receivables from OAO Rosneftegaz for OAO Gazprom shares (see Note 15).

8 INVENTORIES

Inventories are presented net of provision for obsolescence of RR 5,917 and RR 6,315 as of 30 September 2005 and 31 December 2004, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

	Total operating assets	Social assets	Assets under construction	Total
As of 31 December 2003				
Cost	3,299,155	120,587	210,463	3,630,205
Accumulated depreciation	(1,622,044)	(34,380)	-	(1,656,424)
Net book value as of 31 December 2003	1,677,111	86,207	210,463	1,973,781
Nine months ended 30 September 2004				
Net book value as of 31 December 2003	1,677,111	86,207	210,463	1,973,781
Depreciation	(77,479)	(2,609)	-	(80,088)
Additions	3,097	740	151,310	155,147
Acquisition of subsidiaries	3,361	-	1,193	4,554
Fair value adjustment on acquisition of subsidiaries	(7,863)	(378)	-	(8,241)
Transfers	34,458	1,270	(35,728)	-
Disposals	(3,800)	(2,415)	(4,175)	(10,390)
Net book value as of 30 September 2004	1,628,885	82,815	323,063	2,034,763

(In millions of Russian Roubles)

9 PROPERTY, PLANT AND EQUIPMENT (continued)

	Total operating assets	Social assets	Assets under construction	Total
Three months ended 31 December 2004				
Net book value as of 30 September 2004	1,628,885	82,815	323,063	2,034,763
Depreciation	(28,109)	(837)	-	(28,946)
Additions	-	139	80,139	80,278
Acquisition of subsidiaries	5,158	-	66,320	71,478
Fair value adjustment on acquisition of interests in subsidiaries	230	124	37,303	37,657
Transfers	171,746	-	(171,746)	-
Disposals	(6,226)	(4,233)	(6,528)	(16,987)
Release of prior impairment provision	-	-	4,841	4,841
Net book value as of 31 December 2004	1,771,684	78,008	333,392	2,183,084
As of 31 December 2004				
Cost	3,493,825	113,392	333,392	3,940,609
Accumulated depreciation	(1,722,141)	(35,384)	-	(1,757,525)
Net book value as of 31 December 2004	1,771,684	78,008	333,392	2,183,084
Nine months ended 30 September 2005				
Net book value as of 31 December 2004	1,771,684	78,008	333,392	2,183,084
Depreciation	(83,838)	(2,428)	-	(86,266)
Additions	2,172	39	169,196	171,407
Transfers	16,371	1,533	(17,904)	-
Disposals	(2,675)	(1,828)	(3,664)	(8,167)
Charge of impairment provision	-	-	(285)	(285)
Net book value as of 30 September 2005	1,703,714	75,324	480,735	2,259,773
As of 30 September 2005				
Cost	3,506,032	112,353	480,735	4,099,120
Accumulated depreciation	(1,802,318)	(37,029)	-	(1,839,347)
Net book value as of 30 September 2005	1,703,714	75,324	480,735	2,259,773

Operating assets are shown net of provision for impairment of RR 1,985 as of 30 September 2005 and 31 December 2004, respectively. Assets under construction are presented net of a provision for impairment of RR 86,925 and RR 86,640 as of 30 September 2005 and 31 December 2004 respectively.

Included in the property, plant and equipment are social assets (such as rest houses, housing, schools and medical facilities) vested to the Group at privatisation with a net book value of RR 28,315 and RR 30,935 as of 30 September 2005 and 31 December 2004, respectively.

(In millions of Russian Roubles)

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES

Notes		30 September 2005	31 December 2004
21	EuRoPol GAZ S.A.	33,096	32,089
21	OAO Mosenergo (including related companies)	18,614	18,905
21	RosUkrEnergo AG	7,231	-
	ZAO Armrosgazprom	3,845	3,312
21	OAO Stroytransgaz	3,430	3,518
21	WINGAS GmbH	3,317	5,238
	AEB	-	2,220
	Other (net of provision for impairment of RR 6,350 and RR 7,366 as of 30 September 2005 and 31 December 2004, respectively)	18,260	16,501
		87,793	81,783

In January 2005 the Group acquired a further 9% interest in AO Latvias Gaze from OOO Itera Latvia for USD 58 million thus increasing its interest to 34% + one share. As of 30 September 2005 and 31 December 2004 carrying value of the investment in AO Latvias Gaze was RR 2,733 and RR 1,433, respectively.

In 2004 the general shareholders meeting of OAO Mosenergo approved a restructuring of the company, which set up 13 new companies. As a result of restructuring, in April 2005 each Mosenergo shareholder, including the Group, received common shares in each of the 13 new companies equal to their shareholding in OAO Mosenergo, and continued to hold the same number of common shares of OAO Mosenergo. The Group continues to have a significant influence over OAO Mosenergo and the 13 new companies. There were no significant gains or losses resulting from this transaction. The table above reflects the combined investment and result for OAO Mosenergo and the 13 new companies.

In September 2004 the Group decided to dispose of the 25.5% investment in AEB and initiated negotiations with potential buyers. As a result of the decision to sell off the investment in AEB and following the adoption of IFRS 5 (see Note 4) for accounting periods commencing on or after 1 January 2005, the Group discontinued the use of the equity method of accounting for the investment and classified it as held for sale within other current assets as of 30 September 2005. As of the date of discontinuance of equity accounting the carrying value of the investment amounted to RR 2,220. Subsequent to the classification as held for sale, the investment in AEB was accounted for at the lower of carrying amount and fair value less costs to sell. In October 2005 the Group sold it's 25.5% interest in AEB for RR 2,220 paid in cash.

Summarized IFRS financial information of the Group's principal associates and jointly controlled entities is as follows:

	Percent of share capital held	Location	As of 30 September		Nine months ended 30 September	
			Assets	Liabilities	Revenues	Profit (loss)
30 September 2005						
EuRoPol GAZ S.A.	48%	Poland	58,607	32,375	10,150	2,999
OAO Mosenergo companies	25%	Russia	126,897	48,688	110,727	(1,593)
RosUkrEnergo AG	50%	Switzerland	47,669	33,208	83,362	14,269
ZAO Armrosgazprom	45%	Armenia	11,092	2,547	2,373	87
OAO Stroytransgaz	26%	Russia	43,828	19,131	15,230	(137)
WINGAS GmbH	35%	Germany	81,070	73,258	85,122	1,887
30 September 2004						
EuRoPol GAZ S.A.	48%	Poland	55,686	40,273	8,189	3,051
ZAO Armrosgazprom	45%	Armenia	9,379	1,798	1,808	(36)
OAO Stroytransgaz	26%	Russia	49,899	24,637	21,614	240
WINGAS GmbH	35%	Germany	72,159	63,955	78,017	4,347
AEB	26%	Hungary	37,303	25,640	4,215	2,384

(In millions of Russian Roubles)

10 INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINTLY CONTROLLED ENTITIES (continued)

The estimated fair values of investments in associates for which there are published price quotations were as follows:

	30 September 2005	31 December 2004
OAO Mosenergo (stand alone)	21,818	28,955
AO Latvias Gaze	5,298	3,537
AO Lietuvos Dujos	8,777	7,475

The fair value of investment in OAO Mosenergo (on a stand alone basis) has been impacted by the restructuring described above. Certain activities previously included in OAO Mosenergo in 2004 are now performed by related companies, which shares do not have published quotations.

11 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2005	31 December 2004
Long-term accounts receivable and prepayments (net of impairment provision of RR 15,480 and RR 19,920 as of 30 September 2005 and 31 December 2004, respectively)	114,219	111,784
Advances for assets under construction (net of impairment provision of nil as of 30 September 2005 and 31 December 2004)	47,365	34,518
	161,584	146,302

As of 30 September 2005 and 31 December 2004 long term accounts receivable and prepayments include RR 52,769 and RR 44,071, respectively, relating to the operations of AB Gazprombank (ZAO). These balances mainly represent long-term loans issued to customers at commercial rates based on credit risks and maturities.

12 OTHER NON-CURRENT ASSETS

	30 September 2005	31 December 2004
Available-for-sale investments (net of provision for impairment of RR 12,224 and RR 13,338 as of 30 September 2005 and 31 December 2004, respectively)	76,500	28,710
VAT related to assets under construction	31,212	23,945
Other non-current assets	20,825	15,285
	128,537	67,940

Included within available-for-sale investments is a 11.6% interest in the share capital of RAO UES with the estimated fair value of RR 43,525 as of 30 September 2005. A 5.2% interest in the share capital of RAO UES with the estimated fair value of RR 18,553 was included within available-for-sale investments as of 31 December 2004. In addition, the balance includes 3.02% interest in OAO Sibneft acquired by the Group in September 2005 for 16,408 (See Note 23).

(In millions of Russian Roubles)

13 LONG-TERM BORROWINGS

	Currency	Final maturity	30 September 2005	31 December 2004
Long-term borrowings payable to:				
Morgan Stanley AG	US dollar	2013	49,954	50,118
Structured export notes issued in July 2004	US dollar	2020	36,051	35,740
Loan participation notes issued April 2004	US dollar	2034	35,452	33,801
Loan participation notes issued May 2005	Euro	2015	35,054	-
Deutsche Bank AG	US dollar	2014	34,480	33,440
Loan participation notes issued September 2003	Euro	2010	34,371	38,584
Eurobonds issued by AB Gazprombank (ZAO) in September 2005	US dollar	2015	28,253	-
ABN AMRO	US dollar	2010	26,735	29,886
CALYON BANK	US dollar	2010	25,051	28,173
Eurobonds issued by AB Gazprombank (ZAO) in October 2003	US dollar	2008	21,911	20,941
Salomon Brothers AG	US dollar	2009	20,880	19,821
ABN AMRO	US dollar	2008	19,985	-
Loan from a syndicate of foreign banks	US dollar	2008	18,764	-
Salomon Brothers AG	US dollar	2007	14,813	14,106
Depfa Bank	US dollar	2008	14,288	14,237
Credit Suisse First Boston	Euro	2009	13,769	-
Gazstream S.A.	US dollar	2012	11,515	-
Deutsche Bank AG	US dollar	2011	10,288	9,815
Mannesmann (Deutsche Bank AG)	Euro	2008	10,145	12,670
Russian bonds issued in February 2004	Rouble	2007	10,097	10,338
Eurobonds issued by AB Gazprombank (ZAO) in January 2004	US dollar	2008	8,764	8,376
Gazstream S.A.	US dollar	2010	8,162	-
ABN AMRO	US dollar	2010	7,823	-
Credit Suisse First Boston	Euro	2008	6,885	-
Credit Suisse First Boston	US dollar	2006	5,907	5,567
J.P. Morgan Chase bank	US dollar	2011	5,837	5,578
BNP Paribas	US dollar	2008	5,704	-
Eurobonds issued by AB Gazprombank (ZAO) in October 2002	Euro	2005	5,606	5,739
Russian bonds issued in October 2002	Rouble	2005	5,246	5,098
Russian bonds issued in October 2004	Rouble	2007	5,165	5,083
Deutsche Bank AG	US dollar	2009	5,151	5,630
Russian bonds issued in August 2005	Rouble	2009	5,048	-
Russian bonds issued in February 2005	Rouble	2010	4,968	-
German banking consortium	Euro	2007	4,635	6,075
OAO Vneshtorgbank	US dollar	2008	4,291	-
Deutsche Bank AG	US dollar	2006	3,436	5,581
International banking consortium	Euro	2006	2,063	6,239
ABN AMRO	US dollar	2007	-	11,218
Intesa BCI	US dollar	2007	-	10,030
Mizuho Bank (Fuji Bank)	US dollar	2010	-	8,224
Commerzbank AG	US dollar	2009	-	7,969
SACE	US dollar	2012	-	6,992
WestLB AG	US dollar	2005	-	5,968
ABN AMRO	US dollar	2008	-	5,569
Other long-term borrowings	Various	Various	35,907	47,413
Total long-term borrowings			602,454	514,019
Less: current portion of long-term borrowings			(75,284)	(86,933)
			527,170	427,086

(In millions of Russian Roubles)

13 LONG-TERM BORROWINGS (continued)

Due for repayment:	30 September 2005	31 December 2004
Between one and two years	69,389	54,487
Between two and five years	224,848	182,623
After five years	232,933	189,976
	527,170	427,086

In July 2005, OAO Gazprom received U.S. dollar denominated loans from Gazstream S.A. in the amount of RR 11,515 (USD 400 million) due in 2012 at an interest rate of 5.065% and in the amount of RR 8,162 (USD 283.2 million) due in 2010 at an interest rate of 5.625%. These loans were obtained to refinance existing obligations to Mizuho Bank (Fuji Bank), SACE and Intesa BCI related to the construction of the Blue Stream pipeline.

In September 2005, the Group received loans from Credit Suisse First Boston in the amounts of Euro 200 million at an interest rate 4.05% due year 2008, Euro 200 million at an interest rate 4.15% and Euro 200 million at an interest rate 4.25% due year 2009, and USD 200 million at an interest rate LIBOR + 0.32% and Euro 200 million at an interest rate EURIBOR + 0.16% due year 2006.

As of 30 September 2005 and 31 December 2004, respectively, long-term borrowings include RR 97,850 and RR 54,547 of long-term borrowings of AB Gazprombank (ZAO). Short-term borrowings and current portion of long-term borrowings of AB Gazprombank (ZAO) as of 30 September 2005 and 31 December 2004 were RR 68,743 and RR 56,614, respectively.

Long-term borrowings include fixed rate loans with a carrying value of RR 417,166 and RR 323,544 as of 30 September 2005 and 31 December 2004, respectively. Other long-term borrowings generally have variable interest rates linked to LIBOR.

14 PROFIT TAX

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

	30 September 2005	Differences recognition and reversals	31 December 2004	30 September 2004	Differences recognition and reversals	31 December 2003
Tax effects of taxable temporary differences:						
Property, plant and equipment	(147,986)	(12,816)	(135,170)	(115,428)	(16,675)	(98,753)
Inventories	(4,539)	(1,558)	(2,981)	(2,940)	8	(2,948)
Investments	(689)	1,033	(1,722)	(1,412)	(274)	(1,138)
	(153,214)	(13,341)	(139,873)	(119,780)	(16,941)	(102,839)
Tax effects of deductible temporary differences:						
Tax losses carry forward	233	(541)	774	488	(4,017)	4,505
Other deductible temporary differences	1,730	(307)	2,037	1,662	151	1,511
	1,963	(848)	2,811	2,150	(3,866)	6,016
Total net deferred tax liabilities	(151,251)	(14,189)	(137,062)	(117,630)	(20,807)	(96,823)

(In millions of Russian Roubles)

15 EQUITY

Share capital

Share capital authorised, issued and paid totals RR 325,194 as of 30 September 2005 and 31 December 2004 and consists of 23.7 billion ordinary shares, each with a historical par value of 5 roubles.

Dividends

During the nine months ended 30 September 2005 the Group accrued final dividends for the year ended 31 December 2004 in the amount of RR 1.19 per share.

Treasury shares

At 30 September 2005 and 31 December 2004, subsidiaries of OAO Gazprom held 996 million and 3,573 million, respectively, of the ordinary shares of OAO Gazprom. Shares of the Group held by the subsidiaries represent 4.2% and 15.1% of OAO Gazprom shares as of 30 September 2005 and 31 December 2004, respectively. The management of the Group controls the voting rights of these shares (see Note 21).

In June 2005, the Board of Directors approved the sale of treasury shares held by the Group's subsidiaries to OAO Rosneftegaz, a company 100% owned by the Government. The shares, which represent 10.740% of Gazprom shares, were sold during June and July 2005 for total consideration of RR 203,502 payable in cash, less profit tax of approximately RR 22,573.

Resulting from this transaction, shareholders' equity was increased by RR 180,929 in June and July 2005. In July 2005 cash payment in the amount of RR 16,236 was received from OAO Rosneftegaz. The balance receivable related to the transaction is recorded as other receivables (see Note 7).

In October and December 2005 cash payments in the amount of RR 20,895 and RR 166,371, respectively, were received from OAO Rosneftegaz and the balance of account receivable related to the transaction was fully paid at the moment of issuing the IFRS consolidated interim condensed financial information.

The transaction had no significant impact on the consolidated results of operations. Following this transaction, the Government has a controlling interest in OAO Gazprom.

Minority interest

Minority interest decreased from RR 45,551 as of 31 December 2004 to RR 14,358 as of 30 September 2005 primarily as a result of acquisition by the Group of the 42% remaining interest in ZAO Sevmorneftegaz in March 2005 (see Note 20).

16 SALES

	Three months ended 30 September		Nine months ended 30 September	
	2005	**2004**	**2005**	**2004**
Gas sales (including excise tax, customs duties and net of VAT) to customers in:				
Russian Federation	49,758	38,654	213,939	173,444
Former Soviet Union (excluding Russian Federation)	49,619	23,584	103,876	63,599
Europe	191,456	137,833	588,367	431,224
Gross sales of gas	290,833	200,071	906,182	668,267
Excise tax	(2,930)	(3)	(4,272)	(2,810)
Customs duties	(60,549)	(42,356)	(178,600)	(128,643)
Net sales of gas	227,354	157,712	723,310	536,814
Sales of gas condensate and oil and gas products	41,160	32,165	115,268	87,133
Gas transportation sales	5,851	6,010	18,032	21,307
Other revenues	16,637	15,969	45,625	38,076
	291,002	211,856	902,235	683,330

(In millions of Russian Roubles)

17 OPERATING EXPENSES

Note		Three months ended 30 September 2005	Three months ended 30 September 2004	Nine months ended 30 September 2005	Nine months ended 30 September 2004
	Staff costs	27,294	28,338	97,420	88,404
	Depreciation	25,883	21,187	87,286	77,714
	Gas transit costs	25,988	25,419	79,194	79,355
21	Taxes other than on income	22,016	17,646	70,397	57,138
	Purchased gas	17,389	11,963	50,292	41,857
	Materials	13,335	18,417	43,329	43,856
	Repairs and maintenance	12,212	7,795	36,868	22,127
21	Electricity and heating expenses	6,324	6,520	22,161	20,301
	Social expenses	4,687	4,581	11,728	9,807
	Cost of goods for resale, including refined products	5,143	4,546	11,066	12,650
	Insurance expenses	3,280	2,009	10,222	6,383
	Provisions for liabilities and charges	617	1,528	5,070	4,647
	Release of provisions for impairment of assets	(3,210)	(19,232)	(3,953)	(18,587)
	Other	24,202	16,949	66,258	51,086
		185,160	147,666	587,338	496,738

18 FINANCE INCOME AND EXPENSES

	Three months ended 30 September 2005	Three months ended 30 September 2004	Nine months ended 30 September 2005	Nine months ended 30 September 2004
Exchange gains	5,275	1,230	20,618	24,805
Interest income	6,083	4,418	15,539	10,598
Gains on and extinguishment of restructured liabilities	58	1	1,047	506
Total finance income	11,416	5,649	37,204	35,909

	Three months ended 30 September 2005	Three months ended 30 September 2004	Nine months ended 30 September 2005	Nine months ended 30 September 2004
Exchange losses	1,694	4,059	22,020	19,980
Interest expense	4,982	4,312	18,224	16,777
Total finance expenses	6,676	8,371	40,244	36,757

19 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF OAO GAZPROM

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

There were 20.9 and 20.0 billion weighted average shares outstanding for the nine months ended 30 September 2005 and 2004, respectively.

(In millions of Russian Roubles)

20 SUBSIDIARY UNDERTAKINGS

In March 2005 the Group acquired the remaining 42% interest in ZAO Sevmorneftegaz from NK Rosneft-Purneftegaz, for RR 31,335 paid in cash in December 2004. No significant premium was paid over the carrying amount of the minority interest acquired (see Note 15).

21 RELATED PARTIES

For the purpose of this consolidated interim condensed financial information, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 "Related Party Disclosures".

Government

The Government of the Russian Federation is the ultimate controlling party of OAO Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50% in OAO Gazprom (see Note 15). As of 30 September 2005 38.37% of OAO Gazprom issued shares were directly owned by the Government. The Government does not produce financial statements for public use. Following the General Meeting of Shareholders in June 2005, the 11 seats on the Board of Directors include six state representatives, three management representatives and two independent directors. Governmental economic and social policies affect the Group's financial position, results of operations and cash flows.

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

Parties under control of the Government

In the normal course of business the Group enters into transactions with other entities under Government control. Prices of natural gas sales and electricity tariffs in Russia are regulated by the Federal Tariffs Service ("FTS"). Bank loans are provided on the basis of market rates. Taxes are accrued and settled in accordance with Russian tax legislation.

As of and for the three and nine months ended 30 September 2005 and 2004, respectively, the Group had the following significant transactions and balances with the Government and parties under control of the Government:

Notes		As of 30 September 2005		For the three months ended 30 September 2005		For the nine months ended 30 September 2005	
		Assets	Liabilities	Revenues	Expenses	Revenues	Expenses
	Transactions and balances with the Government						
17	Taxes other than on income	-	20,019	-	22,016	-	70,397
	Unified social tax	-	1,140	-	3,504	-	15,967
	Current profit tax		26,827	-	27,102	-	78,183
	VAT	149,674	48,665	-	-	-	-
	Transactions and balances with other parties under control of the Government						
	Gas sales	-	-	26,940	-	101,917	-
	Accounts receivable	224,585	-	-	-	-	-
17	Electricity and heating expenses	-	-	-	6,324	-	22,161
	Accounts payable	-	8,005	-	-	-	-
	Loans	-	13,503	-	-	-	-
	Interest income/expense	-	-	174	286	1,072	830

(In millions of Russian Roubles)

21 RELATED PARTIES (continued)

Notes		As of 31 December 2004		For the three months ended 30 September 2004		For the nine months ended 30 September 2004	
		Assets	Liabilities	Revenues	Expenses	Revenues	Expenses
	Transactions and balances with the Government						
17	Taxes other than on income	-	18,045	-	17,646	-	57,138
	Unified social tax	-	904	-	3,871	-	16,030
	Current profit tax	-	16,263	-	8,889	-	35,068
	VAT	121,979	48,440	-	-	-	-
	Transactions and balances with other parties under control of the Government						
	Gas sales	-	-	19,927	-	79,612	-
	Accounts receivable	51,724	-	-	-	-	-
17	Electricity and heating expenses	-	-	-	6,520	-	20,301
	Accounts payable	-	2,403	-	-	-	-
	Loans	-	15,175	-	-	-	-
	Interest income/expense	-	-	182	348	466	772

Gas sales and respective accounts receivable, electricity and heating expenses and respective accounts payable included in the table above are related to major state controlled utility companies.

See consolidated interim statement of changes in equity for returns of social assets to governmental authorities during the nine months ended 30 September 2005 and 2004. See Note 9 for net book values as of 30 September 2005 and 31 December 2004 of social assets vested to the Group at privatisation.

See Note 15 for details of the sale of treasury shares to OAO Rosneftegaz, a company 100% owned by the Government.

See Note 20 for details of acquisition of the remaining 42% interest in ZAO Sevmorneftegaz from NK Rosneft-Purneftegaz, a subsidiary of OAO NK Rosneft, a company 100% controlled by the Government.

See Note 22 for financial guarantees issued by the Group.

Key management compensation

The Board of Directors of OAO Gazprom consists of 11 members, including state representatives, management representatives and independent directors. Members of the Board of Directors, except for state representatives, are entitled to compensation for serving as members of the Board of Directors. The compensation of members of the Board of Directors is subject to approval by the General Meeting of Shareholders.

The Management Committee consists of 17 members, some of whom are also members of the Board of Directors. Management Committee members are entitled to salary, bonuses, voluntary medical insurance, compensation for serving as members of the Board of directors for certain Group companies and other short term employee benefits. Additionally, they are entitled to post employment benefits. They are participants of Group's defined benefit plan and are entitled to post retirement medical insurance. Salary and bonus compensation paid to members of the Management Committee is determined by the terms of annual employment contracts.

21 RELATED PARTIES (continued)

Associated undertakings and jointly controlled entities

Included within investments in associated undertakings and jointly controlled entities (see Note 10) is a loan receivable from EuRoPol GAZ S.A., in the amount of RR 20,949 and RR 21,494 as of 30 September 2005 and 31 December 2004, respectively, issued by AB Gazprombank (ZAO), a subsidiary of the Group, at an interest rate of LIBOR + 2.6%.

Included within short-term accounts receivable and prepayments (see Note 7) are accounts receivable from Group associated undertakings in the amount of RR 47,490 and RR 19,600 as of 30 September 2005 and 31 December 2004, respectively.

Included within long-term accounts receivable and prepayments (see Note 11) are accounts receivable from Group associated undertakings in the amount of RR 21,034 and RR 23,191 as of 30 September 2005 and 31 December 2004, respectively, including USD and Euro denominated long-term receivables from EuRoPol GAZ S.A. in the amount of RR 6,163 and RR 7,053 as of 30 September 2005 and 31 December 2004, respectively.

Also included within long-term accounts receivable and prepayments is a Euro denominated loan receivable from WINGAS GmbH in the amount of RR 13,161 and RR 14,474 as of 30 September 2005 and 31 December 2004, respectively. The interest rates vary for different loan tranches. As of 30 September 2005 and 31 December 2004 the average effective interest rate for the loan receivable from WINGAS GmbH was LIBOR +1.25%.

During the three and nine months ended 30 September 2005 the Group recorded sales of gas to its associated undertakings in the amount of RR 54,087 and RR 132,888, and during the three and nine months ended 30 September 2004 – RR 23,902 and RR 77,155, respectively.

During the three and nine months ended 30 September 2005 the Group recorded sales of gas to OAO Mosenergo in the amount of RR 4,731 and RR 17,120, and during the three and nine months ended 30 September 2004 – RR 3,581. Gas is sold on the domestic market at prices regulated by the Federal Tariffs Service.

During the three and nine months ended 30 September 2005 the Group recorded sales of gas, produced in Russia and Central Asia, to RosUkrEnergo AG for the total amount of RR 10,823 and RR 15,538, respectively. Prices for sales of gas produced in Russia ranged from USD 80 to USD 93 per tcm, and average prices for sales of Central Asia gas were USD 43 per tcm. In July 2005 the Group sold to RosUkrEnergo AG gas stored in the Ukrainian underground gas storage at USD 150 per tcm.

Gas is sold to associated undertakings, except for that sold to AO Moldovagaz, on the basis of long-term contracts, with index prices based on world oil prices. Gas prices per thousand cubic meters for such sales ranged from USD 37 to USD 217 and from USD 37 to USD 151 in the nine months ended 30 September 2005 and 2004, respectively. Gas is sold to AO Moldovagaz based on annual contracts with fixed prices. Prices for sales of gas produced in Russia were USD 80 per tcm in the nine months ended 30 September 2005 and 2004, and prices for sales of Central Asian gas were USD 70 and USD 61 per tcm in the nine months ended 30 September 2005 and 2004, respectively.

The Group's impairment provision on accounts receivable included RR 17,331 in respect of amounts due from AO Moldovagaz as of 30 September 2005 and 31 December 2004.

In the nine months ended 30 September 2005 and 2004 the Group purchased gas from ZAO KazRosGaz for RR 3,810 at USD 36 per tcm and RR 600 at USD 33 per tcm, respectively.

21 RELATED PARTIES (continued)

In addition, the Group purchased gas transportation services from certain of its associated undertakings, principally EuRoPol GAZ S.A., which amounted to RR 16,386 and RR 10,996 for the nine months ended 30 September 2005 and 2004, respectively. The cost of these services was determined based on prices of gas sold to these companies.

OAO Stroytransgaz

OAO Stroytransgaz is a major Russian constructor of pipelines, compressor stations and oil refineries. In the normal course of business, the Group outsources pipeline construction services to third-party contractors through a tender process. OAO Stroytransgaz has been a successful bidder in a large number of these tenders to construct pipelines in the Russian Federation. During the nine months ended 30 September 2005 and 2004 transactions with OAO Stroytransgaz were entered into under framework contracts which had been executed by certain prior representatives of the Group's Board of Directors and members of their families who at that time owned shareholdings in OAO Stroytransgaz.

OAO Stroytransgaz rendered construction services for the Group in the amounts RR 3,683 and of RR 10,778 for the three and nine months ended 30 September 2005 and RR 4,147 and RR 13,649 for the three and nine months ended 30 September 2004, respectively. As of 30 September 2005 and 31 December 2004, the Group had advances and receivables due from OAO Stroytransgaz in the amounts of RR 664 and RR 2,509, respectively. As of 30 September 2005 and 31 December 2004, the Group had accounts payable to OAO Stroytransgaz for construction contracts of RR 4,294 and RR 5,795, respectively.

22 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments.

Management believe that its interpretation of the relevant legislation is appropriate and all of the Group's tax, currency and customs positions, based on existing legislation, will be sustained.

In 2004 the tax authorities commenced challenges to the Group's interpretation of the tax legislation in respect of natural resources production tax related to gas condensate, and in 2004 and 2005 issued several decisions resulting in additional natural resources production tax related to gas condensate and associated penalties and interest in respect of certain of the Group subsidiaries. The management of the subsidiaries disagree with the decisions of the tax authorities in respect of additional natural resources production tax on stable gas condensate and associated penalties and interest, and are now defending their tax positions with regards to those decisions in court.

In August 2005 federal law #107-FZ dated 21 July 2005 became effective, as a result of which amendments to the article 337 of the Tax Code of the Russian Federation came into force which clearly defined gas condensate as a taxable item for the purpose of natural resources production tax calculation. The amended definition of the taxable item confirmed correctness of the procedure applied by the Group entities for calculating the natural resources production tax. The amendments cover transactions from 1 January 2002, and therefore management believes that the risk of new claims from the tax authorities being brought against Group entities in respect of both past and current periods has been eliminated.

As to claims of tax authorities to Group subsidiaries in respect of which court rulings had been issued before enactment of the above amendments, management believe that these disputes will be settled in favour of Group subsidiaries. Aggregate assessments received to date from the tax authorities are not material to the consolidated financial position and results of operations of the Group as of and for the nine months ended 30 September 2005.

(In millions of Russian Roubles)

22 COMMITMENTS, CONTINGENCIES AND OPERATING RISKS (continued)

Financial guarantees

	30 September 2005	31 December 2004
Outstanding guarantees issued on behalf of:		
BSPC	35,082	34,325
Gaztransit	3,012	3,160
Interconnector (UK) Limited	-	30,524
NAK Naftogaz Ukraine	-	744
Other	11,513	6,258
	49,607	75,011

Included in financial guarantees are amounts denominated in USD of USD 1,504 million and USD 2,592 million as of 30 September 2005 and 31 December 2004, respectively.

During nine months ended 30 September 2005 lessors of Interconnector (UK) Limited have waived all the guarantees issued by OAO Gazprom in relation to the lease agreements concluded between Interconnector (UK) Limited and its lessors.

In April 2000, credit facilities were provided to BSPC, a joint venture, by a group of Italian and Japanese banks for the amount of RR 71,233 (USD 2,053 million) for the construction of the offshore portion of the Blue Stream pipeline. Beginning in 2001, the Group was obligated to provide guarantees on behalf of BSPC related to these credit facilities. In July 2005 BSPC refinanced a portion of their existing obligations which continue to be guaranteed by OAO Gazprom. As of 30 September 2005 and 31 December 2004 outstanding amounts of these credit facilities were RR 34,113 (USD 1,197 million) and RR 33,326 (USD 1,201 million), respectively, which were guaranteed by the Group, pursuant to its obligation. As of 30 September 2005 and 31 December 2004 BSPC also borrowed RR 969 (USD 34 million) and RR 999 (USD 36 million) of new credit facilities, provided by DEPFA, which were guaranteed by the Group.

Other guarantees primarily relate to those issued by AB Gazprombank (ZAO) to third parties in amount of RR 9,439 and RR 3,942 as of 30 September 2005 and 31 December 2004, respectively.

Other guarantees

As of 30 September 2005 26.1% of common shares and 15.5% of preferred shares of OAO Stroytransgaz, held by the Group (see Note 10), were pledged as a guarantee of the loan received from OAO Vneshtorgbank.

23 POST BALANCE SHEET EVENTS

Financial investments

In October 2005 the Group acquired an additional 72.66% interest in OAO Sibneft for USD 13,079 million paid in cash, increasing its interest in OAO Sibneft to 75.68% (see Note 12). To finance this transaction in October 2005 the Group received loans from a syndicate of banks in the amounts of USD 2,000 million with an interest rate LIBOR + 0.45% due in 2006, USD 5,580 million with an interest rate LIBOR + 0.5% due in 2007, USD 1,250 million with an interest rate LIBOR + 0.7% due in 2008, USD 3,000 million with an interest rate LIBOR + 0.45% due in 2008, and USD 1,250 million with an interest rate LIBOR + 0.9% due in 2010, OAO Sibneft is one of the major Russian oil companies with U.S. GAAP sales of USD 8,886 million for the year ended 31 December 2004. Group management has not completed a formal assessment of goodwill, if any, arising from this transaction.

In November and December 2005 the Group repaid USD 1,000 million and USD 2,000 million, respectively, of the loan amounted in USD 5,580 million with an interest rate LIBOR + 0.5% due in 2007. Additionally in December 2005 the Group fully repaid the loans in the amount of USD 2,000 million with an interest rate LIBOR + 0.45% due in 2006 and in the amount of USD 3,000 million with an interest rate LIBOR + 0.45% due in 2008.

23 POST BALANCE SHEET EVENTS (continued)

In December 2005, AB Gazprombank announced its intention to issue additional shares of its common stock to third parties. The effect of share issuance is expected to decrease the Group's interest to 66.7%.

Borrowings

In November 2005 the Group received loan from Credit Suisse First Boston in the amount of Euro 250 million at an interest rate EURIBOR + 0.19% due year 2007.

In December 2005 the Group issued Euro 1,000 million 4.56% loan participation notes due 2012 under the updated the USD 15,000 million Programme for the issuance of loan participation notes.

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