Press Conference

Mineral and Raw Material Base Development. Gas Production. Gas Transmission System Development

June 16, 2009

Moderator: Good afternoon. Today we are holding the third Press Conference devoted to the mineral and raw material base development, gas production and the gas transmission system development.

The Conference is attended by:

Alexander Ananenkov, Deputy Chairman of the Management Committee, Gazprom;

Oleg Aksyutin, Member of the Management Committee, Head of the Gas Transportation, Underground Storage and Utilization Department, Gazprom;

Vasily Podyuk, Member of the Management Committee, Head of the Gas, Gas Condensate and Oil Production Department, Gazprom;

Zenoviy Lutsik, Head of the Comprehensive Capacity Development Projections Directorate, Strategic Development Department, Gazprom.

In the beginning, I would like to give the floor to Mr. Ananenkov. He is going to speak about the 2008 key operating results. After that, you'll have a chance to ask questions.

Alexander Ananenkov: Good afternoon. All of you know our today's subject. Let's start from the resource base and gas production, later on we'll speak about Gazprom's gas transmission system development.

Gazprom Group's explored gas reserves are estimated at 33.1 trillion cubic meters. As you may see, the figure is higher than in the previous year. This represents 17 per cent of the global and some 70 per cent of Russia's reserves. Liquid hydrocarbon reserves as of January 1, 2009 totaled 2.9 billion tons, including 1.6 billion tons of oil.

As of January 1, 2009 Gazprom Group holds the right to use subsoil resources for the purpose of geological investigation, exploration and production of hydrocarbon feedstock at 321 licensed blocks both in the Russian Federation and abroad.

Gazprom annually performs independent audit of reserves in compliance with international standards and adjusts the amount and value of reserves in the fields audited earlier, i.e. last year. As of December 31, 2008 Gazprom Group's reserves

(excluding Gazprom neft) were audited in 31 fields accounting for 88 per cent of gas reserves and 85 per cent of gas condensate reserves. Proven and probable reserves were estimated at 21 trillion cubic meters of gas and 1,013.2 million tons of liquid hydrocarbons. The current value of Gazprom's reserves equals USD 206.4 billion (excluding Gazprom neft).

Gazprom neft's proven and probable reserves exceed 200 billion cubic meters of gas and 994.9 million tons of liquid hydrocarbons with the current value of USD 23.7 billion. By adding USD 206 billion to USD 23.7 billion we'll get the total value of reserves.

Gazprom is constantly developing its raw material base. In 2002 the Program for mineral and raw material base development in the gas industry up to 2030 was elaborated. The Program has been up and running for seven years now. It provides for three stages. Stage one has been completed. Stage two is currently in progress. The Program is extensive – up to 2030. The costs for geological exploration up to 2030 total RUB 1.8 trillion; the scope of drilling operations exceeds 7 million linear meters. The Program execution will ensure an increase in the C1 proven reserves amounting to 21.8 billion tons of fuel equivalent.

Upon the completion of stage one of the Program, the reserves replenishment rate, stipulated by geological exploration activities that have been performed by Gazprom since 2005, exceeds the annual production rate. That means the reserves replenishment rate was greater than unity.

Since 2006 the Company has been implementing stage two of the Program mainly targeted at laying the grounds for transition to extended reproduction of the mineral and raw material base. Up to 2010 the reserves replenishment rate will be higher than the production rate due to geological exploration activities, i.e. the replenishment rate will be greater than unity. In 2008 the rate averaged 105.6 per cent and exceeded the production level. Over the recent years, as many as four years, the reserves replenishment exceeds the production level due to the geological exploration. Starting from 2011 we are about to commence extended reproduction of the mineral feedstock base. Over this period, we'll have to ensure a considerable excess of the reserves replenishment rate over the annual gas production rate due to geological exploration activities. The figures are as follows: while producing 550–600 billion cubic meters we'll have to replenish some 650–700 billion cubic meters. These growth rates correspond with the developments, the estimates and the resource base available in the Russian Federation.

In order to implement the Program, geological exploration was performed in the regions having a well developed infrastructure with a view to maintain the level of production in the existing gas production regions, namely: northern Taz Peninsula with the Ob and Taz Bays, the Nadym-Pur-Taz region, the Northern Caucasus, the Astrakhan dome boundaries, the Pre-Caspian depression, the Komi Republic; as

well as new regions with a view to create new gas production centers: the Yamal Peninsula with the adjacent offshore areas; offshore areas of the Kara, Pechora, Barents Seas and the Sea of Okhotsk. Thus, it's obvious that the geography covers the whole Northern, Arctic and Eastern shelf of the Russian Federation. Geological exploration is underway in the Krasnoyarsk Krai and the Irkutsk Oblast. Special attention is paid to the activities on the Russian continental shelf: in 2006–2008 an increase in the reserves of the offshore deposits exceeded 1 billion tons of fuel equivalent.

Gazprom implements geological exploration projects beyond the Russian Federation: in the Republic of Uzbekistan, offshore Vietnam, India, Venezuela, Libya; operations were commenced in Tajikistan, Kyrgyzstan and Algeria. The geography is wide and the progress is different. Besides, economic and geological evaluation activities are carried out in promising areas of Turkmenia, Malaysia, Egypt, Bolivia, Angola, Argentina, Iran, Nigeria, Brazil and other countries.

The Program has been executed as part of the investment programs and socioeconomic development plans of Gazprom and its subsidiaries. The total increase in reserves over 2002–2008 made up 3.8 billion tons of fuel equivalent, including 3.6 trillion cubic meters of gas. As a result of geological exploration activities we have managed to narrow the gap between annual recovery rates and growth rates. The replenishment rate, as I've already mentioned, became greater than unity from 2005, and reached 105.6 per cent in 2008 – it's considerably in excess of the production level achieved, which is actually quite high itself – some 550 billion cubic meters of gas. During the period from 2002 to 2008, we discovered 23 new fields, 47 new oil and gas deposits, including a unique Kamennomysskoye-Sea field with above 500 billion cubic meters of reserves and a large Severo-Kamennomysskoye field with above 400 billion cubic meters. In 2008 Gazprom's geological exploration activities resulted in an increase in C1 hydrocarbon feedstock totaling 602.8 million tons of fuel equivalent, including 581.4 billion cubic meters of gas. The major objective of geological exploration to be carried out in 2009–2012 remains the same – to increase the hydrocarbon feedstock compensating for the annual production.

Gazprom is the world's largest natural gas producer in terms of volume. Starting from 2001, Gazprom has been persistently building up the level of annual gas production. This was mainly stipulated by development of new fields and additional infrastructure expansion in the existing ones.

In 2008 Gazprom was planning to considerably boost gas production and reach the level of 561 billion cubic meters. This was provided for in the gas balance and we desired to meet this objective. If we compare 561 billion cubic meters to the actual production level of 2007, it is 12 billion cubic meters higher. In the first half of 2008 a projected growth rate of the gas production volume was exceeded, and at the end of this period the actual production volume was 5.5 billion cubic meters

higher than the approved level. Thus, in the first half of 2008 due to a high level of gas consumption on the market, the supplies exceeded the projected level and, respectively, the level of production was 5.5 billion cubic meters higher versus the balance estimated beforehand. Due to a drop in the gas demand on the domestic and international markets stipulated by reduced industrial production caused by the global financial and economic crisis, Gazprom was obliged to reduce gas production. In the second half of the year the actual production level was 16.8 billion cubic meters lower than the planned one. That is the gas balance was underconsumed and we had to reduce production, respectively.

In 2008 a total of 549.7 billion cubic meters was produced by Gazprom Group. The bulk of gas was recovered by gas production companies in Western Siberian fields, which are traditionally the major gas production center in the Russian Federation.

In 2008 the shares of Gazprom's subsidiaries in gas production are as follows: 41 per cent – Gazprom dobycha Yamburg, 24 per cent – Gazprom dobycha Urengoy, 11 per cent – Gazprom dobycha Nadym, 9 per cent – Gazprom dobycha Noyabrsk and 15 per cent – other companies, including the associated petroleum gas (APG) of Gazprom neft. In 2008 some 11 million tons of gas condensate was produced and 32 million tons of oil, including 30.8 million tons in the fields owned by Gazprom neft.

It should be noted that Gazprom annually commissions new facilities. In 2001–2008 the Company commissioned: the Zapolyarnoye, Pestsovoye, Yety-Purovskoye, Vyngayakhinskoye, Yen-Yakhinskoye fields, the Tab-Yakhinskaya area of the Urengoyskoye field, the Aneryakhinskaya and Kharvutinskaya areas of the Yamburgskoye field. 14 booster compressor stations with the total installed capacity of 1,472 MW were built and commissioned. Over 1,500 production wells were drilled and tied-in during this period. In 2008 the Company commissioned: comprehensive gas treatment units in the Urengoyskoye and Chikanskoye fields in the Irkutsk Oblast; second phases of booster compressor stations in the Yamsoveyskoye and Zapadno-Tarkolinskoye fields; 177 production wells.

In the forthcoming triennial period of 2010–2012 gas production is to be increased versus the assumed level of 2009, let me reiterate – versus the assumed level of 2009: according to our estimates – 507 billion cubic meters in 2010, some 510 billion cubic meters in 2011, 523 billion cubic meters in 2012. However, you understand that it's quite difficult to estimate the consumption volume for 2010–2012 and countries, including the Russian Federation, recover from the crisis at various paces. Therefore, Gazprom will actually have the required capacities available for supporting this growth, this rise. As early as in 2010 we'll be ready to maintain the aggregate production level of approximately 570–600 billion cubic meters. The Russian Federation gas industry and Gazprom will supply energy carriers to support this growth, which is likely to start in 2010, if this is required by

a vigorous growth of the economy after the crisis.

Gazprom will maintain the projected production levels mainly with the Nadym-Pur-Taz fields located in vicinity to the existing infrastructure. This predetermines feasibility of their top-priority operation. These regions are well-developed with infrastructure facilities. Therefore, they yield a minimum prime cost and minimum gas transportation costs. In order to achieve the planned gas production levels we are going to: bring the Kharvutinskaya area in the Yamburgskoye field and the Cenomanian deposit of the Zapolyarnoye field to the projected capacity; commission compressor stations – two compressor stations for APG utilization in the Urengoyskoye field; additional capacity of booster compressor stations (to be increased by approximately 350 MW); launch development of the Achimov deposits in the Urengoyskoye field in 2009; the Valanginian deposits in the Zapolyarnoye field – in 2010; the Zapadno-Pestsovaya area in the Urengoyskoye field – in 2010; the Yareyskaya area in the Yamsoveyskoye field – in 2010; the Nydinskaya area in the Medvezhye field – in 2011; the Bovanenkovskoye field – in 2012.

I would like to draw your attention to the fact that we are considering the issue of postponing the Bovanenkovskoye field commissioning date by approximately one year. As you know, we had a Government Directive on the Bovanenkovskoye field commissioning in the third quarter of 2011. In case gas is not demanded, we'll be able to save funds for capital investments with the prolongation of this period for about a year. Therefore, we have slightly slowed down the field pre-development activities and construction of the Bovanenkovo – Ukhta gas transmission system so as to ensure the field commissioning in 2012. A portion of the personnel and equipment working at the Bovanenkovo – Ukhta gas pipeline, as you know, is currently being relocated to the east – heavy equipment of construction units and the contractors themselves have started deployment. The Sakhalin – Khabarovsk – Vladivostok gas pipeline construction activities will be intensified. We are gaining pace there. Today, some 15,000 construction workers are engaged in pre-development of the Bovanenkovskoye field itself and the Bovanenkovo – Ukhta gas trunkline system construction. The bulk of them will stay here and keep on working with a certain reduction in the scope of work; however, these units will partially be moved to the Far East in order to meet the objective of gas supply to Vladivostok from Sakhalin by the end of 2011.

As for Gazprom Group, I would like to add a few words about APG production. In 2008 we produced 6.5 billion cubic meters of APG, out of which 3.8 billion cubic meters of this valuable chemical product and raw material for petrochemistry was processed and fed to the gas transmission system for delivery to consumers. In 2008 APG losses made up 2.7 billion cubic meters. This is the heritage we received from Sibneft (Gazprom neft). A program for nearly complete utilization of APG has been developed and is being implemented. In 2012, 95 per cent of APG will be utilized, in 2011 – 80 per cent, in 2010 – 70 to 75 per cent. In 2009

we have to achieve the 60 per cent level of APG utilization.

A few words about the gas transmission system. The Russian gas transmission system owned by Gazprom has been developing since the 1940s and comprises large-diameter gas pipelines with the total length of 159,500 kilometers. Please, note that large-diameter pipes are as follows – 530-millimeter, 720-millimeter, 1,020-millimeter and up to 1,420-millimeter (the largest diameter used in Russia's gas industry). There are 159,500 kilometers of such pipelines, 281 compressor stations with the installed capacity of 47,600 MW and 3,881 gas distribution stations around the country.

The gas transmission system development and implementation of new projects on gas transmission facilities construction are carried out with due regard to the plans for development of new gas production regions, shaping of new gas export routes, expansion of regional gas transmission systems to ensure gas delivery to consumers on each and every level, including the related industries of the national energy sector, as well as for the purpose of maintaining the technical condition of production facilities, ensuring reliability, industrial and environmental safety of gas transmission and energy security of the Russian Federation, increasing the feasibility of gas transmission, including energy saving and novel technologies utilization.

Within the period through to 2011 Gazprom is going to implement the following projects for the gas transmission system development: expansion of the Urengoy gas transmission hub, expansion of the Zapolyarnoye – Urengoy gas pipeline, completion of the compressor stations commissioning along the SRTO – Torzhok gas pipeline, construction of compressor stations along the SRTO – Urals gas pipeline, construction of the Pochinki – Gryazovets and Gryazovets – Vyborg gas pipelines.

I guess there is no sense speaking about every gas pipeline separately. As for Nord Stream, much has been spoken about it: the offshore section – 1,200 kilometers, two strings with 1,219 in diameter, high operating pressure – 230 atmospheres, the system throughput – 55 billion cubic meters of gas, the first string – 27.5 billion cubic meters. The commissioning schedule is as follows: the first string – 2010–2011, the second string – 2012–2013. This system ensures a very high energy reliability of the most valuable energy carrier supply from the Russian Federation to Europe, bypassing any transit territories, transit countries.

The system for gas transmission from the Yamal Peninsula comprises two sections: Bovanenkovo – Ukhta and Ukhta – Gryazovets – Torzhok. The initial stage provides for two strings only. The Bovanenkovo – Ukhta gas pipeline section is 1,420 millimeters in diameter with the pressure of 120 atmospheres, each string has the throughput capacity of up to 60 billion cubic meters, that is the system throughput corresponds to the Bovanenkovskoye field capacity to be reached –

some 115 billion cubic meters of gas per annum at the initial stage. Further on, capacity expansion operations will be carried out in the Bovanenkovskoye field, and the capacity will be increased to 140 billion cubic meters. Nearly 300–315 billion cubic meters of gas will be conveyed from Yamal to Ukhta in total; therefore, as you understand, the gas transmission system will comprise multiple strings – some 5 to 6 strings, depending on the solvency of the market and the capacities to be linked to the gas transmission system.

The 1,365-kilometer-long Murmansk – Volkhov gas pipeline with the Shtokman field as a resource base will supply natural gas to the Nord Stream gas pipeline, inter alia. The northwestern regions of the Russian Federation will receive gas from the system, as well. The system capacity will be from 26 to 50 billion cubic meters, depending on the solvency of the market and on the LNG production volumes, which will be varied depending on the amount of LNG and pipeline gas supplied to foreign markets.

The pipelines will be connected to the fields in the Ob and Taz Bays. The aggregate volume and capacity of the system will be 75 billion cubic meters of gas. The gas will be supplied to the Yamburgskaya main compressor station. The total length of the pipelines with the nominal diameter of 500 to 1,000 millimeters will exceed 500 kilometers.

The South Stream gas pipeline. We have announced the South Stream gas pipeline parameters as well, there is nothing to add. The offshore section – 900 kilometers. In order to ensure gas supply in the amount of 63 billion cubic meters (projected capacity) a gas transmission system will be built in the Russian Federation to extend the existing gas transmission system by over 2,000 kilometers in length.

The eastern direction. Intense work is underway in the East today to create a gas transmission system. One of the projects being actively implemented will be completed in the third quarter of 2010 – the Kamchatka pipeline to ensure gas supply to Kamchatka. The gas pipeline will be 392 kilometers long from the Sobolevo settlement to Petropavlovsk-Kamchatsky. This year some 370 kilometers will be constructed with the remaining 22 kilometers scheduled for the next year. We have no doubt that the gas pipeline will be built. Three onshore fields containing quite moderate gas reserves – 15 billion cubic meters (C1 category) will become the resource base. At the initial stage, these reserves will meet the Kamchatka demand within some 7 to 9 years, which currently amounts to some 500–600 million cubic meters of gas per annum. Gazprom seldom speaks of such minor issues; however, three fields with the total reserves of 15 billion cubic meters of gas are being developed by the Company today. The pipeline is of utter strategic importance, mainly for the development of Russia’s Far East. This project is surely a top priority not only for Gazprom, but for the Russian Federation as well.

Sakhalin – Khabarovsk – Vladivostok gas pipeline. The system length exceeds 1,800 kilometers. The first phase, being some 1,300 kilometers long, will be completed first of all. This gas pipeline will primarily ensure gas supply to Vladivostok before the end of 2011 where there is no natural gas as an energy carrier at all. In general, the gasification level of Russia's eastern regions averages some 6 per cent.

We have constructed a gas pipeline in the Irkutsk Oblast from the Bratsk field to residential district No.45 in the city of Bratsk. This 26-kilometer-long gas pipeline is very important for starting up the gasification of Bratsk. In 2007 we have accomplished this work and supplied gas later that year. We have developed the Chikanskoye field and brought it into pilot operation. The field contains 98 billion cubic meters of gas. It's a small field though a very important one for the gasification of the cities of Angarsk and Irkutsk. Definitely, in order to supply gas to these cities and other residential areas located at an economically viable distance from this gas transmission system, we have to build a 600-kilometer-long gas pipeline from the Chikanskoye field.

I can say a few words about the progress with underground gas storage. As you know, we are going to reach the daily withdrawal rate of 700 million cubic meters. Today the peak rate of gas withdrawal from Russia's gas storages in the withdrawal period reaches 600 million cubic meters.

This is the information I wanted to provide to you. You are welcome to ask questions.

Question: Maxim Mashkov, UBS company. I would like to ask Mr. Ananenkov several questions. I am interested in the production plans of Gazprom dobycha Urengoy, Gazprom dobycha Yamburg and Gazprom dobycha Nadym for 2009–2010, each of them separately? Could you, please, specify the information on the rescheduling of the Bovanenkovskoye field commissioning? How will the capital investment program be changed in this regard? Do you expect a respective reduction in capital investments or reallocation of capital investments from Yamal to the Far East? Thank you.

Alexander Ananenkov: Let's start from the last question concerning Yamal because it's a very significant question. We were definitely going to start feeding the Unified Gas Supply System with the gas from the Bovanenkovskoye field in the third quarter of 2011. We were going to supply 7.9 billion cubic meters over 2011 – which is not so much. When compiling the balance we take gas consumption volumes on the Russian market into consideration. Gas consumption by industrial enterprises reduced: the power generation industry, the cement industry, as well as the agrochemical industry and metallurgy have seriously reduced gas consumption – these are the four major consumers with power generation being the largest one. Due to well-known circumstances, gas

consumption growth has not been observed, we have been observing a decline since the fourth quarter of 2008, visa versa. As for the gas consumption rate, we definitely experience a drop in production volumes in the related industries – in the four industries I have mentioned before. A slight reduction in gas consumption has been observed in the household and utility sectors, however, being insignificant. On the contrary, in April–May 2009 we observed an upsurge in domestic gas consumption by the population and utility services. Separate regions even overconsumed gas versus the amount provided for in the gas balance.

Currently, gas consumption abroad is on a rise. The reason is understandable: from the fourth quarter of 2008 to the first quarter of 2009 the gas price in Western Europe, in particular for Russian gas, was very high. It is natural that under the burden of the global financial and economic crisis the consumers believed that in six months the gas price would be lower (because you know what the oil price was at that time, and the gas price is pegged to oil and petroleum derivative prices) and lowered the demand, respectively. In the first quarter of 2009 the daily consumption level on the western market reached some 260–280 million cubic meters. If compared to the same period in 2008 it is 170–200 million cubic meters lower. However, in April–June there was a considerable growth in the gas demand abroad and daily consumption rates in the countries beyond FSU today have reached 430 million cubic meters of gas. Let's compare: 260–280 million cubic meters in winter and 430 million cubic meters in summer. This proves that the price factor rather strongly influences the consumption level.

In addition, gas injection is carried out in summer. It is also quite understandable that injection is arranged when the gas price is low. The lower the price, the more efficiently underground gas storages are used. You buy cheap gas and sell it when the market price is quite high. It is understandable as well.

A drop in gas consumption by Ukraine: if compared to 2008 the actual daily gas demand has reduced twofold. Recently, we have observed that Ukraine is not injecting the sufficient amount of gas into the underground gas storage facilities – for approximately one or one and a half week. Gas supplies to Ukraine amount to some 25–35 million cubic meters per day, versus some 170–180 million cubic meters per day in the respective period of 2008. Therefore, we can not speak of any injection there today.

Taking into consideration the market environment, analytical materials and outlook for the solvent market development, we believe that in 2011 it will not be necessary to produce 570 billion cubic meters of gas, as was planned before. We need to adjust our programs, including the investment program. Not to stop, but to slow down, that is to reduce the amount of capital investments starting from 2009 and select the speed of construction and assembly work so as to ensure the Bovanenkovskoye field is commissioned approximately in the third quarter of

2012. The decision has not been taken by the Management Committee so far[1]. However, I am speaking about the calculations we have made to see that this gas will not be demanded. Why should we invest money if it's undemanded? There's no sense doing it.

However, we took the opportunity of increasing capital investments in the Sakhalin – Khabarovsk – Vladivostok gas transmission system. We have increased the amount of 2009 investments from some RUB 20 billion to RUB 50 billion. In the near future construction and assembly operations will commence. In addition, we'll have to start working at the Kirinskoye field, Sakhalin III block in the Far East since we have obtained a license for that. The first production well will be drilled there soon. Thus, there is a certain reduction in the rate of capital construction of the facilities that help Gazprom achieve the production level of some 570–600 billion cubic meters, being undemanded in this period. Therefore, we are relocating our personnel and facilities.

The same is true for gas production in the Yamburgskoye, Urengoyskoye and other fields. It's natural that we make adjustments and the values planned earlier will be adjusted downwards. This will surely allow, inter alia, to ensure utilization of energy saving technologies when developing these fields. It will be quite useful for the field, especially the Yamburgskoye field, where the central part of the deposit was drained at increased rates.

Question: Elena Mazneva, Vedomosti. I would like to ask you about the major fields – Yamburgskoye, Nadymskoye and Urengoyskoye – once again. It is very interesting from the technical point of view: what fields and deposits were subject to the gas production decline due to the fact that the overall production volume of Gazprom reduced by some 20 per cent, how much did it cost Gazprom, if it did? Actually, there are rumors that production has declined, primarily on the cheap Soviet Cenomanian deposits. Is it true and why, if it is? Thank you.

Alexander Ananenkov: Production is decreased through regular technological operations – shutdown of certain wells in an individual way since every well is absolutely different from others in terms of the operation mode. It's natural that field development specialists, geologists determine each and every object that has been or will be shut down. Additional costs for well shutdown are not required because the operations are carried out by the same personnel that operate gas fields and no additional employment is required. There is a unique opportunity to perform an extensive scope of repair and maintenance operations at wells and flow lines (i.e. the gas pipelines running from wells to gas processing facilities), there is a possibility to carry out a wide scope of repair work packages at gas processing facilities, booster compressor stations. It is natural that fewer spare parts are required, fewer engines, for example, for booster compressor stations, since certain

[1] On June 18, 2009 the Gazprom Management Committee has made a decision to move the commissioning dates for the Bovanenkovskoye field and the Bovanenkovo – Ukhta gas trunkline system startup complexes from the third quarter of 2011 to the third quarter of 2012.

facilities will simply be suspended from duty, less material will be consumed, including diethyleneglycol, methanol, etc. Therefore, from this point of view we will get an economic benefit. The startup of certain wells operated in the flooded areas will certainly require special operations. Such wells account for some 2.5–3 per cent of the total amount of suspended wells. They will require special operations for the startup, when needed.

Question: What exact deposits? Do you shut them down uniformly?

Alexander Ananenkov: Numerous wells at each and every field, including the Urengoyskoye, Yamburgskoye and Zapolyarnoye fields. It will take much time to mention. All the objects are defined and, actually, at the Urengoyskoye field the geologists may exactly say what objects have been shut down so far or are subject to shutdown.

Question: Anna Shirayevskaya, Platts Agency. Mr. Ananenkov, could you specify the adjusted estimates for gas production this year? How much gas is to be produced? Thank you.

Alexander Ananenkov: Let's agree. I would like to ask you something. I answered the same question in Perm and the journalists incorrectly reported it. I said between 450 and 510 billion cubic meters, and the journalists reported 450 billion cubic meters. Do you feel the difference? That is why I would like a fair play. I want you to write down exactly what I say. 450 billion cubic meters at least and 510 billion cubic meters at most. We'll probably get something in between in various cases. And various options may depend on weather conditions, inter alia. If the fourth quarter is cold, who is going to save money on his own health, I wonder? I am sure in this case we'll supply more gas to Europe, to the Russian Federation and so forth.

Everybody knows well that since December 2005, especially in January 2006 and through to mid-February – huge amounts of the Arctic air invaded the Russian Federation and Central Asia. It was minus 22 in Ankara. At that time the Blue Stream was fully loaded and supplied the maximum possible amount of gas via the Balkans to Turkey. All the European countries were demanding gas since it was little. Gazprom achieved the annual gas production level of 630 billion cubic meters. We reached the production level of 1,702 million cubic meters per day and approximately 583–584 million cubic meters were withdrawn from underground gas storage facilities. I mean Gazprom alone. Independent producers together with oil producers achieved some 90 billion cubic meters per annum. The Russian Federation and the Russian gas industry exceeded the level of 2.5 billion cubic meters of gas per day produced and supplied to the market – and this amount was fully consumed. What should we do if winter is so cold? That is why I can't say 450 billion cubic meters. There may be various weather conditions.

Furthermore, in the third and the fourth quarters of 2009 the gas price on the

Western European market and the gas price in the FSU states calculated according to the European price formula will be lower as well. Due to the fact that the price formula contains the oil and petroleum derivative price parameters, and you know that
6–9 months ago the oil price was quite low, therefore, the gas price will reflect this and consumption will be higher if compared to the first – second quarter of 2009. There is a number of other reasons to think that the production volume may be higher and it is related to the market, as well. Thus, Gazprom is capable of producing 600 billion cubic meters of gas as early as this year, if required. Therefore, 450 to 510 billion cubic meters.

Question: Alexey Grivach, Vremya Novostey newspaper. You have already mentioned that a decision was made to increase capital investments in the East by RUB 30 billion. Does that mean the money saved owing to the Bovanenkovskoye field commissioning rescheduled? If it doesn't, how much are you going to save of the capital investments due to rescheduling of the Bovanenkovskoye field and the Bovanenkovo – Ukhta gas trunkline commissioning? What other projects have you rescheduled, in addition to Bovanenkovskoye?

Alexander Ananenkov: Firstly, we have not rescheduled it – we are making calculations. This is up to the Management Committee to decide on the matter. Some 15 per cent lower capital investments in Bovanenkovskoye will be allocated this year if compared to the planned amount.

The Investment Program approved by the Board of Directors – RUB 920 billion, including capital investments – RUB 637 billion. Now we are going to distribute capital investments on the basis of the market needs and capacity requirements. In 2009 circa RUB 500 billion will be allocated for capital investments, this means RUB 137 billion of the 2009 capital investments will be saved in total. Meanwhile, the Sakhalin – Khabarovsk – Vladivostok project will additionally receive RUB 30 billion included in RUB 500 billion.

Question: Will other projects be rescheduled?

Alexander Ananenkov: So far, there is no reason to reschedule other projects. The lack of demand in the near future, in 2011 and 2012, may be a substantive reason. I provided you with the figures forecast for 2012 – 523 billion cubic meters. Therefore, Yamal may, without apprehension, be rescheduled for one year to reroute the saved funds to the Far East.

Question: Anastasia Goreva, Argus Media. Mr. Ananenkov, you have mentioned Gazprom's production plans for 2010–2012. Could you, please, specify Russia's overall production targets, including independent producers and oil companies?

Alexander Ananenkov: You may add some 110 billion cubic meters, attributable to the possibilities of independent oil companies, to Gazprom's production target

and you'll get Russia's total.

Question: Neftyanoye Obozreniye. South Stream is known to be designed for mainly Central Asian gas transmission. The question is as follows: in case the situation in Central Asia, particularly in Turkmenia, changes for the worse, are there specific Russian resources for this project? Are you developing the project? If you are, how are you doing that? Thank you.

Alexander Ananenkov: In abundance.

Moderator: Thank you very much, our Press Conference is over.