

Press Conference

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

May 23, 2012

Moderator: Hello everyone. We are happy to welcome you in Gazprom, at our traditional series of Press Conferences on the threshold of the Gazprom Shareholders Meeting. Like in previous years, we will hold six Press Conferences and speak about the Gazprom's main business lines. Today we will talk about our mineral and raw material base, gas production and gas transmission system development.

Participating in the Press Conference are:

— Vitaly Markelov, Deputy Chairman of the Management Committee;

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

— Yaroslav Golko, Member of the Management Committee, Head of the Investment and Construction Department;

— Vsevolod Cherepanov, Member of the Management Committee, Head of the Gas, Gas Condensate and Oil Production Department;

— Zenovy Lutsik, Head of the Comprehensive Capacity Development Projections Directorate.

I'd like to add that for the first time we are changing a bit the way we hold our Press Conferences. Hearing your feedback, this time there wouldn't be any opening speech, or it would be short. So, we can move on straight to your questions. If anyone has any questions about the results of 2011 and related to the said subject, let's start with them. Otherwise, let's come down to our current business and items related to the Company's development.

QUESTION: Anna Shiryayevskaya, Bloomberg. I'd like to ask you about your plans for gas production for the upcoming 2 or 3 years. Have you made any amendments following the decisions to increase the severance tax in the nearest future? Could you please tell anything about your gas production forecast for 2012, 2013, and 2014?

VITALY MARKELOV: Thank you very much. Gazprom production plans depend on gas volumes which we are going to sell during these years. That why we've forecasted the relevant gas volumes and facilities to make it. The Bovanenkovo field is our main source of increasing gas production in the nearest couple of years. I'd like to tell straight away that the field will be commissioned this June. Speaking about numbers, Mr. Cherepanov will tell you more.

VSEVOLOD CHEREPANOV: Dear colleagues, the said numbers may be linked with production volumes – and we treat it as a resource method, meaning “potential” – or may be linked with demand. We consider the outlook for the next year as well as for 2014 to be the resource method. Today supply and demand are unbalanced, and all the time we have to make the adjustments for production volumes. For instance, we are planning our gas production to reach 541 billion cubic meters next year and 548 billion cubic meters in 2014. As for gas condensate and oil, we hope to produce 15.1 and 35.2 million tons in 2013, accordingly. The same figures go for 2014 – 15 and 35 million tons.

VITALY MARKELOV: It's another question how much gas will actually be sold.

QUESTION: Elena Mazneva, Vedomosti newspaper. I'd like to go into more detail about gas production forecast. In December when Gazprom was setting its budget for 2012 and plans for 2013 and 2014, gas production figures were higher that time: 558.4 billion cubic meters of gas in 2013 and 569.7 billion cubic meters of gas in 2014. The numbers that you've just mentioned – you said they came from the resource method. What has been changed? Why there is a decrease in figures?

VSEVOLOD CHEREPANOV: We are just realigning our plans and make a forecast – this means plus or minus 10 billion cubic meters, and we can always make a review towards an increase. The Bovanenkovo field is about to be brought onstream. Forecasted figures for gas production may be stretched at any time, meaning that our main priority is the market.

ELENA MAZNEVA: And one more question. By midyear Gazprom traditionally starts to review its budget for the current year. Could you please tell if there are already any predictions of the investment program to be changed; and, in general, what projects may affect the program (decrease or increase it)?

YAROSLAV GOLKO: As you all know, the Gazprom investment program has been also corrected following the first quarter results. RUB 776.648 billion were allocated for the 2012 investment program. Following the first quarter results, the funds totaled RUB 843.75 billion. If I'm not mistaken, you are asking if the program is due to be amended following the half-year results. Of course, it will. As a rule, we review the program at the Management Committee Meeting in September. This year we will try to make the timeline for doing this a little closer, if possible, and review the program in August or may be at the Board of Directors Meeting in September–October.

ELENA MAZNEVA: Towards the increase?

YAROSLAV GOLKO: I think yes. What figures shall we expect? Again, this will depend on our proceeds, but, as you understand, we have the business projects we must carry on with: the Bovanenkovo – Ukhta gas trunkline system, the Bovanenkovo field development, the Ukhta – Torzhok gas trunkline system, the looping system at the Gryazovets – Vyborg gas pipeline. Of course, these projects must be completed. And everyone is aware of their commissioning schedules. As for Bovanenkovo, it will be the end of the second quarter; we anticipate that gas will be conveyed in June. Of course, every facility needs to be completed; therefore some funds need to be allocated. That's why I am saying "towards the growth". What is the increase margin for the investment program? We shall see after the first quarter results will be revealed.

QUESTION: Anastasia Goreva, Petroleum Argus agency. When an investment decision on the Kharasaveyskoye field of Yamal and the Severo-Kamennomyskoye field in the Ob Bay can be adopted? What factors may affect the investment decision to be made in the first case and the second one? And another question about capital costs. Could you please tell what the capital costs are of the Bovanenkovo field, Bovanenkovo – Ukhta, Gryazovets – Vyborg and Southern Corridor? And now the instruction has been given to look through a potential increase in the Nord Stream capacity, therefore, there should be a need to increase capacities of the Portovaya compressor station, or a new compressor station is expected to be built? Or is it Portovaya powerful enough for incorporating new strings?

VITALY MARKELOV: Thank you very much. As for the Kharasaveyskoye field, literally a week and a half ago we undertook a detailed review of the progress with the Kharasaveyskoye field. A task was given to elaborate a timeline for the project of the Kharasaveyskoye field development (as a matter of fact, we will do this work within a month). Our goal is to launch gas production from the Kharasaveyskoye field in 2019.

As for the Portovaya compressor station, it is designed for two strings, and you know well that nowadays the first string is operational. I mean that now we are testing Nord Stream and the Gryazovets – Vyborg gas pipeline together with compressor stations, including the Portovaya compressor station. Yesterday we made Nord Stream (*first string*) to reach its maximum capacity. This year we are going to finish construction of the second string; therefore capacities of the Portovaya compressor station will be extended. As for increasing the Nord Stream throughput, it is under discussion now, and we haven't made any decision so far. As soon as we resolve it, we will announce our decision on the Nord Stream development.

YAROSLAV GOLKO: There was a question about expenditures on gas transmission facilities. I've already said about the adjusted investments for 2012 – these are RUB 843.75 billion, we can spend RUB 413.7 billion on gas transmission facilities. As for already mentioned projects, according to the amended investment program we will allocate RUB 64.24 billion for Gryazovets – Vyborg, RUB 138 billion – for Bovanenkovo – Ukhta, RUB 93.96 billion – for the Bovanenkovskoye field. I'd like to underline once again that these numbers are not final.

VSEVOLOD CHEREPANOV: The Feasibility Study on the Severo-Kamennomysskoye and Kamennomysskoye-Sea fields are being elaborated now. We plan to finish working on it next year and it's possible we will make our decision on these fields. As for factors which may lead to taking a positive decision, these are as follows: firstly, gas consumption forecast; gas sale forecast as we have some tax related issues we'd like to solve – all these influence our decision-making. By 2020 we have counted these factors in the gas balance.

QUESTION: Denis Pinchuk, Reuters. I'd like to come back to the current production volumes. Following the first quarter, four months, there was a downward trend? Got it over now? And, after all, what is the forecast for the current year?

VSEVOLOD CHEREPANOV: There wasn't a downward trend during four months. We were outstripping the original plan at 1 billion cubic meters. In fact, gas consumption decreased dramatically. Our current production plan is for 1.367 billion cubic meters of gas per day, but actual production is 1.2 billion cubic meters. Meaning that our supplies to the market lowered at 160 million cubic meters of gas. Everything depends on consumption which has dropped.

DENIS PINCHUK: And what about production plan for the current year?

VSEVOLOD CHEREPANOV: We haven't reviewed the plan. But taking into account the present trend, it's clear that production figures can be between 1 and 2 per cent less than we've previously anticipated.

QUESTION: Nadezhda Rodova, Platts. Recently a decision was made to increase taxes in the gas sector. What do you think, how it can be reflected in the Company's investment policy for the upcoming period (obviously, not this year)? Do you consider an option of delaying or rescheduling some projects, and if so, what are they? And another question about the LNG plant in Vladivostok. We've heard lately that there was a considerable scope for the offshore deliveries to Japan. What gas is planned to be used as a source for supplies to this region?

VITALY MARKELOV: Thanks a lot. I'd like to say that there are no changes in our production programs. Mr. Golko said which large facilities were planned for commissioning this year, which would allow increasing gas production, transmission and consumption. It's a 5 per cent rise in gas consumption per year in Russia.

As for the Japanese project – now we are working on the Investment Rationale for the LNG plant construction in Vladivostok. As soon as we finalize it, we will make the investment decision. This plant will supply gas to, let's say, the Asia-Pacific countries, without certain connection to the

particular market. But I'd like to emphasize that nuclear power generation has been suspended in Japan now. And it's clear that gas consumption in Japan will have to grow. And we will not miss this opportunity. A rise in LNG consumption in China and Japan reflects the fact that this project will be successful. And we hope this project will be implemented very soon.

Gas of Sakhalin will be a resource base for this plant. So far, we are commissioning the Kirinskoye field in Sakhalin, located in the Sakhalin III block, including construction of the gas treatment unit, production complex, gas trunkline running from the Kirinskoye field to the Sakhalin main compressor station. This block will enable us to provide gas for the Far East gasification and, therefore, will be a resource base (*for the LNG plant*) at initial stage. And we also think that the fields in Eastern Siberia will also serve as a resource base for the LNG plant.

As for the gas pipeline running to Japan, it is still quite in the air. To be honest, no one had a deep thought about all these ideas. We understand very well what region we are talking about, it is an earthquake zone, etc. No one tried to assess the risks. To my knowledge, the Japanese party made such proposals during a visit of the government officials. We are currently looking into this.

QUESTION: Svetlana Savateeva, Interfax. I have a couple of questions for Mr. Golko and Mr. Markelov. The first question: what is the progress with equipment installation at the compressor station in the Zapolyarnoye field? Will it (equipment) be brought onstream in the forthcoming winter? And the second question: why does Gazprom deal with the traders when buying pipes, instead of the direct suppliers? Can you explain it somehow? Also, if possible, I have another question for Mr. Aksyutin. Gazprom planned to launch construction of the Yakutia – Vladivostok gas pipeline this year. Could you please give more detail of the work progress there: has the throughput been estimated? Or maybe the time line for the investment program has been revised? And a couple of questions more. How is it going with the repair works? Are you behind the schedule? If so, how far behind, and what are the reasons for this? Thank you.

YAROSLAV GOLKO: As for the Zapolyarnoye field, last year they (*two compressor workshops at the main compressor station of the Zapolyarnoye field*) were expected to be commissioned, but we experienced some problems with the equipment supplied by the Sumy Frunze Machine Building Scientific Production Association. There were problems not with the equipment itself, but with the magnetic hangers. That's why there were some operational delays. They (*compressor workshops*) had to secure some transmission volumes. As of today, the problem has been solved, and currently two compressor workshops are operational and transmit some 300 million cubic meters of gas per day. I'd like to say that, in principle, it was the manufacturer's fault in some, let's say, structural elements, and such mistakes were taken into careful consideration at the initial stage of construction. And I believe we are not going to have similar problems during the next stages.

OLEG AKSYUTIN: I'd like to add something about the Zapolyarnoye field. As the matter of fact, new equipment supplied by the Sumy Frunze Machine Building Scientific Production Association was used there – 12 main gas compressors and two Urals gas compressors made in Russia, Perm. The equipment was a brand new one, and as it was a typical case of any new equipment, some production faults showed up during pre-commissioning works. In fact, the manufacturer together with our experts removed these production faults in quite a short time. The first workshop, which is third in succession, with all the equipment produced entirely by the Sumy Frunze Machine Building Scientific Production Association is planned to become operational in the end of this year. We believe that the manufacturer carefully considered the carried out analysis and elaborated the relevant measures. We think that this workshop will be commissioned just fine in 2012.

As for repair program, I'd like to say the following. You all understand very well that all complex of repair, scheduled maintenance and technical services is an important and key factor for preparations for autumn/winter period. I can say that following the 2011 results, we have entirely completed the program, at 100 per cent. Some 2.5 thousand kilometers of line pipe sections at the gas trunklines

have been repaired, via redoing insulation as well as full replacement; in-line inspection of some 22 thousand kilometers have been carried out. This year our plan to make repairs is pretty much similar to the one we had in 2011. To date, we are doing the following: we are keeping to the schedule following the results of the first quarter as well as the second quarter in so far as we are in it. Today we are confident that all capital repairs we were planning to carry out as part of preparations for the autumn/winter period will be done.

Overall, last year 989 gas compressor units were repaired through a variety of remedial work. Following the first quarter results of this year, 206 gas compressor units have already been repaired, are in a good and operational condition. Meaning that we can see good progress after all.

VITALY MARKELOV: I'd like to add that I'm agreeably surprised to see that the news media is very familiar with technical details of the compressor station in the Zapolyarnoye field.

As for the Yakutia – Khabarovsk – Vladivostok gas pipeline, currently two fields – Sakhalin I and Sakhalin II – cover gas demand of the Far East. To date, it's a fair amount of resources to meet gas consumption in the Far East, bearing in mind the ongoing gasification as well. Moreover, the Kirinskoye field will be commissioned, etc. So, it's not quite reasonable to urge on the resource base development in Yakutia for lack of extra gas consumption.

Currently, we are carrying out the design works, and literally yesterday we had a meeting devoted to the Yakutia gas production center development, including development of the transportation facilities from Yakutia to Vladivostok. We've just said about ongoing design works. We are about to finish the Investment Rationale for the whole complex. Until the end of this summer we are going to complete this work, following adoption of an investment decision on operations related to the gas reserves of the Chayandinskoye field. I'd like to stress it once again that these operations are related to the gas reserves and construction of the Yakutia – Khabarovsk – Vladivostok gas pipeline, but not to the oil rim.

MODERATOR: There was the question about Gazprom buying pipes through the traders.

YAROSLAV GOLKO: In fact, we were looking into this issue. The press release was published and many people know that on a recent day we met with pipe manufacturers, and we signed the Agreement on using the price formula for large diameter pipes supplied to Gazprom. I'd like to say that long talks with pipe manufacturers were going for years, and effective work relationships have been carried out with every plant the agreements were signed by Mr. Alexey Miller just recently.

As for the pipe manufacturers themselves taking part in tendering procedures – we can only make a guess here. In fact, and you all are aware of this fact, Gazprom tenders are open to the public and anyone can participate in them. Why shall they refuse to do so? We've asked the pipe manufacturers about that. We suggest that there is a multiple purchase order, and pipe manufacturers are keen to complete every single order rather than the whole purchase order.

When we had talks with pipe manufacturers, it appeared that, in principle, they all have their business partners or branches to market their products, or sales partners. Plus, manufacturers are likely to solve their financial matters with the aid of the officials – in this case, talking about Gazprom and according to our contracts, in reality the payment is made 50 days after we receive the whole package of documents from them. Meaning that up to five months can pass away after the delivery is made. That's why the said factors may influence the matter. But I'd like to stress once more that tenders are open to the public, and I haven't heard about any issue in this regard.

SVETLANA SAVATEEVA: You are saying that pipe manufacturers do not participate in tendering procedures... For instance, the Federal Antimonopoly Service advised Gazprom yesterday to divide

its tenders into the smaller ones, to enable the pipe manufacturers to participate in tenders directly. Have you considered this option, and do you feel ready doing this in the future?

YAROSLAV GOLKO: Indeed. You know that all suggestions and, more importantly, the tasks given to us are also reviewed by the Management Committee, and we receive instructions from the Board of Directors. All these measures are being taken. Besides, to my knowledge, Gazprom Komplektatsiya is about taking on board such approach – to divide tenders into the smaller lots.

QUESTION: Csilla Kedes Kissne, MTI agency. I represent the Hungarian media. As you may guess, my question is about South Stream. Can you confirm that actual work will start in the end of this year? It's a simple, but very important question for Hungary. Thank you.

YAROSLAV GOLKO: I can give you an answer about construction of the onshore sections located in the Russian Federation, which are needed to convey gas to South Stream. We've made preliminary assessments and currently are carrying out the pre-investment research, and projects are ongoing. Overall, as for construction of the onshore section in Russian Federation, the investments will total about EUR 9 billion. We may say that preparation works are in full swing now. I am talking about the project's part related to Russian Federation.

QUESTION: Alexey Grivach, the Moscow News. I have a bunch of questions. Could you please tell what the narrowest sections are in the gas transmission system, in your opinion? Can we talk about any free capacities here? And will they become available for use because of the fact that huge gas volumes are conveyed now from Yamal via the new gas transmission system? How extensive free capacities are expected to be? What is the nowadays daily throughput of the gas transmission system? Thank you. This was my first question.

OLEG AKSYUTIN: If we talk about free capacities, it is always necessary to understand in what section of the Unified Gas Supply System (*UGSS*) and in what connection they are needed.

ALEXEY GRIVACH: At the inlet.

OLEG AKSYUTIN: To my understanding, your question is about scheduled gas supplies by the independent producers from the Gydan Peninsula. And the question is: "are there capacities available at this section?" Yes, they do exist nowadays, and, in principle, the gas transmission system is able to take in the required gas volumes. Moreover, I'd like to add that as for the independent producers having access to the *UGSS* in recent years, no one was restricted to do so, and everyone who managed to apply were gained access to the pipe.

Talking about the inlet, I can say the following: as of today, *NOVATEK* supplies us with gas from the Yurkharovskoye field to the "Tula" site at the Yamburg Line Pipe Operation Center. Gas volumes that we are capable to take in may comfortably made up to 92 million cubic meters of gas per day, and we feel comfortable receiving such volumes. But if to look through each case separately, everything is depend on parameters declared by the supplier. I mean specifications coming from the supplier: annual supply volumes, gas pipeline's diameter, availability of a booster compressor station (*BCS*) and the rest of all issues relevant to this matter.

If we talk about throughput, currently the design throughput totals over 550 million cubic meters of gas per day at the inlet section.

ALEXEY GRIVACH: And the real throughput?

OLEG AKSYUTIN: The real throughput is the same. I can say that for today we have about 2.676 thousand kilometers out of total 170 thousand kilometers embracing the overall gas transmission system that affect the throughput. And these sections are located not in the "beginning" of the system,

but generally spread through it. I mean this is not just a single section, but several sections we are constantly working on as part of repairs and upgrade.

ALEXEY GRIVACH: Regarding the upgrade. Could you please give more details about amount of money you are planning to spend until 2015? Does it mean that it has decreased by 2.5 times compared with last year, and the figures are not realistic?

OLEG AKSYUTIN: Today we've talked about the investment program being amended following the results of the first quarter and six months. You are aware that the program aimed at the UGSS upgrade has been elaborated in Gazprom. The document envisages three options in the upcoming course of events. One out of three options will be triggered depending on the external conditions. No doubts that first of all we do the upgrade in order to maintain high capacity of compressor stations as well as throughput of the relevant sections of gas trunklines.

ALEXEY GRIVACH: Well, I'm asking because Gazprom said that RUB 600 billion needed to be invested to the system's maintenance by 2015, to avoid the reduce in capacity and throughput. But now much less money is allocated – several times less if to spread it through years. Does it mean that the production level will be decreased by 2015, or there is a need to sharply increase the investments?

OLEG AKSYUTIN: There are two factors which may affect the high throughput. I mean getting rid of so called "narrow sections". It happens mostly because of carrying out the capital repairs. As for the upgrade, it's mainly related to compressor stations where pressure and metering characteristics vary – that's why it covers by the repair program.

ALEXEY GRIVACH: And the last question about production. Could you please tell what gas volumes are expected to be produced by Gazprom Group in the Nadym-Pur-Taz region in 2015 and 2020, accordingly?

VSEVOLOD CHEREPANOV: As of today, some 400 billion cubic meters of gas are annually produced from the main fields located in the Nadym-Pur-Taz region (Urengoyskoye, Yamburgskoye, Medvezhye, Yubileynoye, Komsomolskoye, Zapadno-Tarkosalinskoye). About 20 billion cubic meters of gas are annually wasted through the Nadym-Pur-Taz region. We anticipate producing some 300 billion cubic meters of gas by 2015 and some 230 billion cubic meters of gas by 2020. But it doesn't mean that the overall production level will be decreased. The fields in other regions will compensate for it.

QUESTION: Maria Tatevosova, ITAR-TASS. However, I'd like you to specify, a potential fall between 1 and 2 per cent may be accounted from what production volumes? My second question is about the Kovyktinskoye gas and condensate field. To my understanding, Gazprom is about to start some extra geological and exploration operations. Could you please tell more about the plans for this field which is the focus of everyone's attention? And the third question: what is your attitude towards possible construction of private underground gas storage (UGS) facilities? And the last question: as far as I'm aware, this year Gazprom injected gas into the UGS facilities earlier than in previous year, and the volumes are higher and mainly beyond the Russian Federation. Could you please say anything about these plans for the current year?

VSEVOLOD CHEREPANOV: I'm going to answer your first question: it's 528 billion cubic meters of gas that may be taken off the anticipated production volumes for this year.

ZENOVY LUTSIK: We are elaborating the Investment Rationale on the Kovyktinskoye field. An action plan on process operations in the Kovyktinskoye field will be adopted following the Investment Rationale.

MARIA TATEVOSOVA: When are you planning to complete elaboration of the Investment Rationale?

ZENOVY LUTSIK: Until the end of this year.

OLEG AKSYUTIN: Did you mean gas injection abroad, am I correct? You know that the winter was quite cold. Therefore, the withdrawal at the UGS facilities was at its highest level. In this respect, it makes perfect sense to replenish the oftaken gas volumes now. I mean that we are currently working on it. The Gazprom's policy was always based on the fact that the UGS facilities were supposed to be located just nearby the consumers – in Russia and in the Western European countries, also being gas consumers.

Let's move on to the private UGS facilities. For today it's quite a controversial issue. The matter of fact is that according to the existing law, at one point, the UGS facilities are a part of the Unified Gas Supply System (*UGSS*) and play an important and vital role there. On the other hand, we are actively using results of the researches conducted by Gazprom, and, let's say, the layers of depleted fields as well as aquifers suitable for the UGS facilities construction, including those located in the salt caverns, are actively in use. I can only say that we are moving to Eastern Siberia and the Far East, where we consider options for the UGS facilities construction.

As for the layers suitable for the UGS facilities construction – it's very detailed and high quality work to be carried out. If private investors are ready to do it and pay for it nowadays, we just need to discuss the way it will be done and how they can be connected with the system. I'd like to say once again that as of today the UGS facilities are a part of *UGSS*.

MARIA TATEVOSOVA: Could you please specify the increased volumes to be injected to the UGS facilities abroad through gas withdrawal made during last winter period? How much it is expected to grow – by 5 or 10 per cent? In your opinion. You know the withdrawn volumes unlike us.

OLEG AKSYUTIN: First of all, we are talking about the need to replenish the withdrawn volumes. As for our principle and approach to the UGS facilities development abroad – they have to compensate 5 per cent minimum for seasonal unbalance. I am now in the domain of Mr. Alexander Medvedev (*Deputy Chairman of the Gazprom Management Committee, Director General of Gazprom Export*).

QUESTION: Elena Mazneva, the Vedomosti newspaper. Could you please give more details about the Yakutia – Khabarovsk – Vladivostok gas pipeline? When the decision is can be adopted? Gazprom was previously saying that the gas pipeline construction could start by the very end of this year – beginning of the upcoming year in order to commission the Chayandinskoye field in 2016. You just said that the design work was in progress because the domestic consumers did not have a particular need for that gas, and there was no rush. But just lately Gazprom was saying slightly different things: construction has to be commenced already by the end of this year to complete the construction and reach the production stage in the Chayanda. That's why this question was of my interest.

VITALY MARKELOV: I've already said about the Investment Rationale – I believe it's more likely to have it by the summer end, in September. Therefore, we will adopt the investment decision on Yakutia – Khabarovsk – Vladivostok gas pipeline by the end of the year. You all understand very well that today we've got a great deal of work ahead of us to create a market in the Far East. Nowadays, we have gas in the Far East – I mean the Sakhalin gas – and we possess large gas reserves there, in the Far East. That's why we bear in mind the investments and trying to get our priorities right, etc. But as for the investment decision, we will be insisting on making it by the end of the year.

ELENA MAZNEVA: I'd like to ask you about some difficulties that, at least, were known to the public. What was happening this winter (following up the questions about gas injection to the UGS facilities and some other concerns – “narrow” sections in the gas transmission system, etc.), does Gazprom have a rough estimate of the highest Company's technical capacities to supply gas to the consumers (gas production plus withdraws from the UGS facilities) this winter? Is it possible that the last winter scenario would happen again?

OLEG AKSYUTIN: As for the UGS facilities, I'm doing to give you general numbers – our highest technical capacity. Before doing that, I'd like to say that the highest technical capacity we managed to reach already last winter was 638.7 million cubic meters of gas per day. As a comparison, the previous record was in 2008 and made up 583.6 million cubic meters of gas per day. We have the relevant program under the UGSS repair program, and we have a paragraph there related directly to the UGS facilities. The result we've got was actually achieved thanks to implementing that program which started in accelerated and speed up manner last year.

What shall we expect this year? Firstly, we expect the operating gas reserve to be increased at 1 billion cubic meters, up to 66.2 billion cubic meters versus the last year results. By the start of the withdrawal season, we plan and we expect to achieve the maximum daily throughput of 671.1 million cubic meters, so the rise will total over 23 million cubic meters. And there is also an average daily throughput for December, January and February. We anticipate that number to be around 535.9 million cubic meters and the increase – 13.8 million cubic meters following the program implementation. I mean that we are actually implementing this program and in preparation for the winter within the scope of the UGS facilities.

MARIA TATEVOSOVA: Is it related just to Russia or to situation in general?

OLEG AKSYUTIN: It's related to Russia only.

VSEVOLOD CHEREPANOV: This year we are expecting the peak production in November–December, around 1.65 billion cubic meters per day, and in the beginning of the next year – around 1.69 billion cubic meters.

ELENA MAZNEVA: So the situation is not likely to happen again?

VITALY MARKELOV: What is going to happen again? I'd like to say that this winter we produced 1.608 billion cubic meters of gas per day. Gas consumption was at its maximum level. Gas withdrawal at the UGS facilities was also the highest.

ELENA MAZNEVA: In Europe the rise was higher...

VITALY MARKELOV: It's clear that we saw the rise in Europe... I'm trying to say that Italy had some issues related to gas not being supplied to the country. We were delivering gas via the Uzhgorod route, and, in addition, it was cold in Ukraine. We were wasting some 40 million cubic meters of gas per day in Ukraine. Ukraine is our export corridor. That's why we couldn't supply gas to Italy via this route. Gas supplies reached all other countries. We didn't experience any problems. Nord Stream operated at its full load as well as Yamal – Europe gas pipeline. If it is cold, we are preparing to the cold weather: the Bovanenkovskoye field is about to be commissioned – the main resource base of Yamal, we've discussed the Kharasaveyskoye field already. We do not see any problems that can be related to our failure to meet the obligations.

QUESTION: Denis Pinchuk, Reuters. Could you please specify when gas production is going to be launched at the Prirazlomnoye field? Why it was delayed (in case it was so)?

VSEVOLOD CHEREPANOV: Yes, we had slight delays. We expected that drilling of the first well would start in December 2011. Now the issue lies in pre-development. We hope to launch drilling of the first well this summer. Because we planned to produce the first oil in September 2012, it's more likely that we will launch production at the same time – so there will be four to five months shift.

DENIS PINCHUK: So are you talking about December – January?

VSEVOLOD CHEREPANOV: Yes, it's possible to happen in December – January.

QUESTION: Anastasia Goreva, Petroleum Argus. I have a follow-up question for Mr. Vitaly Markelov. As far as I understood from what you've said about the Chayandinskoye field, the investment decision on gas will be adopted late this summer, and a separate investment decision on oil rim is expected to be taken. Meaning that there would be two different investment decisions – on oil rim and gas resources. To my understanding, the one related to gas resources may be delayed. And what about another one on oil rim?

VITALY MARKELOV: We do not anticipate any delays on oil rim.

ANASTASIA GOREVA: So can you confirm it will be 2014?

VITALY MARKELOV: As of today, we are carrying out the design works on oil rim.

ANASTASIA GOREVA: And what is the timeline for the investment decision on oil rim to be made? Or has it been already adopted?

VSEVOLOD CHEREPANOV: No, it hasn't been adopted yet. The joint development project has been approved – on oil rim and gas. But the investment decision has not been made so far. Obviously, it will be jointly taken as we shall review the deadlines for each stage.

ANASTASIA GOREVA: So, are the deadlines going to be reviewed?

VSEVOLOD CHEREPANOV: No, they are not. In our investment decision there will be a separate part on oil rim and separate – for gas. But the investment decision will be made simultaneously.

ANASTASIA GOREVA: Simultaneously... in the end of summer?

VSEVOLOD CHEREPANOV: We believe so.

ALEXEY GRIVACH: If the Chayanda gas is not in demand, what we shall expect to happen with oil rim?

VSEVOLOD CHEREPANOV: Oil rim goes in parallel with gas.

ANASTASIA GOREVA: So, oil rim can be developed independently, as for gas – it will depend on demand?

VSEVOLOD CHEREPANOV: Yes, it's possible to do this way.

ANASTASIA GOREVA: Although the investment decision will be adopted independently on oil and gas?

VSEVOLOD CHEREPANOV: Yes.

ANASTASIA GOREVA: I'd like to ask you a little bit more in detail about the LNG plant in Vladivostok – to my understanding, the fields of Sakhalin III are supposed to be the resource base for this plant...

VITALY MARKELOV: The fields of Sakhalin – we used to say. As you know, we've discovered more fields in Sakhalin, within this block (*Sakhalin III*). We still are carrying out geological and exploration works there. The fact is that Sakhalin is closer than Yakutia – Khabarovsk – Vladivostok gas pipeline. We realize that it's more cost effective to use the Sakhalin resource base. It will be the first stage. Because we don't have enough resources to produce 10 million tons of LNG, taking into account the ongoing gasification. That's why the fields of Eastern Siberia you are talking about, as well as the Chayandinskoye, Kovyktinskoye fields embracing the whole complex, will be gradually commissioned.

ANASTASIA GOREVA: Does it mean that it's not possible to extend the capacities of Sakhalin II – LNG plant phase three construction – because of the fact that the fields of Sakhalin will serve as the resource base for the LNG plant in Vladivostok?

VITALY MARKELOV: We are looking into the whole complex of fields: Sakhalin II, Sakhalin III, the Chayandinskoye and Kovyktinskoye fields. That's why we take into consideration the complex of fields when making the investment decision on LNG plant construction. As for commissioning in a phased manner – it depends on progress with the project. We can't say anything now, because we don't have the Investment Rationale, therefore, we are not reviewing the issue. We are working on it now.

MODERATOR: Our Press Conference is over. Thank you very much.