

Overview of Questions and Answers Session on Investor Day

Moscow, February 5, 2010

Gazprom

Question 1 (Alexander Burgansky, Renaissance Capital):

Could you clarify Gazprom's position relevant to the contract for gas supply to OGK-1? Last year Gazprom's top managers made a series of statements that the gas supplies will be maintained, after that, however, at the Shareholders Meeting of NOVATEK Gazprom voted in favor of transferring this contract to NOVATEK. No comments came afterwards. Will you explain the situation?

Answer (A. Kruglov):

To begin with, as you asked me a question about NOVATEK, I would like to point out that I don't specialize in the issues of the marketing policy. The fact is that both Mezhhregiongaz and the block supervised by my colleague Mr. Golubev were involved in making the decision on this issue – the relevant comments were made and I have nothing to add to them.

I also have two questions related to Gazprom export, if you please. As you said, the projected revenue in 2010 will account for USD 51 billion and the total supply amount will stand at 168 billion cubic meters, which, will make the average price equal to USD 303 per 1,000 cubic meters. As far as I remember, Alexander Ivanovich stated earlier that the price was projected to average USD 320-325 per 1,000 cubic meters. Will you explain, what caused this difference?

Answer (S. Chelpanov):

I have mentioned the notional amount, around USD 51 billion. The forecasts change every month, it is possible to say now that the price of USD 320 per 1,000 cubic meters forecasted for the next year is based on the forecasts made by research companies and it is absolutely grounded. I don't know how you calculated the price of USD 303 per 1,000 cubic meters, but USD 310-320 per 1,000 cubic meters gives the revenue of above USD 50 billion given the current price forecasts for oil derivatives, but I would like to remind you we assume that the figure of 160 billion cubic meters includes the amounts of so-called "makeup" gas, the gas that will be physically paid for in advance during this year, while the rest of the advance payment will be cleared next year once the gas is received. It is difficult to say that the price for this gas is forecasted at USD 320 per 1,000 cubic meters, since only some part of the price will be applied to the 2010 amounts and another part of the price will be applied to the amounts of 2009. This is what makes the difference.

And the last question is related to the Nord Stream gas pipeline: you said that 21 billion cubic meters were the newly contracted gas amount. Nearly two weeks ago, an interview was published with Matthias Warnig who asserted that out of 21 billion cubic meters of gas only 9 billion cubic meters were the new amount, while the remaining part was likely to be the amount that had already been involved in the existing contracts. Is the new amount equal to 9 or 21 billion cubic meters?

Answer (S. Chelpanov):

As for the comments or the speech by Mr. Warnig, I have read them too and, if I am not mistaken, he said that 21 billion cubic meters from the Nord Stream project were linked to the new contracts. These are the new contracts and they were mainly concluded with our German customers. You know that the new volumes have been contracted – we are talking about arrangements: these are binding documents, but not the detailed contracts so far. At the same time, they are the documents that are to be fulfilled and they have a specific delivery schedule that is subject to adjustments. 21 billion cubic meters are associated with the new contracts that should be added to the existing obligations of Gazprom export.

Question 2 (Oleg Maximov, Troika Dialog):

Slide 6 of the Company's energy strategy presentation demonstrated 27 per cent as the share of independent producers. Slide 9 shows no figures, but it appears there that the share of independent producers accounts for some 45 or even 50 per cent. How can we comprehend these two figures, as far as I understand, they came from different information sources?

Answer (V. Rusakova):

As for the share of independent producers, slide 6 shows the production share reflected in the Energy strategy, while on slide 9 we can see delivery volumes, calculated based on production volumes forecasts. These are two different things, as you see. The volumes are absolutely correct.

The second question is to Andrey Vyacheslavovich, on slide 13, I apprehend, the average CAPEX indicates only the data of Gazprom without the input from Gazprom neft and the energy sector. This makes up circa USD 25 billion, if we add some USD 7-8 billion of Gazprom neft and the energy sector, the total amount will reach nearly USD 33-34 billion – the complete investment program. Given that EBIDTA will hover around USD 40 billion or a little more, how can the Company simultaneously pay out the dividends and reduce its net debt?

Answer (A. Kruglov):

As far as Gazprom's investment program is concerned, in 2010 the total amount of the investment program will average RUB 800 billion (RUB 802.4 billion), out of which the capital expenditures will stand at RUB 663.5 billion including RUB 138 billion of financial investments. When designing Gazprom's investment program we don't take into account the investment programs of the energy companies and Gazprom neft, as Gazprom is not a 100 per cent owner of these companies, although they fall into the consolidated statement and their debt amount is consolidated on the total debt. As I've mentioned, we are going to decrease the debt level from the current USD 58,5 billion, as of the end of 9 months, 2009, down to USD 53 billion by the end of 2009 and we believe that this debt reduction, in addition to the planned investments into capital construction, will enable us to pay off the dividends in line with the dividend policy. At least, these figures have been entered into the budget.

Besides, I would like to add that the 2009 Budget of our Company envisaged certain dividend amounts according to our dividend policy and the Management Committee confirmed the figures, but as I mentioned before there had been issued the relevant directive by the Russian Federation Government.

Question 3 (Karen Kostanyan, Merrill Lynch):

It was mentioned in your presentation that export contracts changed insignificantly. Could you comment on what these minimal changes are, and I am particularly interested in whether you are considering the possibility of introducing the spot component into some of your contracts, as you admit that spot prices for gas until 2012 may be lower than the contracted volumes. If you are considering this option, what gas volumes will it cover and how many export contracts will be involved?

Answer (S. Chelpanov):

I don't remember touching upon the minimal or maximal contract changes in my presentation, I don't think I meant it, but this stimulated your interest in this subject. The long-term contract is certainly a commercial document, according to which the parties assume the obligations to adjust, in case substantial market changes occur, the contractual terms and conditions to these changes. Substantial market changes mean the changes that were not predicted when the transaction was concluded. We don't hold comprehensive negotiations on terms and conditions revision. I mean there is a clear necessity to adjust the contracts with certain customers. The market has really changed, and the most drastic changes occurred on the European market, but it should be noted that contracts are different: they have different terms and conditions and were signed in different periods of time. Therefore, we are negotiating with our major customers and a lot of other customers too, but not with all of them. I don't see the need to hold all-embracing talks on Russian gas prices today, although, the relevancy of holding them separately is certainly evident. As to taking into account the spot prices, I absolutely agree that this type of gas is nowadays our strongest competitor. Unfortunately, when operating under these conditions on the European market, which is not adapted to long-term contracts, our purchasers and their customers face certain risks and threats. We are seeking for the ways of responding to this situation. I should say, we are seeking for more than just the mechanisms that will make us conform to instantaneous market conditions. Gazprom is taking serious efforts aimed at improving the supply and demand on the spot market, as we also take part in gas supply to the spot market, although it's not our main line of business. For instance, it's our belief that under the current conditions of unbalanced supply and demand, the supply level should be reduced. Or, maybe, a part of gas should be withdrawn. As to the methodological approach demanding to include spot prices into the pricing formula as was proposed by the European economics- and gas-oriented mass media, we think that is an inappropriate idea. We think it is necessary to distinguish between two different types of commodities: long-term contracts are a first-class commodity with guaranteed 25-year supplies featured with flexibility. Even under very complicated conditions, when the necessity arises to pay in advance for the part of gas that may not be distributed on the market, this commodity permits to compensate these advanced payments, i.e. it permits to receive gas. A spot transaction is a day-ahead transaction. In most cases the structure of this transaction is very complex. For example, the consumer that had purchased the gas has to sell it on the spot market two times cheaper because something went wrong. It is a reality, but it shouldn't govern the price level. We proceed from the fact that it is unfortunately impossible to ignore this type of transactions nowadays. In a part of the European market Russian gas competitiveness dropped a little. Our task is to reinforce this competitiveness, but we don't advocate the idea of making some fundamental changes in the pricing formula. Some big suppliers see it differently.

Question 4 (Maria Radina, Nomura bank):

Slide 20 shows that Gazprom is expecting a 28 per cent share on the European market with an increase to 30 per cent in 2015. How is Gazprom going to reinstate the share growth after the decline of 2009?

Answer (S. Chelpanov):

We should look at the gas consumption statistics in Europe, examine the volumes of Gazprom's export and compare these figures. In 2008 our share stood at 27 per cent, in 2009 it dropped down to 25 per cent. Mass media often asserted that Gazprom was losing its market share. This loss, however, was conditioned by the 4.5 billion cubic meters of supply default due to the Ukraine's crisis, whereas, according to the take-or-pay terms if the trader is unable to supply the required amount of gas, the purchaser is also relieved of any obligations, this was the double effect. According to our optimistic estimates, the next-year gas exports to Europe will amount to some 160 billion cubic meters as was already mentioned. This figure gives us a 28 per cent share. Based on our contractual obligations and taking into account the launch of Nord Stream in 2011, supply of new gas volumes to Poland (this year) and achievement of the plateau period in the Blue Stream project (additional 2 billion cubic meters), as well as considering the decline in domestic gas production in Europe, our share will rise to 32 per cent. Gazprom has never set the task of raising its share on the European market by all means. Our idea is that Gazprom should retain the present market share with due regard to the market expansion. The reduction of equity gas in the European portfolio increases the share of imported gas.

At present, Gazprom sells its natural gas at higher prices as compared to Norwegian gas. What makes you think that European consumers will take Gazprom's extra gas volumes when such an inequality exists?

Answer (S. Chelpanov):

The assertion that Gazprom has the highest gas prices is not correct. Compared to the Norwegians, we cover a greater time period in price setting. When oil prices fell rapidly, the Norwegian gas prices also started to decline. The crisis and optimization of gas off-take influenced the results of the first half of 2009. In the second half of 2009 the volumes exceeded the identical period of 2008. The Norwegians have a contract linked to the spot market. The turnover from this contract went up, while the sales efficiency dropped considerably.

You are expecting that the gas price and the oil price will flatten out in the mid and long term. Will you please comment on how this price difference will change considering the priority of the world's gas reserves over the oil reserves?

Answer (S. Chelpanov):

We didn't talk about flattening out of oil and gas prices. According to our information, the energy market analysts forecasted the recovery of demand on the European market until 2012, the crisis will subside and the spot market will become more balanced that will result in a correlation between the long-term contractual prices and the spot market prices. In 2009 this trend was disrupted.

You said that you are expecting the advance payment for the unconsumed gas from European purchasers. How will this payment be reflected in the financial statement? What volumes of 2009 will be covered by the advance payments?

Answer (S. Chelpanov):

We expected 8-9 billion cubic meters of possible unconsumed gas volumes based on the annual results. However, the figure is lower and stands at less than 6 billion cubic meters. This is not the final result as assessments are still underway. In the fourth quarter of 2009 a lot of companies tried to take as much as possible from these unconsumed reserves. No dramatic changes were made in the basic provisions of the contracts: the take-or-pay principle has been and will remain the backbone of the long-term contracts, while the advance payments will be cleared in compliance with the contracts.

We are holding the negotiations with a number of partners concerning risk reduction over the crisis period retaining, meanwhile, the take-or-pay principle.

Answer (E. Vasilyeva):

In the financial statements, the funds received as payments for the unwithdrawn gas will be reflected in the advance payments section that will subsequently be closed and further proceeds from gas purchasing will be shown as revenues.

Question 5 (Vadim Mitroshin, Otkrytiye):

Could you give a provisional estimate of the total take-or-pay volume in 2015, taking into account the Nord Stream project?

Answer (S. Chelpanov):

This specific figure has to be calculated. Without disclosing the commercial secret, since the take-or-pay level is part of a commercial agreement for each separate contract, we can make the approximate calculations in the following way: the contractual obligations of 2015 minus 15-20 per cent. Some of our partners are expecting that we provide the precise figures of this kind. At the same time, for some countries (Serbia, for instance) we don't still apply the take-or-pay principle.

Gazprom нефт

Question 7 (Viktor Mishnyakov, Uralsib):

Messoyakha and Kuyumba fields, Tersko-Kamovsky block. Are the plans related to these fields provide for an acquisition of the respective subsidiary companies from TNK-BP and their consolidation or an arrangement for separate development of these blocks? Are there any arrangements with Rosneft on joint development of these blocks? Are there arrangements on constructing pipelines from these fields?

Answer:

Our strategic profile takes account of a 50 per cent stake in Slavneft, which stipulates pro-rata participation in joint projects with TNK-BP. As for the form of these projects implementation, we are thinking it over. In particular, we have decided to develop the Messoyakha field without Slavneft involvement since this large-scale project is a priority for both shareholders. A separate joint venture will be established. Respective activities are underway at the moment. In the three years to come, this project will be operated by Gazprom нефт. As of the Kuyumba field and the Tersko-Kamovsky block, these assets are currently at the stage of geological exploration. The

operations are carried out via Slavneft; no other decision has been made in this regard. Actually, it is reasonable to join efforts with Rosneft in these fields, since Rosneft owns the Yurubcheno-Tokhomskaya area in vicinity, and it is reasonable to jointly construct a pipeline from these fields to the Eastern Siberia – Pacific Ocean pipeline. The respective talks are ongoing. Messoyakha is generally one of the most promising provinces in the region (northern Yamal-Nenets Autonomous Okrug) for the industry. TNK-BP and Rosneft own fields in this region and it's reasonable to join efforts. Otherwise, due to the fact that the output of these fields is very considerable (some 50 million tons), it is reasonable to construct a Transneft pipeline from Purpe upwards. We are currently discussing the way of doing it. The decision will depend on the volumes and the mechanism of this large-scale project financing.

Does the specified amount of 2010 CAPEX for refining purposes includes the Omsk refinery only, or all the refineries of Gazprom neft?

Answer:

The indicators we have shown do not include the indicators of Slavneft and Tomskneft (our subsidiary companies) and this meets the existing consolidation principles. As for the Moscow refinery, along with gaining control over Sibir Energy we have increased our interest in the Moscow refinery to a controlling stake (some 60 per cent). Respectively, the CAPEX indicators are fully consolidated on Gazprom neft.

Question 8 (Alexander Burgansky, Renaissance Capital):

Igor Artemyev has said that by March 1 it is planned to develop the rules for determining the retail prices for gasoline and diesel fuel and bring them in compliance with the export netback. What influence may this have on Gazprom neft and on the prices for oil derivatives in Russia?

Answer:

It is true that we are now in the situation when the rules of play in relation to price regulation are not defined and this is a main reason for disputes and claims of the regulating authority against oil companies. Like the whole industry, we are interested in having these rules defined. Exchange trading is the best instrument for defining fair prices. We intend to increase the share of exchange trading in oil derivatives to some 10 per cent. Thus, we assume that this fair price will be shaped according to market-based mechanisms instead of certain pricing formulas of a prescriptive nature. In parallel with developing the exchange trading instruments, the industry and the Federal Antimonopoly Service are arguing on the mechanisms of the price monitoring, various formulas are discussed. However, I would like to reiterate that exchange trading is deemed to be the most objective one. Gazprom neft is actively using this instrument. It has been a long time since we launched an electronic trading platform (ETP) actually operated as an exchange floor and our customers are capable of buying oil derivatives at our ETP.

What amount of capital expenditures are you planning for the retail network in Serbia and what number of new filling stations are you going to launch in 2010?

Answer:

As for Serbia, last year the investments in the refinery upgrading amounted to some EUR 90 million. Contracts were made for the purchase and supply of basic equipment. We are on schedule and are going to complete the refinery upgrading program before the end of 2012. Thus, the Pancevo refinery will be capable of meeting the Euro 5 standard in compliance with

the European market demand. This year the amount of investments will be increased to circa EUR 200 million. In addition, we are making efforts to streamline the network of filling stations and construct new stations, with some 20 new stations slated for this year. We keep analyzing the distribution network effectiveness and the stations subject to reconstruction or termination have been identified. We are cooperating with the Government so as to ensure that NIS obtains promising sections at Serbia's main routes, since Serbia is a transit country with an actively developing transportation network. We are making efforts to ensure that NIS is present on all the attractive routes.

Question 9 (Valery Nesterov, Troika Dialog):

Will only one license be transferred this year? On what terms? What are the prospects for further license transfer? Is the proposed refinery in Murmansk a project of Gazprom neft (Prirazlomnoye)?

Answer:

This year it is planned to transfer two licenses – for the Novoportovskoye field and the oil deposit in the Orenburgskoye field. At present, Gazprom and Gazprom neft are discussing an optimal way of transfer. In general, the increase of Gazprom's stake in Gazprom neft to 95 per cent significantly simplifies this transaction. The rest of licenses will be passed over once we identify a mechanism. As for the refinery in Murmansk, this is not a Gazprom neft project. This was mentioned by Director General of Gazprom neft Shelf, which is not within the Gazprom neft Group.

What is your idea of arranging the activities in Iraq (for example, as equity participation)?

Answer:

The contract with the Iraqi party has not been made yet, we are in the process of negotiations. We are discussing options that could allow Gazprom neft, despite this contract is for operatorship, to account for our share in the reserves and production within this project; however, it is a matter of negotiations.

Question 10 (unknown):

Gazprom neft is going to report on its production in a single line. We consider it as a certain reduction in the company's transparency. The investor community wants Gazprom neft to report on its production in a more detailed and structural way, as the case is with LUKOIL, TNK-BP, Rosneft. The Databook publication is desirable.

Answer:

Speaking on this issue, I would like to emphasize that this will not be a single figure. As mentioned before, a key indicator for us in the upstream sector is not only oil production, but an aggregate indicator to include the gas volumes produced, as well. We'll report in "tons of oil equivalent", which cover both oil and gas. Associated petroleum gas production and natural gas deposits development are of greater importance for us. Associated petroleum gas production is currently equal to 2 billion cubic meters. Meanwhile, the utilization level, according to 2009 results, accounts for approximately 50 per cent. Within 3 years we are planning to reach a level of some 95 per cent and increase the volume of associated petroleum gas production twofold. In addition, this year we are going to start the development of two Cenomanian deposits: in the

Muravlenkovskoye and Novogodneye fields. This will add certain amounts of gas and we don't want to lose sight of these amounts; therefore, we are talking about an aggregate indicator that adequately shows the whole scope of our production activities. As for transparency, we are ready to provide any breakups and you'll have an understanding of the breakup of this figure (oil, gas, equity production, equity participation companies). This is our traditional way of information disclosure. As for the Databook, last year our company resumed its publication and we are planning to keep doing it on a regular basis.

Gazprom energoholding

Question 11 (Karen Kostanyan, BoA Merrill Lynch):

The investment program of OGK-2? Will it be cut due to the asset transfer, what is the progress with negotiations with contractors, the Energy Ministry on the asset reduction?

Are there any follow-on offerings planned for any of your companies?

Answer:

As of today, our offer, which is coordinated with the system operator, provides for a reduction in the investment burden on OGK-2, in particular, instead of two units each with a 660 MW capacity at the Troitsk SDPP, we are going to construct a single power unit. Instead of two power units at the Stavropol power station we are going to construct a single one and, respectively, a single power unit at the Serov power station. This will cut the investment program nearly twofold. Currently, these parameters are coordinated with the system administrator, they are also coordinated with our contractors. Final contracts have not been signed so far. However, I believe once the Capacity Supply Agreements are in force we'll re-execute the contracts with contractors. Therefore, the situation with OGK-2 is gradually normalizing. As for follow-on share offering, there is currently no provision in this year's investment program of Gazprom for follow-on offering of shares in our generating companies. We can come back to this issue once the long-term capacity market is approved and capacity supply contracts are signed. Today, it is difficult for us to prove the necessity of doing it in the formal absence of obligations.

Question 12 (Viktor Mishnyakov, Uralsib):

Could you, please, specify exact figures of the gas volumes supplied in 2009 to each OGK and TGC and of Gazprom's volumes?

Answer:

For now, I can not specify any figures. We can prepare and provide you with a summary. Gazprom's gas is used everywhere except for the Surgut station, which is partially supplied with gas by Surgutneftegaz. All the rest is supplied by Gazprom.

Question 13 (Pavel Sorokin, Unicredit):

What is the payback period planned for the new projects of Mosenergo, what IRR is identified for them, is a buy back option planned for TGC-1 and when?

Answer:

As for the payback period of the Mosenergo projects, we should take into account that the long-term capacity market and the approved procedure provide for a 15-year payback period and a benchmark CAPEX, thus, it is expected that if we approve all those financial indicators, the long-term capacity market, that were used in the procedures applied for this year's capacity supply, I believe that the project payback periods will not exceed 10 years, since the expenditures are at the benchmark level, in fact they are considerably lower than the benchmark level. All the investments have been made well in advance, therefore it is no use speaking of 15-year periods, these are likely to be 10-year ones.

Today, if we are talking about the proposed methods, they differ for each project, everything depends on a certain level of CAPEX for the investment projects and their correlation to the benchmark CAPEX. Roughly speaking, this is from 15 to 22-23 per cent.

Question 14 (Pavel Sorokin, Unicredit):

Is the buy back planned for TGC-1?

Answer:

No, it is not.

Question 15 (Alexander Kuznetsov, ING):

Do you have any forecasts with regard to the recovery of the electric power demand in general and particularly with regard to the companies' output growth?

What about your negotiations with E4 on the one hand and funds repayment as part of the OGK-2 option program on the other hand?

Answer:

As for the electric power demand, we should identify the reference point for comparison. If we make comparison versus the previous period, the year of 2010 will be a bit better than 2009 due to a lower base in 2009.

We may say that in January all of our generating companies showed a considerable increase in the electric power output if compared to the respective period in 2009. If we speak of our expectations, Mosenergo and TGC-1 are subject to a 2 per cent increase in the electric power output; as for OGKs, we are more conservative here and we assume nearly the same level as in 2009.

As for NOMOS Bank and its option program, today we have went through all the court instances. Recently, a ruling of the Supreme Arbitration Court was made. Pursuant to the ruling, funds in the amount of RUB 750 million shall be transferred to the generating company. This is the highest instance in Russia, therefore, either NOMOS Bank pays us the necessary amount or we charge the amount under the warrant of execution.

As for E4, we are holding talks to make an amicable agreement, by mid February we may give a more distinct answer.

Question 16 (Igor Goncharov, UBS):

Does that mean Gazprom believes that follow-on offerings are required for OGK-2? Why are they needed, what is this caused by? Why cannot we fund projects through long-term financing particularly after introducing a long-term capacity market?

What are the plans on further modification of the corporate structure within the Gazprom energoholding Group?

Answer:

As for OGK-2, we think that follow-on offerings are needed for every generating company, except for MOSENERGO. This is caused by quite a big number of investment programs in these companies. The timeframe is in question.

This is also stipulated by the standard financial indicators set forth by the Gazprom Administration from the standpoint of financial stability. We are cooperating with the Finance and Economics Department on a number of projects with various financing options. Follow-on share offering is necessary. The question is when it should be done. We are going to carry them out in 2011, 2012, 2013. The controlling stakes in four generating companies are gathered in Gazprom energoholding and we believe it is not necessary to change these parameters in future. We are in intensive talks with INTER RAO UES and the Integrated Energy Systems Holding on making an asset swap deal to exchange non-core assets. We expect that until the year end we'll close a series of asset swap deals.

Question 17 (Dmitry Bulgakov, Deutsche Bank):

According to page 62, the expected net profit is equal to USD 17 million. What has caused such a drop?

Answer:

This figure is calculated according to the IFRS and is related to revaluation of assets. According to the Russian accounting standards we'll have a high profit of 5-6 billion. This is related to specifics of a change in the calculation method.