

**Answers to questions asked by shareholders  
at annual General Shareholders Meeting of Gazprom**

**on June 26, 2009**

**Question:** Can you tell us if it will be economically rational for Gazprom to construct Nord Stream in the light of the emerging information that the gas pipeline is becoming more cost-intensive?

**Answer:** So far, an economic model for the Nord Stream gas pipeline has been worked out. It will help calculate any changes in the project parameters and estimate their effect on the project economics, in general. The Company accepts only those indicators that do not hamper the project's cost efficiency.

It should be noted that alongside with the general trend toward costs escalation for the Nord Stream's pipes and materials, the total amount of capital expenses remained practically unchanged over 2008 due to a series of optimization measures. This helped cut the capital expenses by approximately EUR 400 million.

**Question:** What are Gazprom's estimates of the prospects for gas demand in Russia and Europe?

**Answer:** In spite of temporary crisis effects that entailed a drop in the industrial production and demand for energy resources, in our estimates of the potential gas demand we proceed from the assumption that in the decades to come the key factors influencing the global economy evolution trends will remain intact. Among these factors are sustained population growth and living conditions improvement. As a result, the increasing energy efficiency and the application of energy-saving technologies will be unable to restrain the world's energy demand in the long term. At the same time, the crisis will only boost the hydrocarbons competitiveness and throw back development of the renewables that demand large investments and are traded at higher prices per unit.

Russian gas exports to Europe are forecasted on the basis of supply volumes under the long-term contracts assuming a higher consumption level than the present one.

The forecast for domestic gas sales is based on the country's perspective macroeconomic indicators calculated by the Economic Development Ministry of the Russian Federation. In the coming years the Ministry expects a gradual increase in GDP that will result in higher gas consumption.

It is possible to state that natural gas demand will evolve both in Russia and in Europe over the coming decades.

**Question:** As is known, in the aim of raising the efficiency of the power generation sector the Government has restructured the monopolistic Unified Energy System of Russia through its partition and the wholesale electric power market formation. Could you let us know when Gazprom will take over this positive experience?

**Answer:** Currently, there are no reasons to assert that restructuring of the Unified Energy System of Russia has positive outcomes, including in terms of security and sustainability, as well as the efficiency for shareholders. Thus, amidst the crisis of 2008, market capitalization of major energy companies was falling twice faster than that of Gazprom.

When comparing the power generation and the gas industries it is necessary to account for their specifics. Unlike the power generation sector that in most cases implies deployment of generating capacities close to consumers, production regions are remote from the areas of consumption in the gas industry: the main gas production provinces are concentrated in Siberia while the consumers are in the European part of Russia. This calls for a synchronized development of production and transportation capacities. The Company's new investment projects are characterized by complex natural, climatic and geological conditions. A number of projects demand the investments that exceed the investment programs of power producers.

The Company's vertically integrated organizational structure makes it possible to generate and effectively attract funds for large-scale investment projects. This structure has demonstrated its competitiveness and helped create a most effective energy system of the world – the Unified Gas Supply System (UGSS) embracing both production and transportation facilities and retaining the top spot among global petroleum companies by performance indicators and specific operating expenses.

Partition of the UGSS will bring about the following risks:

- threat to energy security of Russia and Russian gas consumers;
- penal sanctions, threat to reliable gas supplies to Russian and foreign consumers;
- disruption of investment projects implementation schedules;
- increased costs in separate segments of the value chain;
- uncontrollable assets withdrawal;
- downturn in aggregate capitalization of detached companies versus Gazprom's capitalization.

At the same time, we are not satisfied with what we have achieved and keep working out the corporate management structure in Gazprom. A move over to the business model stipulating division of activities by types and areas enhances transparency of the Company's financial flows, simplifies monitoring and control over subsidiary companies, thus enabling to maximize the systematic economic impact of Gazprom's operating activity.

**Question:** Why are the dividends so low and when will they grow?

**Answer:** Lowering of the dividend amount if compared to the preceding periods stems, first of all, from the decreased level of the Company's net income (52 per cent lower versus 2007) over the reported period.

Initially, the Company's Management Committee approved, upon consideration, the dividend amount of 17.5 per cent of the net income, or RUB 1.28 per ordinary share, calculated in compliance with the Gazprom Dividend Policy in force.

Nevertheless, taking into account the current economic situation, the Russian Federation Government issued a directive suggesting that the Company's Board of Directors would recommend the Gazprom Shareholders Meeting to decide on decreasing the dividend amount down to 5 per cent of the net income (RUB 0.36 per ordinary share).

Later on, we are going to adhere to the Company's Dividend Policy in force when formulating the recommendations on the annual dividend amount. The Policy states that the optimal amount of payments corresponds with the level of 17.5 per cent of the net income (as in the previous periods).

Dividends are the reverse side of the Company's investment program. Actually, the Gazprom Board of Directors had to decide whether to maintain the conventional level of the dividends, which reflected the last-year financial situation, or to retain the cash assets in the Company in order to secure fulfillment of investment plans on field development and transportation infrastructure construction within the prescribed deadlines in the deteriorating market environment. Paying off the dividends now would mean insufficiency of investments and a future decline in the production potential. Eventually, the Company's long-term strategy was given priority over the transitory wishes of the shareholders.

We are confident that the profit from today's investments will secure an increase in the dividends and share value.

**Question:** Will Gazprom have problems with loans repayment under the crisis conditions?

**Answer:** Since 1993, when RAO Gazprom was incepted, the Company has been accurately meeting its financial obligations. Even during the 90-day moratorium on foreign debt payments in 1998, Gazprom was capable of covering both the principal amounts and interest on its loans and borrowings. In the financial policy Gazprom gives priority to faultless servicing of its debt obligations.

At the moment Gazprom's debt amount remains stable. Despite an increase in the absolute debt indicators over the recent years, the Company has been maintaining or decreasing the debt ratios as well as considerably improving the debt structure. At present, Gazprom's debt ratios stand at a comfortable level.

The credit rating of the investment level assigned to Gazprom by three major rating agencies is an independent indicator of the Company's borrowing capacity and a proof of an extremely low risk of default in the middle term. This makes it possible for Gazprom to preserve its broad investor base and to keep debt servicing costs relatively low.

**Question:** What measures is Gazprom taking to reduce its costs?

**Answer:** Under the crisis conditions Gazprom has intensified its efforts on cost management and strengthened the budgetary discipline.

When compiling the 2009 Budget, the Company scrupulously studied various ways of cost reduction. Particularly, the parent company's budget expenses were cut in such areas as geological survey, design and exploration work, R&D, insurance, marketing, consulting and engineering services, advertising, charity and sponsorship. In subsidiary companies, cost reduction covered both production and other expenses (including costs for materials, transportation services, diagnostics, geophysical operations, conservation and liquidation of major assets, etc.).

In addition, when compiling the revised budget Gazprom rejected the previously planned revaluation of fixed assets as of January 1, 2009.

The Cost Optimization (Reduction) Program is still in force. The cumulative effect of the Program implementation is expected to make up RUB 11.3 billion in 2009, mainly due to energy conservation measures and application of contest-based procedures for contracts awarding and procurement orders placement.

In addition to the budget cost reduction, the Management Committee Chairman approved the Action Plan aimed at pursuing the major goals of the financial strategy in order to secure

financial stability in the Company under the growing crisis conditions on global financial markets, as well as the Order on the urgent measures on the Company's costs optimization in 2009.

As part of the work being done to fortify the budgetary discipline, materiality criteria for financial and economic violations have been identified to serve as a foundation for defining the extent of disciplinary and material responsibility of subsidiary companies' heads for the budget overruns.

**Question:** When will natural gas be supplied to the settlement of Kozino, Belevsky District, Tula Oblast?

**Answer:** Mezhhregiongaz constructs inter-settlement gas pipelines in the Russian Federation constituents in line with the Program for the Russian Federation Regions Gasification approved by Gazprom and compiled with due regard to the regional authorities' proposals relying on consumer readiness to receive gas.

Thus, within their respective responsibility areas, the constituents' administrations shall construct the street (intra-settlement) distribution networks in population centers and prepare consumers for gas supply using the budgetary funds of all levels and the funds received from other sources including population.

The 2010-2011 proposals by the Tula Oblast Administration relevant to inter-settlement gas pipelines construction at the expense of Gazprom do not contain any information about the gas pipeline to the settlement of Kozino, Belevsky District.

To obtain information about the potential gasification plans for Belevsky District's population centers, including the settlement of Kozino, as well as the terms and conditions for the population to participate in household gasification, you may request the municipal administrations and the Voronezh Oblast Administration.

**Question:** When will the Voronezh Oblast gasification be completed?

**Answer:** Starting from 2002 Gazprom, within its annual gasification programs, has invested RUB 3,252 million (RUB 2,941 million during 2005-2008) in the construction of the Voronezh Oblast gasification facilities. As part of investment programs, additional funds were allocated to construct gas laterals.

The committed funds made it possible to increase the natural gas supply level in the Voronezh Oblast from 64 per cent in 2005 up to 73 per cent by early 2009. In the rural area this indicator increased from 31 to 48 per cent.

In 2009 Gazprom in cooperation with the Voronezh Oblast Administration continued the work aimed at furthering the gasification of and gas supply to the Oblast in order to improve the population living conditions primarily in the rural area and to create preconditions for the regional economic potential build-up.

RUB 370 million were allocated for creating 14 inter-settlement gas pipelines in 10 districts of the Voronezh Oblast. The Oblast Administration raises the comparable sums to ensure consumer preparation for gas supply.

At present, the development projects for gasification of and gas supply to population centers in Russia are fully financed by Gazprom despite the crisis phenomena in economics.

Large-scale gasification of the Voronezh Oblast will be completed after the maximum possible and economically viable gasification level is achieved through meeting of consumers' solvent demand for natural gas in full.

**Question:** When will Dzhubga resort settlement, Krasnodar Krai be gasified?

**Answer:** Development of gas supply to and gasification of Dzhubga settlement is related to the Dzhubga – Lazarevskoye – Sochi offshore gas trunkline construction project being implemented by Gazprom at the moment. The landfall point of the gas trunkline and two gas distribution stations will be constructed near Dzhubga for natural gas supply to consumers. The project will be completed in 2010.

Later on, expansion of gas distribution networks and preparation of the population and enterprises for gas supply will be carried out in a stepwise manner.