Press Conference Background:

GAS EXPORTS AND ENHANCING RELIABILITY OF GAS SUPPLY TO EUROPE

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GAS EXPORTS

As estimated by CEDIGAZ, the International Association for Natural Gas, in 2008 global gas consumption increased by 4 per cent compared to the previous year and reached 3.055 trillion cubic meters. Quite a high natural gas consumption growth rate is driven by higher demand for this energy carrier in developing countries (primarily China, Mexico and Brazil) and in the developed ones (USA, Great Britain, Australia and Japan).

Being the world’s largest gas companyба Gazprom keeps confidently retaining the top spot in the world by natural gas exports. The Company is responsible for about a quarter of the global gas exports (including supplies to the CIS and Baltic States).

Gazprom’s export strategy hinges on the exclusive right to export gas from the Russian Federation legally granted to the Company in July 2006 by the Federal Law No. 117-FZ “On Gas Export”, as well as on a system of long-term gas supply arrangements.

In 2008 Gazprom’s natural gas exports beyond the former Soviet Union (FSU) totaled 158.8 billion cubic meters. Western Europe accounts for some three fourths and Central Europe – for about one fourth of the total amount. The major importers are: Germany – 34.7 billion cubic meters, Turkey – 23.8 billion cubic meters, Italy – 22.3 billion cubic meters and France – 10.4 billion cubic meters.

According to 2008 results natural gas supplies by Gazprom to Western and Central Europe grew by 5.5 per cent and equated to an unprecedented amount of 158.8 billion cubic meters. Foreign currency earnings from gas exports increased by 60 per cent to some USD 65 billion, which is unprecedented. The share of Russian gas in Western and Central Europe's import structure amounted to 59 per cent in 2008.

The behavior of the global prices of heating oil products, first of all, gas oil, which determine the level of Russian natural gas export prices followed in general the movement of the global oil prices. Reflecting the competing oil product price movement modified by the specific price shaping factors on the European gas market, an annual average export price of the Russian natural gas supplied to Western and Central Europe exceeded the level of USD 400 per 1,000 cubic meters in 2008.

Over the first half of 2009 Gazprom's expected gas supplies beyond FSU account for some 60 billion cubic meters.

In total, during the current year the Company is planning to supply over 140 billion cubic meters of natural gas beyond FSU.

Natural gas export revenues represent a key element for forming Russia's external trade balance. In 2008 natural gas was responsible for nearly 14 per cent of the total domestic export value.

ENHANCING SUPPLY RELIABILITY

Diversification of gas transmission infrastructure

Gas transmission infrastructure diversification is a crucial element of enhancing supply reliability.

Yamal – Europe gas pipeline. Upon commissioning in 2006 of all five compressor stations in Poland, the trunkline started operating at full capacity and enables to convey around 33 billion cubic meters per annum.

Trans-Black Sea Blue Stream gas pipeline. The trunkline supplied 10 billion cubic meters of gas in 2008. Pursuant to the contracts made, the pipeline is to reach full capacity of 16 billion cubic meters per annum by 2010.

Trans-Baltic Sea Nord Stream gas pipeline. The pipeline capacity equates to 55 billion cubic meters per annum, the first string of the submerged section is to be put onstream in 2011, the second string – in 2012. In order to lay this pipeline Nord Stream AG was established where Gazprom holds 51 per cent, Wintershall Holding – 20 per cent, E.ON Ruhrgas – 20 per cent and Gasunie Infrastructure – 9 per cent (the deal providing for Gasunie involvement was effectuated on June 10, 2008). Talks are ongoing currently to get GDF SUEZ involved in the project.

On February 13, 2009 the Espoo Convention member states meeting in Copenhagen approved the Environmental Impact Assessment Report updated by Nord Stream AG. On March 9, 2009 the public consultations process was initiated in the countries affected by the project implementation.

South Stream project. The project provides for constructing a gas trunkline running across the Black Sea to Bulgaria and further through the territory of the Southern and Central European countries to the ultimate consumer markets in Italy and Austria. Italian ENI is the Company's partner in the operations related to the submerged section of the pipeline. Within the frame of the Memorandum of Understanding signed between Gazprom and ENI, a joint venture was set up on a parity basis, South Stream AG. The joint venture is in charge of the feasibility study for the construction of the submerged pipeline section.

Initial pipeline capacity was projected at 31 billion cubic meters of marketable gas per annum. In May 2009 Gazprom and ENI agreed that while developing the project feasibility study a provision will be made for the opportunity to increase the pipeline capacity to 63 billion cubic meters per annum.

In order to construct the onshore section of the project abroad, intergovernmental agreements were signed with the Southern and Central European countries the pipeline is running through, namely: Bulgaria, Serbia, Hungary and Greece. Currently, all the agreements signed are ratified by the respective countries, except for Hungary, where ratification is not required. Negotiations are underway to make similar agreements with Slovenia and Austria.

Underground Gas Storage Facilities

Underground gas storage (UGS) system development in Western and Central Europe enables not only to reduce seasonal and daily fluctuations in gas withdrawal by consumers, but also to partly compensate for shortfalls in deliveries connected with interruptions in gas transmission across Russia, which enhances the reliability of Russian natural gas exports.

From 2003 to October 2008 UGS facilities utilization in European countries allowed to evade fines for insufficient supplies under export contracts worth USD 122 million and to get additional revenues of some USD 1.9 billion.

Gas injection, storage and withdrawal were carried out on the basis of long-term contracts with WIEH (Rehden UGS), Vitol (Humbly Grove UGS), ZMB, Centrex and RAG (Haidach UGS) and short-term contracts with VNG and OMV. In 2008 Gazprom export made new three-year contracts with VNG and Vitol for the total storage capacity of 500 billion cubic meters with a potential increase in the storage capacity over the coming years.

With a view to further build up underground gas storage capacities, Gazprom is cooperating with its partners to establish new UGS facilities in Europe and develop the existing ones, in particular, the Company is getting ready for Stage II implementation within the Haidach UGS project (to double the capacity), executing the Katharina UGS project in Germany together with VNG, considering the opportunities to implement the Pusztafoldvar UGS project in Hungary in cooperation with MOL and joint UGS projects with TAQA (Netherlands), EWE (Germany), SSE (Great Britain), Bulgargaz, Srbijagas and others.

EXPORT SUPPLIES DIVERSIFICATION BY COMMODITY

In addition to natural gas, the Company, via the unified export channel of Gazprom export, sells oil, oil derivatives and a broad range of petrochemical products, including monomers, liquid chemistry products, mineral fertilizers, polymers and synthetic rubbers.

In 2008 a total of 7.68 million tons of commodities worth over USD 4.57 billion were exported by Gazprom export.

RELATIONS WITH UKRAINE IN GAS SECTOR

On January 19, 2009 Gazprom and Naftogaz Ukrainy signed separate long-term contracts for Russian gas transit to Europe via Ukraine and gas supply to the Ukrainian consumers. The effective term of the contracts is from 2009 through to 2019.

During the 2009 heating season Naftogaz Ukrainy sold to Ukrainian consumers much more gas than it had bought from Gazprom. Additional volumes were obtained by Naftogaz Ukrainy from the Ukraine’s UGS facilities unless they were nearly empty. Before the startup of the upcoming fall-winter period Naftogaz Ukrainy has to purchase and inject into UGS facilities some 19 billion cubic meters of gas in addition to the current supplies to Ukrainian consumers. This issue is crucial both for the domestic consumption in Ukraine during the upcoming winter period and for the guaranteed gas transit to the European consumers.

The extremely bad financial standing of Naftogaz Ukrainy proves the relevancy of Ukraine’s capability of paying for Russian gas supplies.

With due regard to a nearly monopolistic position of Ukraine in natural gas transit from Russia to Europe, financial problems of Naftogaz can not be attributed to this very company and the state of Ukraine only. Gazprom Group along with its partners – European companies – should be interested in mitigating financial challenges of

Naftogaz. This is what the Russian leadership and the EU member states are interested in.

Gazprom Group realizes the importance of the issue for the European energy security, displays its good will and makes its best efforts to prevent a potential crisis. Gazprom provided Naftogaz Ukrainy with an advance payment for gas transit in 2009 (USD 2.2 billion) and also made a decision not charge the company fines for its failure to take the agreed amount.

At the same time, it should be noted that Gazprom is a commercial company working with Naftogaz Ukrainy in line with the commercial contracts made, and having solid grounds to act in the way provided for in such contracts. In case the Ukrainian party is unable to pay for the gas supplied, the Company is entitled to automatically move over to a 100 per cent advance payment as a precondition for future supplies. Thus, Naftogaz Ukrainy will decide on how much gas to get. It will get as much gas as it pays for.