

## Final Press Conference involving the Gazprom Board of Directors Chairman and the Gazprom Management Committee Chairman

June 25, 2010

Participants:

- **Viktor Zubkov**, First Deputy Prime Minister of the Russian Federation, Chairman of the Board of Directors, Gazprom;
- **Alexey Miller**, Deputy Chairman of the Board of Directors, Chairman of the Management Committee, Gazprom.

**Moderator:** Good afternoon. The first meeting of the newly-elected Board of Directors has taken place. Viktor Zubkov is elected Chairman of the Board of Directors, Alexey Miller – Deputy Chairman. Mr. Zubkov, a few words about what the Board of Directors will deal with in the new season.



*Alexey Miller and Viktor Zubkov*

**Viktor Zubkov:** Good afternoon, esteemed media representatives. In fact, the annual General Shareholders Meeting has just ended. A new Board of Directors has been elected. We are already in a newly elected composition – I have been elected Chairman of the Board of Directors and Mr. Miller – Deputy Chairman of the Board of Directors. We met and briefly discussed a range of issues that we would implement right after being elected.

What is the agenda? Of course, the issues related to our Company's further strategy – they will remain in the focus of the Board of Directors as they were. These are entrance into new regions, construction of new gas transmission, gas processing and gas chemical facilities – on Yamal, in the Arctic shelf and Eastern Russia inter alia.

These strategic objectives remain and we will certainly be pursuing them. Implementation of the Russian Regions Gasification Program: we have already discussed this issue today; there is progress, every year we show a significant increase. Nevertheless, we have already allocated much more funds for this year's needs – some RUB 25 billion and we will further carry on implementing our gasification program. We were talking about the development of our innovative activity – this area will also be a priority for the Board of Directors. Further exports development is important and we will work towards it as well. We will control implementation of the investment policy, financial strategy and cost optimization. In 2009–2010 we were paying great attention to the cost optimization issues. The Board of Directors has already heard the reports by about a half of our subsidiaries and I must say that this practice gives good results as, first of all, the leadership of our subsidiaries get ready for these hearings and, secondly, they take real measures to reduce and optimize costs.



*Viktor Zubkov*

These are our promising issues for the near future in brief. The Board of Directors is work-oriented, really competitive, and I believe the results achieved last year, and this year, allow the Company to steadily gain momentum and work ever more efficiently. Of course, we will deal with some other issues as well, including the social ones, but the issues I have mentioned are our priorities, which I believe will be successfully met. Thank you.

**Moderator:** Let's thank Mr. Zubkov.

**Question:** Vladimir Kondratyev, NTV channel. New ultimatums came today from Minsk as Belarusian President Alexander Lukashenko threatened Gazprom to shut off Russian gas transit to Western Europe. At the same time, Mr. Lukashenko admitted

himself that by that moment he had no information about the negotiations between the gas companies of the two countries. What was the result of these negotiations and may we consider the conflict between Russia and Belarus resolved? What conclusions are you ready to draw subsequent to this conflict?

**Alexey Miller:** Thanks a lot for the question. The issues is actually in the spotlight. The Football World Cup is currently underway in South Africa. I will use football terms, if you please. There are two teams, one scores a goal on a free kick, the other team appeals to the referee, though the goal is fair. In our case, the contract is a referee, every thing is put down in the contract in black and white. You are not supposed to argue with the referee. The referee can show a yellow or even a red card. The referee is the lord and the master in the field. However, in our case friendship won.

As for the accords reached with our Belarusian colleagues and friends – we have settled all the issues related to repaying the debt for the Russian gas delivered during the first five months of this year. We have fully restored gas supply to Belarus and gas transit to the neighboring states has been fully stabilized. Today as at 4:40pm Moscow time we may say that the gas supplied by Gazprom is received in full volume by our consumers in the neighboring states – in European states and the Kaliningrad Oblast.

In our relations with Belarusian counterparts there are certain issues concerning the terms and conditions for Russian gas transit in 2010. Gazprom has paid the Belarusian party for Russian gas transit under the terms and conditions set forth in the contract entered into in December 2006. Gazprom does not owe anything to the Belarusian party for gas transit. However, pursuant to the contract inked in 2006, an addendum to the contract shall be signed on an annual basis. No addendum to the contract has been signed for 2010 so far. Therefore, we were paying for gas transit at the basic transit rate set in 2006 – USD 1.45 per 1,000 cubic meters conveyed 100 kilometers. The contract sets down in black and white that if the addendum is not signed or there is no addendum, the basic rate shall be applied. Currently, we keep the dialogue going and stay in touch with our Belarusian counterparts – the dialogue is fruitful – in fact, all the matters of principle related to this addendum have been tackled. I can say that late at night yesterday, after Russian gas transit and its supply to Belarus were fully restored, we continued phone conversations both with the Beltransgaz leadership and the Belarusian First Deputy Prime Minister. We agreed that there was progress and there were no fundamental disputes related to this addendum. We hope this addendum will be signed in the shortest time possible.

As for the lessons learned – it would be great if we could evade the events similar to those of the recent days. At the same time, we act in full compliance with the contract. I may say that we'll behave in this way in future as well. Alongside, one should understand that both of our gas transmission systems – the Russian and the Belarusian ones – are closely connected. They are connected mainly through Beltransgaz – as Beltransgaz is 50 per cent owned by Gazprom, it is our joint venture. We are certainly interested in development of this venture and of the gas industry in the Republic of Belarus. As recently as this year we have increased our stake to 50 per cent – obtaining a 12.5 per cent stake annually during four years – we are currently holding a half of

this venture. We think Beltransgaz has a very good development potential and we believe there is a very good cooperation potential for us. We hope that together with Belarus we will have better times in the gas industry.

**Question:** Alexey Novikov, Interfax. Good afternoon Mr. Miller. The first question is classical: Gazprom finished the second stage of its reform a few years ago. How do you assess the performance now, years after this reform? Has it increased Gazprom's efficiency or has it just resulted in an increase of the number of entities with their own administrative bodies in Gazprom Group?

The second question is more operational. You have the complete information about the Gazprom's shareholders after the shareholders register had been closed early in May. Tell us, please, whether there were any significant changes in the structure of some large minority shareholders of the Company. And how is the Company planning to further build relationship with these investors?



*Alexey Novikov, Interfax*

**Alexey Miller:** Thank you for the question. Concerning the second stage of the reform – you know that there is no limit to perfection and one should always meet the needs of the time and its spirit, therefore we certainly try to keep abreast of the developments including even the organizational structure. I think that everyone here in this hall follows the developments of Gazprom, therefore I would like to draw your attention to the fact that we are currently analyzing the work of our international business units in a very thorough manner. There is a lot of information in mass media about the so-called intermediary companies. We have already held several meetings with the aim to increase the efficiency of our international business. All the more so in the current conditions on the European gas market we see the potential to move closer to the ultimate consumer and good efficiency increasing opportunities for the Company as



well. Therefore, I wouldn't say that we have got through with reforming the Company's structure. There is no limit to perfection. In fact, some functional and specialized blocks of the Company have already been reformed, including gas production, transportation and underground storage, power generation and oil businesses, though it is clear that each of these blocks leaves something to work at. But the most important among everything else is that we are forming a vertically integrated company. And we must keep in pace with the market, we must keep in pace with the existing market conditions – we understand and we see that the gas market is becoming more and more global. Therefore, we are currently working out a new strategy for the Company development – development of Gazprom as a global player on the world energy market. And of course, we will be streamlining work arrangements and the structure of our companies abroad simultaneously with structural subdivisions in Russia. Concerning vertical integration – it is our strong conviction that only vertically-integrated companies can become global players. It is clear, therefore, that Gazprom will have global strategic partners – we can't set some specific timeframes here: a year, two, four or five – in the foreseeable future. The Company now has some indisputably strategic partners but still they are strategic for some local markets – Europe first of all. I believe that everybody realizes perfectly well that some of our European partners wish to carry on developing partnership relations particularly on the world gas market level and under its globalization, while other companies don't, to my mind. We consider the vertically-integrated structure of the European companies as the main factor allowing them to do it. I think that we have recently laid the first cornerstone in the basis of our future global and strategic cooperation with some European companies. First of all, this refers to swap operations: pipeline gas / pipeline gas, pipeline gas / LNG. In addition, together with these companies we are currently studying and working out an opportunity of joint production projects implementation. By the way, it concerns not only European companies but the companies of the Persian Gulf region as well; thus, time will tell us who is to be our partner in entering the global market – I believe these are going to be one or two companies at most. But the process has already been initiated and the experience we are gaining now (I would say that it is a local experience yet, concerning separate non-recurring operations or medium-term transactions for several years) will undoubtedly lay the basis for our future strategic partnership.

As for changes with respect to the large strategic shareholders of Gazprom that have a significant block of shares – there are no such changes at the moment.

**Question:** Maria Tatevosova, Prime-TASS. Mr. Miller, it is rumored that BP is selling its assets, particularly in Azerbaijan. Did you receive any offer to acquire a stake in Shakh-Deniz? And the second question: what is the status of negotiations with Naftogaz Ukrainy, is there any progress?

**Alexey Miller:** As for Azerbaijan. We have started our joint work on the Azerbaijani gas acquisition very well, increasing the purchased volume from 500 million cubic meters to 1 billion cubic meters this year and have agreed to purchase 2 billion cubic meters next year even though we initially envisaged 1 billion cubic meters. At the same time, we have a unique contract with Azerbaijan setting no purchasing volume

limits. The major production asset in Azerbaijan is the Shakh-Deniz field and the gas is being currently produced and supplied to the market from the Shakh-Deniz I project. It is clear that we are buying the Azerbaijani gas within this particular project, but there is also Phase 2. The Shakh-Deniz field is operated by British Petroleum. We will be arranging our relationship with Azerbaijan for a long-term period. We inform our Azerbaijani colleagues that we are motivated to buy all the Azerbaijani gas regardless of the fact that Phase 2 commissioning was put off to 2017. I think it would be interesting for us to buy stored gas, if possible (and I believe this should be the form of our participation in this production project). But we received no proposals to buy a stake or to participate in this project. If we receive any, we will give them consideration.



*Alexey Miller*

Regarding NAK Naftogaz Ukrainy, the merger and the progress in these negotiations, we have been conducting negotiations with our Ukrainian colleagues on the merger related issues for about two months now. Talking about the tone of these negotiations, it becomes more and more specific and thoughtful, we see that the structure and the business model of this transaction are gradually taking shape. In particular, we have reached an agreement that envisages a potential merger through setting up a joint venture as an option. The joint venture is the first stage but it can be set up and start working only in case we finalize the merger of Gazprom and NAK Naftogaz Ukrainy. To briefly say about the status of the first stage negotiations – establishment of a 50/50 per cent joint venture – I would like to note that Gazprom is already making proposals on specific fields that could be contributed by the Company into this joint venture. The Ukrainian party will provide its gas transmission system and production assets of NAK Naftogaz Ukrainy to this joint venture, while Gazprom will contribute large fields as it

is clear that gas reserves from producing fields should be larger. And we understand that the time has come when we could discuss the issues related to gas volumes.

I believe that the merger of NAK Naftogaz Ukrainy and Gazprom is for the benefit of the Ukrainian gas market and its consumers as I am sure that in response to the merger the gas for the Ukrainian population will be delivered at subsidized, regulated, non-market prices. And we could probably have a common policy with our Ukrainian friends in this segment of the consumer market. As for Ukraine's large businesses – and Ukraine's large businesses confirm this fact – it is interesting for them as well. This will enhance efficiency of the Ukrainian gas industry and most importantly of the industrial sectors consuming much gas. I think that everybody understands that this issue is not so much of economic field since the economic component is absolutely clear in this case and we have no contradictions here during negotiations – everybody understands the benefit, but still there are some political aspects, of course. But I think the Ukrainian side will make some progress with this political component during the negotiations on the corporate level and preparation of additional materials substantiating feasibility of this deal.

**Question:** Vladimir Soldatkin, Reuters. Mr. Miller, does the Company consider a possibility of participating in shale gas production projects in America or Europe? Yet, a few years ago you said that the Company wanted to participate in the construction of a gas pipeline from Alaska to the US central region, what is the status of this project?

**Alexey Miller:** Concerning shale gas – this issue has received a lot of comments recently. Yet, I think the predominant opinion of this process is as follows – a well-organized and well-financed information campaign akin to the global warming or biofuel. It is well financed, the questions are asked, mass media provide an immense amount of information about it and everybody all at once learned about shale gas.

But the question is still about our interest in shale gas production in America and Europe. As for Europe, yet we see no shale gas there, but we will give it consideration if we see some. Now concerning America, we have no such interest, and if we talk about the American market I would say that the major interest for us is represented by Alaska with gas transmission and production projects in this region. We have some experience to share as 40 years of operation in the Yamal-Nenets Autonomous Okrug is 40 years of operation under Alaska-like conditions in fact. We had a workshop discussion with American colleagues, visited Alaska and showed our know-how. We have something to bring in to these projects and I think we can really enrich each other with our American colleagues while implementing these projects. Our science – Gazprom's scientific sector, our specialists monitor large gas transmission projects implemented all over the world, including Alaska. There are two competing projects: the first one is called the TransCanada gas pipeline, the second one is called the Denali project. To our view, to the view of our experts and specialists, the Denali project is a more optimal and balanced option.

**Question:** Anna Shirayevskaya, Bloomberg. Two questions. The first one – returning to British Petroleum – BP head Tony Hayward is coming to Moscow next week. Will

you have a meeting with Mr. Hayward, will you discuss potential asset acquisition, including some other BP's gas assets the company may sell? And the second question – regarding recent appointment of Marcel Kramer to the South Stream project: how do you assess this appointment, will it contribute to a political promotion of South Stream in Europe to your mind?

**Alexey Miller:** As for the meeting with Tony Hayward – I would gladly meet him, we really have a lot to discuss. But today is my last working day before vacation; hence, unfortunately, I will not be able to meet with Mr. Hayward during his visit to Moscow. But I will repeat again that BP is a large petroleum company, one of the world's energy market leaders. And of course, it would be interesting simply to discuss the state of the market and its current trends, as well as to talk about the accident in the Gulf of Mexico since this question is of common concern. Everybody wants to know the cause of this accident as only knowing real causes and having objective information one can make conclusions. While there are no such conclusions about the causes of the accident – we will wait. To our mind, it is necessary to have several locations for the professional community to discuss the causes and consequences, as well as to work out proposals helping us to avoid similar accidents in future, which is of utmost importance. Though, it is clear that maybe it doesn't concern Gazprom that much since it is primarily a gas company. But in general, the issues related to the extraction process security are industry-wide. We are interested in a joint accident cause analysis together with specialists from BP and other companies to make proposals on how to eliminate a possibility of such accidents in this energy sector from now on.

A few words about South Stream. South Stream is gradually reaching its maturity stage of implementation. Marcel Kramer will be appointed Chairman of the Board of Directors and Chief Executive Officer of South Stream AG this fall. Currently, Mr. Kramer is the Executive Board Chairman and Chief Executive Officer of Gasunie, as well as a member of the Shareholders' Committee with Nord Stream AG; hence, in other words, he knows this project from the ground up. The practice and experience Mr. Kramer gained during his professional career is certainly worth mentioning in addition to the practice he currently has. And here I would like to note his work in the Dutch Energy Ministry, International Energy Agency, NATO Headquarters (oil-and gas-related positions), Statoil and, essentially, a wide geography of implemented gas projects. I think that his comprehensive experience, which is to be introduced into South Stream will be inappreciable for us as the project shareholder. This may simplify interaction and cooperation with the structures and companies, where he took highly-ranking positions. It is always advantageous to have a person who knows the actual state of affairs, the goals and the strategy of both sides. I do believe that this really unique background, this alloy of experience gained in various jobs – both in state authorities, international organizations and corporate structures – will be highly demanded for the development of cooperation between Russia and the European Union in the energy sector.

**Question:** Alexey Grivach, Vremya Novostey newspaper. Mr. Miller, I have dozens of questions, of course, but I will take the liberty to ask just a few. One collegial-



professional question: Turkmenia doesn't make frequent appearances in mass media this year; Gazprom has a long-term contract for 25 years with the country, if I am not mistaken; nevertheless, the Company has to bargain every year all over again in an exhausting manner. In December you allegedly signed another addendum to the contract – will it be a really long-term one or will there be another series of negotiations in December?

The second question is a little bit personal: you have been working at Gazprom for nine years now, next year will be the 10 year anniversary – do you get weary? Do you want the contract to be extended? Do you, therefore, expect it?



*Alexey Grivach, Vremya Novostey newspaper*

**Alexey Miller:** Since we have raised the subject of anniversaries, I would like to remind you of another anniversary – you celebrated your 30<sup>th</sup> birthday yesterday and I think we all will congratulate you on that. I don't want to hurt one's feeling, but I must confess I have been closely watching the publications by Mr. Grivach in the Vremya Novostey newspaper and I think he is really one of those journalists who feature a deep understanding and a profound knowledge of what is going on in the gas industry. When I read his publications about the issues that I personally know in and out, I see that he is moving in the right direction even if he doesn't possess the necessary information or is unable to predict what will happen tomorrow or the day after.

Let's pass on to the issue of Turkmenistan. As you know, we signed new terms and conditions for the Turkmen gas purchase last year, the terms are still effective and the parties can see that obligations are being met on both sides. I think if the situation remains unchanged, the 2009 terms and conditions will remain in force during the entire validity period of the contract supplement signed by the parties. If the situation changes, if any of the parties fails to meet the obligations, these terms and conditions

can undoubtedly be revised. But I am sure this is hardly probable. There is a good eastern proverb “hurting a friend means pleasing an enemy”.

As for ten years, honestly, I didn’t think about it. A meeting of the newly-elected Board of Directors took place today and its Members, my colleagues, said, “Mr. Miller, it is the tenth year!” To tell the truth, I hear it for the second time today, and I haven’t given it a thought myself yet. Gazprom is a state-controlled company and I am a representative of the state – that says it all. I am a state official. I can confidently state that ten years is a solid track record. It’s hard to notice the achieved results in our everyday life, the routine work and meetings. It’s when you come to look at the history, five or ten years back, you realize that something has been done and a definite result has been achieved and it’s palpable, and you feel pride for the Gazprom team. I think Gazprom “holds high the flag of Russia’s number one company” and of a global energy leader. I take every possible effort to maintain this status. I will remain in office if I am proposed to. Yet, it is very challenging to be the Gazprom Management Committee Chairman. I think no one here really knows what it means – it’s possible to speak about it or to ponder on it, but in fact, you’ve got to experience it every day and night, year after year.

**Moderator:** Not everyone shares this opinion of our work. Natalia Grib, Kommersant.



*Moderator: Sergey Kupriyanov, Press Secretary of Management Committee Chairman – Deputy Head of the Information and Communications Department*

**Alexey Miller:** We also assess the Kommersant performance sometimes, you know.

**Natalia Grib:** And you do it in a very persevering manner.

**Alexey Miller:** Very persevering? Peremptory maybe?

**Natalia Grib:** Indeed.

**Alexey Miller:** All right, we'll try to be more flexible.

**Natalia Grib:** The best incentive was proposed by Alexander Medvedev, who said that the journalists who mispresent the facts about Gazprom's activities, should be subject to a sort of – if not physical than moral...

**Alexey Miller:** Sanctions.

**Natalia Grib:** Personally, I think that the most effective sanction for a journalist is a financial one. I need to specify one thing and to ask a question. Since today is your last day of work and I am going on vacation tomorrow as well (these are two unrelated things), I would like to specify the following: could you sign the contract with Belarus today so as not to prolong this gas conflict till the next week as you will stay on vacation? Can you finalize it today?

**Alexey Miller:** You see, the gas conflict, as you formulate it, is over. Speaking of the addendum that I mentioned earlier, the relevant assignments have been given, the deputies have been endowed with all powers and all the principal issues have been resolved – we have defined the terms and conditions for Russian gas transit in 2011. We have settled it with the Belarusian party in the phone talks held last night. I am sure this addendum will be signed in the nearest future, I can't see any other options.

As for Alexander Medvedev, I would like to touch upon this issue for the last time with regard to the relationship with the Kommersant newspaper. We are pretty aware what the mass media are. We need the news that would be hot and interesting. But I also ask you to bear in mind that you are dealing with humans. It's painful for me to see the people, with whom I have worked together for many years, after reading what was written about them, and it is very difficult for them to work with their colleagues, the foreign ones for instance. I would like you to think about the feelings of the people you are writhing about, how they will take it and how they will go on with all this and what incisive weapon you have.

**Natalia Grib:** Mr. Miller, I have been waiting for an interview with Mr. Medvedev for two years now, to hear him express his opinion. And there would be no speculations then.

**Alexey Miller:** I see, you didn't wait till the interview and decided to fire him, well done.

**Natalia Grib:** They say it helped you express your opinion of him. I would like to put the following question, if you please. You have signed the Agency Agreement with Yamal LNG. I've heard that the document provides for Gazprom export to collect approximately one per cent of the contract value, execute customs duties and trade this natural gas to a branch company of either Novatek shareholders or those of Yamal LNG, provided that gas be necessarily shipped beyond Russia to foreign sales markets. Am I right or any other scheme has been adopted?

**Alexey Miller:** I will respond briefly. We have Russia's first LNG project, Sakhalin II, involving Gazprom and foreign shareholders and it uses exactly the scheme of the Agency Agreement in case of LNG exports. Gazprom represents a unified export channel. This is, frankly speaking, a prototype and a model for another project, a large-scale project on LNG production in Russia.

**Moderator:** If I get Natalia Grib right, she proposes to assign the status of Gazprom's shareholders to the most distinguished journalists.

**Question:** Eugenia Sokolova, RIA Novosti. Good afternoon, Mr. Miller. Coming back to the Yamal LNG project: Gazprom has recently been searching for foreign partners to join the project, does it continue the relevant talks and how can it be performed?

And the second question. Speaking of the South Stream project again, an agreement was signed in Saint Petersburg stipulating that EDF would obtain at least 10 per cent. Has Gazprom rejected the idea of sharing its stake with the company or is this question still under discussion?

**Alexey Miller:** As for the foreign partners in Yamal LNG – it will be an integrated project with Gazprom's participation to be fed from the Company's resource base. Besides, we have a 20 per cent stake in Novatek. I think we could establish the following timeframe for foreign companies: a short list of foreign companies being the project's potential participants is to be compiled before the end of 2010 and the final decision on the project participants is to be taken before the end of 2011.

As for South Stream, the documents signed within the project stipulate that EDF will purchase at least a 10 per cent stake. I wish to most definitely declare that Gazprom is not going to sell anything from its portfolio.

**Question:** Elena Mazneva, Vedomosti newspaper. Mr. Miller, I would like to clarify the issue concerning Belarus once again: is today's address by the Belarusian President a misunderstanding? Have you had any phone talks with Belarus today? Does it mean that the reached accords remain valid and you will sign an addendum to the contract before long? Or maybe, should we take the statement by the Belarusian President as a new move that will possibly provoke a new conflict in a day, two or three?

There are also two issues I would like you to specify. The first one is concerned with Ukraine. You said that you had compiled a list of fields to be contributed by Gazprom into the joint venture. Could you, please, tell us exactly how many fields are listed and which are the largest ones, what is the amount of reserves contained in them? I mean, what amount of reserves can Gazprom dedicate to the joint venture?

And the third question: Sakhalin officials stated today...

**Alexey Miller:** Who did?





*Alexey Miller*

**Elena Mazneva:** Sakhalin officials.

**Alexey Miller:** Sakhalin officials? What kind of a position is this – a Sakhalin official?

**Elena Mazneva:** I'm sorry I just don't remember who exactly said that.

**Alexey Miller:** And you expect me to answer who said that?

**Elena Mazneva:** No, I will formulate what you have to tell me. Could tell me. Excuse me, not "have to", but "could".

**Alexey Miller:** I will nevertheless interrupt you. When you said "I will formulate what you have to tell me"... Formerly, I worked for the Saint Petersburg Administration – as you know, I have a certain track record as a public official. Many years have passed since that time, but I still remember one assignment. There was a letter and an endorsement on the letter. It was put in the following way "I request that you give an instruction to express your opinion".

**Elena Mazneva:** I missaid what I meant. I had no intention of putting myself in an awkward position. Mr. Miller, nevertheless, a statement was made that...

**Alexey Miller:** Particularly by whom was it made?

**Elena Mazneva:** Without it you won't respond?

**Alexey Miller:** All right, you are welcome.



**Elena Mazneva:** I am sorry, unfortunately, I don't remember it now. But it happened today. I think it was Vice Governor of the Sakhalin Oblast. This is as follows: there is a risk that Exxon Neftegas can lose the status of the Sakhalin I project operator.

**Alexey Miller:** Who can lose? Fine, I suggest that you adjust your question later and deliver the message via Sergey Kupriyanov on who said what and what I have to say.

**Elena Mazneva:** Will you let me change the wording of my question and put it again?

**Alexey Miller:** You have already asked several questions – about today's statement by the Belarusian party and the list of large-scale projects in the negotiations with NAK Naftogaz Ukrainy. This counts as two questions, isn't it?

**Elena Mazneva:** If you insist. All right, thank you. I thought, you will do me a favor and answer the third question.

**Alexey Miller:** A favor?

**Elena Mazneva:** May I ask the third question?

**Alexey Miller:** You may, since you are asking for a favor.

**Elena Mazneva:** Thank you! A statement was made today that Exxon Neftegas can lose the status of the Sakhalin I projects operator. Is Gazprom interested in joining this project, and if it joins, if it happens so, is the Company going to obtain the operatorship functions? Thank you.

**Alexey Miller:** I will begin with the third question, which took us so much time to formulate. I don't know anything about such statements, I have never heard them. It's not clear to me who makes them. Irrespective of the fact whether it is true or false, we, Gazprom, have no intention of joining this project.

As for Belarus, I have already answered this question, but I would like all those who are interested in the details of this issue to read more carefully what has been said.

Regarding NAK Naftogaz Ukrainy and the list of projects – certainly, I will not name these fields. I will add that it really depends on the evaluation of the assets owned by Naftogaz. If it is necessary for Gazprom to contribute, relying on this evaluation, the fields with the reserves of 800 billion cubic meters of gas, such fields will be provided. If the evaluation of the Naftogaz assets shows a greater result, we will contribute the fields containing 1 trillion cubic meters of gas. It will all depend on the amount of the asset evaluation.

**Question:** Pavel Tukhto, Channel One, Belarus. Continuing the Belarusian issue. Gazprom didn't pay for gas transit across Belarus since last November. You say that the problem lies in the addendum to the contract that needs to be signed. Using your football terms, it is also possible to receive a yellow card in a football game for a delay. Who was to blame for a half-year delay with signing the addendum? And you

have said that you fully coordinated with Minsk the issue of the rate – USD 1.45, 1.74 or 1.88? If it exceeds USD 1.45, will Gazprom pay off the difference in the gas transit price accrued since the turn of the year?

**Alexey Miller:** Let's continue the football theme a bit. There is only one referee in the field. He is the lord and the master there. He is the one to make the decision. It is set down in black and white – Article 4.1 of the Contract, everything is there. Gazprom has never had any gas transit debt to Belarus. As for the transit rate: as soon as the addendum is signed, you will be informed on it. I want to emphasize again that we had a constructive talk and I don't see any controversial issues nowadays that could hinder the supplement signing.

**Question:** Anastasia Goreva, Petroleum Argus agency. Mr. Miller, please, tell us what is the approximate year of putting onstream the Severo-Tambeyskoye and the Zapadno-Tambeyskoye fields? Will the foreign partners selected for the Yuzhno-Tambeyskoye field have the permission to develop the Severo-Tambeyskoye and the Zapadno-Tambeyskoye fields as well or will you select other companies? Will you apply the 2010 short list to the Severo-Tambeyskoye and the Zapadno-Tambeyskoye fields?

**Alexey Miller:** Thank you for the question. Colleagues, let me inform you that the deadlines for any large investment project are only defined when the final investment decision is approved. Before the approval no project execution deadlines can be set. In this respect I would like to mention the Shtokman project: there are a lot of speculations regarding the project execution date. The project and the field development deadlines are defined by the final investment decision – it will be adopted in spring 2011. This is a small peculiarity. Regarding Yamal LNG, the investment decision hasn't been adopted as well; therefore, we cannot talk about the definite deadline of the project. But I can provide an estimation of when the first phase will be put onstream – between 2016 and 2018. As for the combination of the foreign partners and shareholders and Gazprom's participation – we will cooperate with the same foreign companies within the comprehensive integrated project.

**Question:** Denis Shevchenko, Gas Industry journal. In the speech delivered at the Meeting today, you touched upon the cooperation with GDF SUEZ, including the sci-tech cooperation. Can you assess the results of this cooperation?

**Alexey Miller:** Speaking of EDF and the French vector in general, which is becoming well-defined and gaining momentum, prominent agreements were entered into with EDF both in 2009 and in the first half of 2010. This company really claims for a solid position in the joint activities with Gazprom in the nearest future. Of course, the cooperation hinges on South Stream, it is the foundation, the framework. Other cooperation areas are also very significant to us. I may say the cooperation in the power industry with GDF is highly promising. The cooperation development in the area of underground gas storage in France, for instance, also inspires hope. The exchange transactions (gas / electric power) and the sci-tech cooperation also have a great potential. On the whole, I think that French companies have good know-how

especially in the energy efficiency area. This experience is really interesting for us and we will cooperate. The first steps in this direction have been taken, but this is only a start.

**Question:** Eric Albrecht, Deutsche Welle TV channel. I would like to discuss the last-year results once again: the production output was lower than two years ago, you received smaller profits. What lessons have you learned from this situation and how difficult was this year for you? The second question is related to the dispute with Ukraine in the beginning of the last year: it seems that everything is going on well in this direction, but how many troubles did you have last year? How severely did it affect your Company's image in the West when Southern and Southeastern Europe suffered last year from the gas transmission shutoff, I mean Russian gas transmission via Ukraine.

**Alexey Miller:** All right, it's clear. Let's start with Southern Europe. You said about the production decrease, the lessons learned and expectations for this year. You know, the year started very nicely for us. The market dynamics observed in the fourth quarter of 2009 became more intensive. I think that the people gathered in this hall today are dealing with the petroleum sector, they remember our optimistic statements that we are surpassing the projected rates, which, in fact, are also very ambitious and targeted at recovering two thirds of losses incurred last year on the gas market. We were moving ahead of this planned schedule. A number of countries in Southern and Southeastern Europe rapidly devoured over a month and a half everything that Gazprom had accumulated with great efforts. At the moment, I should say we keep up with the planned indicators, maybe a little less or a little more, but we are worried about the current state of affairs in Southern and Southeastern Europe. You know that we have representative offices and subsidiaries in these countries, as well as cooperate with partners from this region – so far, we haven't received any positive information about the economic growth or recovery in these countries. And the forecasts are rather reserved, I should say.

The lessons we have learned are formulated in our principles: we operate on the market. The marketed and produced amounts plus some spot transactions, everything was really clear in today's report. In general, we hinge on the market. Let me say a few words about the global strategy to continue the subject. Our strategy changes and you can see it – it is the diversification of our markets, transmission routes and final products. We are consecutive in implementing this program. We are developing our tasks having set the general objectives in each of these areas. Therefore, I think that by 2012–2013 both the market environment and Gazprom's position will change completely, especially by the end of 2013 with the transition to the equal profitability principle and the realization that the European market will actually have to compete with the Russian domestic market rather than with Southeastern Asia, which will be supplied from another resource base – Eastern Siberia. Thus, we take managerial solutions while operating on the market and relying on the available experience, we try to draw conclusions from the past events.

As for Ukraine, I can only repeat what I said before: the Nord Stream and South Stream projects are well-timed. The projects will undoubtedly ensure higher reliability and sustainability of Russian gas supply to Europe. The most important thing is that natural gas to be carried by Nord Stream has been fully contracted out, while not all the contracts for the South Stream natural gas have been signed; however, some more contracts may be signed, but there is no free capacity there. The projects arouse great interest from potential participants.

**Question:** Marina Belash, Nadym TV studio. Mr. Miller, I had a chance to talk to you during your first visit to the Yamal Peninsula when you examined infrastructure facilities in a small settlement of Kharasavey. You gave an interview when moving down the south coast of the Kara Sea in a small crew bus. You have said that a new Gazprom subsidiary will be set up when the gas trunkline system is fed with the first cubic meters of the Yamal gas as it was the case with the Urengoy and Yamburg fields. Is Gazprom still resolute to implement this plan and what are the prospects for Gazprom dobycha Nadym?

**Alexey Miller:** You really know everything well – exactly Gazprom dobycha Nadym operates this project and we are absolutely pleased with how it is being done, the work is progressing on schedule. Taking into account the market situation, you see, we slightly postponed the gas production startup in Yamal to 2012. By measures of the gas industry and Yamal's citizens the year of 2012 is like tomorrow. This is my answer to your question regarding Gazprom dobycha Nadym.

As for Yamal in general, this is our new gas production region that will replace in the middle term the majority of producing fields of the Yamal-Nenets Autonomous Okrug. One should be aware that Yamal features absolutely different working conditions. Just for you to know there are areas on the Peninsula that are hard to identify whether they are ground or water, land or sea. The project solutions that have been developed and adopted – they are really unique. Considering the Company's experience in other regions, including in the foreign countries with oil and gas reserves large enough to develop, we may truly state that the project solutions have been tried out, they are carefully elaborated and stand at the forefront of the gas science. You know, I've already heard today the words like “developed countries”, “gas industry” and others. Listen, Russia is the most developed country in the gas industry. It is the best in this sector like no other country.

**Moderator:** We don't have any more questions.

**Alexey Miller:** Excuse me, colleagues, wait a minute. We have to settle it down with the Vedomosti newspaper. Elena Mazneva has a birthday tomorrow. Alexey Grivach (Vremya Novostey newspaper) had a birthday yesterday and Elena Mazneva will have hers tomorrow. Elena, we heartily congratulate you and wish you every success in work. I am sure that the Vedomosti newspaper will depict the gas industry in an unbiased and professional manner.

**Moderator:** Thank you very much, colleagues! Bye for now.

**Alexey Miller:** Thank you! You know that we are closely watching your publications owing to Sergey Kupriyanov, who, together with other executive spokespersons, visits the Management Committee Chairman every morning and reports on everything about you: what you were [doing] over the last 24 hours, where you were and so on. This enables us to take the right managerial decisions in our everyday business. Thanks!