

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

June 29, 2012

Participants:

- Viktor Zubkov, Chairman of the Board of Directors;
- Alexey Miller, Deputy Chairman of the Board of Directors, Chairman of Gazprom's Management Committee.

MODERATOR: 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.

According to tradition, at the end of the Shareholders Meeting and the first meeting of the Board of Directors, we hold an extended final press conference. As usual, the first question is directed to Viktor Zubkov. Then, unfortunately, he will have to leave us. We will continue the conference with the Chairman of the Management Committee.

QUESTION: Eugenia Sokolova, RIA Novosti. I would like to congratulate you on being re-elected as the Board of Directors Chairman. Can you share your opinion of the Shareholders Meeting and tell us about your plans? Maybe you plan to head the Russian Football Union as the sports press put it? Thank you.

VIKTOR ZUBKOV: Good afternoon, esteemed media representatives. Today, the regular annual General Shareholders Meeting of Gazprom has taken place. It was very specific and well-organized, held in a businesslike manner and we summed up a lot of issues.

Practically all the issues were addressed by Alexey Miller, Deputy Chairman of the Board of Directors, Chairman of Gazprom's Management Committee. There were a lot of questions, 25 to be precise. The shareholders received comprehensive answers to all their questions. I believe that today we had the most well-organized and effective annual meeting.

A new Board of Directors has just been elected. It hasn't changed a lot. There are 11 Members. I have been elected Chairman of the Board of Directors, Alexey Miller – Deputy Chairman, Andrey Akimov, Chairman of the Gazprombank Management Board has been elected a Member of the Board of Directors, Farit Gazizullin – a Member of the Board of Directors, Elena Karpel, Head of the Pricing and Economic Expert Analysis Department of Gazprom – a Member of the Board of Directors. Timur Kulibaev is a Member of the Board of Directors, he holds many important positions in Kazakhstan, I won't name them all. Vitaly

Markelov is a new Member of the Board of Directors, he is Deputy Chairman of Gazprom's Management Committee. As for Vladimir Mau, the scientist, you know him very well. He is Rector of the Russian Presidential Academy of National Economy and Public Administration under the Russian President. Valery Musin is a Member of the Board of Directors, Michael Sereda is a Member of the Board of Directors, Deputy Chairman of the Management Committee, Head of the Administration of the Management Committee of Gazprom and Igor Yusufov – a Member of the Board of Directors. This is the membership of the Gazprom Board of Directors.

Gazprom is the largest Russian company. It employs 405 thousand people. And Gazprom's orders create millions of workplaces in Russia. I checked this up – Gazprom's Administration consists of only 2 thousand people. This is a rather small number for such a company with more than 400 thousand employees.

The Company has highly qualified personnel. These are very competent, high-skilled persons including Departments heads and Deputy Chairmen of the Management Committee. These people can always provide you with exhaustive information, they are first-class professionals.

A lot of figures were announced today and maybe Mr. Miller will announce more. I'll say that there are few companies that pay so much in taxes. Last year, Gazprom actually paid one trillion in taxes! Besides, I don't count the colossal sponsorship of sports and other social sectors. The amount of taxes paid last year were RUB 260 billion higher than that paid in 2010. It is twice as much as the annual agricultural budget of the Russian Federation: RUB 130 billion is annually allocated for agricultural activities. The additional tax revenues totaled nearly RUB 260 billion in 2011. This is a significant amount.

Certainly, dividends are very important for shareholders of any company. Today we discussed the fact that 10 years ago dividends per share were 10 kopeks. Then they grew up to 30 and then 40 kopecks. The last year they were 9 rubles. It says a lot. It means that the Company operates in a sustainable manner, and the shareholders know that. Today the shareholders appreciated it very much that the 2011 dividends were the highest in the history of Gazprom. That's why the Board of Directors will monitor activities within the strategy developed by Gazprom. We will monitor the situation on global markets. I believe our Company has very good prospects.

As for the Russian Football Union, I am a member of the Russian Football Union Executive Committee, so I do care, just as many Russian football fans, how Russian football will develop.

Recently, I was asked to head the Russian Football Union by many owners of Russian football clubs, the football community and high-level government officials.

Let's look at the Federal Financial Monitoring Service (Rosfinmonitoring), a financial intelligence body that I established 10 years ago. I worked there for many years and today it is the most efficient financial intelligence service in the world. 10 years ago we were on the blacklist, next year Russia will head the Financial Action Task Force (FATF). A Russian representative will head this authoritative international agency and will act as the FATF President.

Over the last five years the Government has solved a range of issues as well. When it comes to agriculture, speaking in football terms, we are in the semifinal now. The measures we adopted in the agriculture sector in recent years enabled us to make a good progress. In three or four years we will get into the final, that is, we will fully supply ourselves with home-grown products. It is real. Certainly, if we timely adopt the measures related to Russia's entry into the World Trade Organization, close attention has to be paid to the risks that may occur in this situation.

That's why, I believe, I understand the motives of people who applied to me. But today I was elected Chairman of the Board of Directors of a largest company. Recently, Russian President appointed me Special Presidential Representative for cooperation with the Gas Exporting Countries Forum. It is a very big job. We must get in contacts with other gas-producing countries and cooperate with them to promote natural gas, our major product, and liquefied natural gas on global markets. Besides, there are a lot of controversial issues related to our gas promotion on the domestic markets.

So, I'll say it outright, I can't take the position of the Russian Football Union President, because I have to work at plenty of issues related to such a huge Company and to the President's assignment. Therefore, I withdraw my candidacy.

Nevertheless, I believe this system is so important for Russia! These days we have already seen how the victories of national football teams bond people together. So I think this position can be held only by a football expert, the one who is well acquainted with the situation in the Russian football, the situation and the state of the world football today and current trends in the sector. The one who can together with the Presidium of the Russian Football Association choose a head coach of the Russian national football team and do this in a professional manner. So, I think we need a football expert there. And I think there are such people in Russia. We have a lot of talented people not only in gas sector, but also in football. Thank you for your attention.

MODERATOR: Let's thank Mr. Zubkov.

QUESTION: Vladimir Kondratyev, NTV Channel. Mr. Miller, as you know, currently the second stage of privatization is being discussed in Russia. It is asserted that the private sector is originally more effective than the public sector. But the example of your Company proves the opposite — that the state

management can be very effective in business. So why should the state be eager to part with the “family silver”, so to speak? Especially, when it comes to the national wealth.

ALEXEY MILLER: Are you asking about the gas sector?

VLADIMIR KONDRATYEV: I am asking about all the natural resources and all the sectors of our economy that are going to be sold or privatized.

ALEXEY MILLER: Let’s talk about the gas sector first. Russia is rich in gas resources; we have the largest gas reserves in the world. Gas is everything for Russia, with no exaggeration. Gazprom is the main company in Russia, it is responsible for gas supply, electricity and heat supply in the Russian Federation and we need to work cohesively and effectively to cover the highest autumn/winter seasonal loads successfully. We are a northern country, so sometimes it is very cold and every winter we ensure stable and reliable gas supply to the consumers, citizens and the utility sector.

We are a vertically-integrated Company. The Unified Gas Supply System owned by Gazprom is the most reliable in the world. Both Russian and foreign experts agree that there is no more reliable system.

There is only one explanation for that. The Unified Gas Supply System has always been and will always be designed as a unified gas supply system. The design starts from the long-term balance. We understand that, being a natural monopoly, Gazprom secures the unity of design, in terms of both time and territory.

This presupposes to a great extent the role of Gazprom as the natural monopoly in the domestic economy and its stance on the gas market. It means that Gazprom will preserve the role and position of the leading gas Company for many years to come. This building, located at 16 Nametkina Street, Moscow, is the place where control all modes of production, transmission, storage and distribution of gas throughout Russia. This also applies to gas supplies to the countries that buy Russian gas. In this building we provide supply optimization and flows rerouting during cold snaps.

And the most important thing is that being a state-run company, Gazprom has a considerable margin of production capacities. So, if necessary, Gazprom may considerably increase the gas production volumes in excess the established limits, beyond the signed contracts, and we do this frequently. This is the demand we have to meet during sharp cold spells. It happens not only in Russia, but also in the neighboring countries and in Europe.

The Company has to invest dozens billions of dollars to have such reserve capacities, so it has to possess them. The economic effectiveness of these investments is not very high, so only state-run companies are able to do this.

As for independent companies and private investments – they are present, and they certainly must enter into the sector. However, we also have to understand that there is such a term as the “range of activity”. There are huge fields and they are numerous in Russia. There are unique fields which can be only developed by just a few companies. Yes, the gas industry is highly profitable. But the barrier to enter into this industry is even higher than the one to enter into the oil industry.

In order to implement large-scale projects in gas transmission and production, today the total cost of Gazprom’s Investment Program is RUB 844 billion, with the numbers updated. In the last year, as you remember, it was RUB 1.2 trillion. This is the enormous amount. These are the enormous investments. I want to highlight it again, this is a very high barrier to enter into the industry. This business is, on the one hand, highly-profitable, but, on the other hand, you have to understand that it brings results only in the long-term prospect. You have to understand that the investment cycle of our projects lasts from 5 to 7 years from the pre-investment, pre-design stage until the moment of the project commissioning. Therefore, this is long-term money, long-term investments, and this are large investments.

So, there will always be a place for independent companies. However, considering its goals and the tasks, Gazprom is the backbone of the Russian economy. This Company supplies all the Russian regions with gas, heat and electricity and covers the highest autumn/winter season loads. Optimization of all operation modes during the autumn/winter period is carried out in this particular place, in this building. The role and place of the Gazprom gas monopoly have always been and will always be important. Gazprom is our national property.

QUESTION: Sofia Pekarikhina, RBC Agency. Mr. Miller, can you specify what issues in the Russian-Ukrainian relations are the most urgent? What issues are on the agenda in the process of ongoing negotiations with Ukraine? Thank you.

ALEXEY MILLER: The issues we have on the agenda today in negotiations with Ukraine are the most urgent.

What are the issues? First, is the issue of gas injection in underground gas storage (UGS) facilities by NAK Naftogaz Ukrainy. We are concerned with the rates and volumes of the injection. We are concerned with the fact that last winter Ukraine extracted rather large gas volumes from its UGS facilities.

This issue is very crucial, because in case the natural gas is not injected into Ukrainian UGS facilities in the amount required, we’ll have two options, both are bad. The first one is: Ukraine siphons off Russian gas delivered to European customers via Ukraine. The second option is also bad: Ukraine restricts gas supplies to its domestic consumers.

For this purpose, we believe, the issue of gas injection must be discussed openly by the parties during the current period. I want to highlight that we see the readiness

of our Ukrainian colleagues to discuss this problem openly. And the most important thing is that we agreed to grant an advance payment of USD 2 billion to our Ukrainian colleagues, so that they could inject gas into their UGS facilities to the full extent.

I wish to draw your attention to the fact that the advanced payment of USD 2 billion was determined by the Ukrainian party. The amount of USD 2 billion was determined because it is the amount needed for purchasing natural gas sufficient for injection into UGS facilities. If Ukraine needs additional financing we are ready to give consideration to this issue. That's why the main and the most crucial issue of the ongoing negotiations with Ukraine is the forthcoming winter. We hope to avoid problems this winter.

EVGENIA SOKOLOVA: Mr. Miller, it was claimed many times that building of South Stream and North Stream will downgrade the Ukrainian transit to almost zero. Together with that, it is known that their transmission system was designed with account of larger transit volumes. Is it possible that the transit reduction will lead to problems on this gas transmission system and what is the critical volume of the transit? Thank you.

ALEXEY MILLER: Good question. Indeed, the gas transmission system of Ukraine was designed, built and is currently being operated with due regard for significant volumes of Russian gas transit via Ukraine. At the same time we know that when we, I mean Gazprom, pay for the transit via Ukraine; it doesn't mean that the gas physically passes the lands of Ukraine. Oftentimes, it may stay in the eastern regions after crossing the border, and Ukraine will withdraw gas from its western UGS facilities and deliver it to Europe under the contracts signed with Gazprom.

Indeed, considering that the South Stream and North Stream will be constructed within the nearest time possible, maybe together with the third and the fourth strings of North Stream, we face a question how the gas transmission system of Ukraine will function. Until today, this issue hasn't been considered either in practice or in theory. I suppose it is time for our Ukrainian colleagues to answer themselves and us: how will the gas transmission system function when the bypass export corridors are commissioned?

We are interested in this issue, because we will carry on gas supplies to Ukraine under our contracts, so it concerns the pressure we have to provide at Russian compressor stations. I suppose that there may be problems, building on your question. But they have to be analyzed and calculated now. Our Ukrainian colleagues have to talk about them openly and honestly as well.

QUESTION: Bonet Pilar, El Pais newspaper. Can you specify the amount of gas that is going to be transited via Ukraine this year taking into consideration the North Stream construction and how much is it in comparison with the last year?

And one more question. As I understand, you are ready to make concessions in gas prices and volumes and revise the contracts with your German partners. Why don't you make concessions to Ukraine, your main gas consumer?

ALEXEY MILLER: As for the contract between Gazprom and NAK Naftogaz Ukrainy. This is the contract between the seller and the purchaser. Gas is sold and purchased on the border between Russia and Ukraine.

We work with our German partners in absolutely different way for a long time. Our cooperation with German partners in the gas sector has a fundamentally different level. We perform joint geological exploration and gas production, inter alia, in the Russian Federation. We implement joint projects in gas delivery via trunklines. We implement joint projects in underground gas storage in Europe. We implement joint transmission projects abroad. We pursue a joint marketing policy. Speaking about our German partners, we create added value at all segments of this chain. But we don't do this with our Ukrainian partners.

I may say that we recently agreed to a certain price adjustment with the companies that collaborate with us within megaprojects. Among other things, together with these companies we established joint ventures to implement these megaprojects including joint marketing, particularly, as part of such a megaproject as South Stream.

We don't have such a fundamentally high level of cooperation with Ukraine as with our German and Italian partners. And we don't implement megaprojects like South Stream or a similar large-scale investment project with Ukraine neither in production, nor in gas transmission sector.

With the commissioning of North Stream's first string, with the commissioning of North Stream's second string this autumn and considering that Gazprom became the full owner of Beltransgaz, certainly, the transit flows via Ukraine are being rerouted. But there are no political reasons here. It's only a matter of economics. As long as we convey our gas through our gas transmission system located in Belarus, we pay the transportation costs and transit fees to ourselves. If we convey gas via North Stream running under the Baltic Sea, where Gazprom holds a 51 per cent stake, a half of the transit fee we pay to ourselves accordingly. Apparently, it is more profitable than to pay the entire transit fee to another transiting company.

If we speak about the percentage, I won't give any comments. Everything depends on the gas demand. The created facilities enable us to convey great amounts of gas to Europe. In 2012 we will transit as much as Europe purchases. The percentage ratio between the Ukrainian transit corridor and other transit corridors will depend on this as well. Let's wait till the end of the year and receive specific numbers.

QUESTION: Roman Tsymbaluk, UNIAN Agency. Mr. Miller, what do you think about Ukraine's plans to considerably reduce the amount of gas imports from

Gazprom? Are you going to file a lawsuit with the Stockholm arbitration court considering that Ukraine plans to purchase only 27 billion cubic meters, which is less than was stated in the contract? Thank you.

ALEXEY MILLER: You see, this issue is being regarded for the first time and for 2012 only. Last year, Ukraine fully met its obligations on gas offtake under the “take-or-pay” provision.

Our Ukrainian partners announced that they would reduce the purchases of Russian gas. But I suppose it is better to handle problems as they come up. In any case, the “take-or-pay” provision deals only with annual contractual amounts. Let’s see how much gas Ukraine will really offtake.

Let me highlight: Ukraine has to offtake as much gas as needed to avoid problems in winter and it has to pump a sufficient amount of gas into its UGS facilities to guarantee there won’t be any disruptions in gas transit or in gas supply to Ukrainian consumers.

We are very attentive to legal aspects of our contract. In case, Ukraine doesn’t offtake the minimum required amount of Russian gas, the documents we have for the moment will be the basis of our claim against Ukraine. I emphasize: let’s solve problems as they come up. In the legal area this problem may arise only at the end of 2012.

Speaking of the purchase amount. The intergovernmental Russian-Ukrainian commission meeting took place a while ago. After the meeting the questions were made on whether Russia and Ukraine represented by Gazprom and NAK Naftogaz Ukrainy had come to the agreement that the annual contractual amount of gas equal to 52 billion cubic meters was going to be reduced under the contract. No, it is not true. There are no changes in the amount of gas supplies to Ukraine. The amount of gas supply to Ukraine, the annual contractual amount of gas will remain 52 billion cubic meters. This issue was never negotiated.

QUESTION: Alexey Novikov, Interfax agency. Hello, Mr. Miller. My question is about Belarus. There was no news after consolidation of 100 per cent of Beltransgaz. How is it going on with Beltransgaz? Certainly, Beltransgaz has its own system of underground gas storage development that was approved long ago. Nevertheless, since Gazprom has become the owner of Beltransgaz, will the plans to develop this sector be intensified?

ALEXEY MILLER: No news is good news. It means that the planned work is being done in a sustainable way.

I want to thank the Belarusian Government for the effective and constructive cooperation. We work in close cooperation and we have a common understanding of the goals and tasks of the Belarusian gas transmission complex development.

Over the last few months the volume of gas transit via Belarus has been increased. This is the mutually profitable cooperation we are going to develop.

As for our investment plans, I'll answer without naming any specific objects. For now, the transit route via Belarus is more efficient for us than via any other country. We will consider this when planning our future investments.

QUESTION: Retch Pospolita newspaper. Europe reduces the import of your gas, and China is not yet willing to buy gas at your high price. On what ground are you claiming that you are going to export more? Who will buy this gas?

MODERATOR: We have the same question from ARD channel.

QUESTION: Daniil Galaynov, ARD channel. Mr. Miller, the information has come up about the reduction of gas supplies to European countries. What do you think is the reason for this and what is the forecast for the near future, particularly, for the next year? Thank you.

ALEXEY MILLER: Thank you for the question. Maybe a year ago we said that we had seen new tendencies in the European Union for the first time ever. Not only in the gas market, but in the energy market as a whole. In these sectors the tendencies on the European Union market have always been unidirectional. They had different paces but were unidirectional.

A year ago we noticed that multidirectional tendencies appeared on the energy market, on the gas market in particular, and they were opposed to each other. Some of them were growing, some of them were declining. The declining ones were in Southeastern and Southern Europe. The growing ones were in Germany, France, and Northern Europe. However, I may say that in the last year we haven't seen any negative dynamics in the prosperous countries, the leading countries of the European Union and there was no strong concern for the tendencies in the market we had in the last year.

Today the situation has changed. Now we see a drop in energy consumption in the leading European countries. This is related to intensified recession and economic status of Europe. The tendency we saw in 2012, particularly in the second quarter, is as follows: a certain reduction in gas supplies to the European Union combined with a certain reduction of gas prices forecasted in the short term. We supply gas under long-term contracts. We understand that the decline in Brent oil prices observed lately is making its contribution to the nine-month basket that will take place in the nearest future but won't influence a lot the level of absolute gas prices. The reason is the general economic and macroeconomic state of affairs in Europe.

What is going to happen next? Taking the coming winter into account, in the fourth quarter the consumption level will grow. It is hard to estimate the extent of it right now. Today we informed our shareholders at the General Meeting that Gazprom

didn't adjust its planned production for 2012. The volume equals 528 billion cubic meters of gas. Besides, I may say that we didn't make adjustments to European market, considering that the volume of production, the amounts of gas supplies to the EU market remained unchanged.

As for those who are going to buy this gas. The gas will be purchased by our consumers who have signed contracts with Gazprom. I want to highlight: first, we sell gas and then produce it. That is why all our consumers are well known.

I'd like to highlight the situation we had in 2011. All in all, there was a decline in energy and gas consumption in the European Union. However, the decline in the domestic gas production in the European Union countries, particularly in Norway, was much more significant! Despite a certain decrease in demand, the Russian gas export, Gazprom's export, was increased. Last year we increased the volume of gas export to Europe by 12 cubic meters. Only two countries managed to increase the volumes of gas supplies to the European market: Russia and Qatar. All the others reduced their supplies. There was no other supplier who could provide additional volumes of gas. I want to draw your attention to the fact that it all happened together with a certain decrease in demand, because the domestic gas production was receding much faster.

QUESTION: Maria Tatevosova, ITAR-TASS agency. Turkey always has problems with gas supply from Iran. Is Gazprom ready to increase the volume of Russian gas supplies to Turkey in case of an emergency situation with gas supplies from Iran? Thank you.

ALEXEY MILLER: This is what we actually do today. As you know, a terrorist attack took place at a gas trunkline that connects Iran and Turkey. Turkish official authorities reported on that. Presumably, it was a terrorist attack. Turkey applied to us with a request to increase the Russian gas supplies, what we have been doing since yesterday. The amount of Russian gas supplies to Turkey has been increased by 16 billion cubic meters a day. If we convert it to the annual amount the figure will be 6 billion cubic meters, just to compare. It is a significant amount.

Gazprom, Russia regularly supplies additional gas volumes to the Turkish market. There are different reasons for that. These are not only gas pipeline rupture, but abnormally cold winters that happen in Turkey. That is why I may say that today, at the current moment, we are supporting our Turkish colleagues.

As we know, Azerbaijan and Turkey have just signed an intergovernmental agreement on building a gas pipeline across Turkey to the border with the European Union. The construction will be carried out only by Azerbaijan and Turkey. It means that when the project comes onstream, if it is implemented at all, Azerbaijan will also take advantage from it.

In case of irregularities in Iranian gas supply to Turkey, in case of a very cold winter in Turkey, it seems that Azerbaijan will have a privilege and supply additional volumes of gas to the Turkish market.

QUESTION: Ekaterina Safonova, RBK Daily newspaper. Mr. Miller, when a new partnership agreement on the Stockman project can be signed? Will the modified structure allow the joint venture to perform LNG marketing from Shtokman? Thank you.

ALEXEY MILLER: No, the modified structure will not provide such an opportunity for the joint venture. Gazprom will have exclusive rights for gas marketing.

As for when a new agreement will be signed, I don't rule out the possibility that it will happen next week, anyhow, in coming days.

QUESTION: Anna Shiryayevskaya, Bloomberg agency. Has Gazprom chosen Shell as the new major partner in Shtokman? Does this mean that some of the partners will leave or dilute their shares? And, as for the deadlines, can you specify the deadlines of the final investment decision on Shtokman and of the LNG supplies launch? Thank you.

ALEXEY MILLER: It is possible that during the negotiations that we have to conduct and finish, a new partner may appear as part of the project.

As for the stakes held by foreign participants in the project – this depends on the negotiations results, though we will be guided by the old structure. The deadlines of the final investment decision and the commencement of construction and, accordingly, commissioning is a matter of an agreement that is being prepared and discussed now.

QUESTION: Anastasia Goreva, Argus Media agency. I have a question about LNG in general and about Shtokman in particular. Gazprom has several LNG projects at the moment: an LNG plant in Vladivostok, Sakhalin II capacity creep, Shtokman, plus you are negotiating with NOVATEK the development of the Severo-Tambeyskoye and the Zapadno-Tambeyskoye fields. Could you tell us about your order of priority for these projects?

ALEXEY MILLER: Let's build on the stages of these projects.

Sakhalin II is a working project. As you know, the amount of LNG production within Sakhalin II exceeded 10.5 million tons last year. Jointly with our foreign shareholders we decided that we will carry out the pre-investment studies and pre-FEED of the Sakhalin II third phase. The work will be finished this year and, following the pre-FEED results we will make a decision on the expediency of the third phase.

As for the LNG plant in Vladivostok, the project is currently at the pre-investment stage, the investment rationale is under development. I think that documents will be signed soon at the governmental level with the countries that may act as LNG purchasers within this project. The term in question is from 2016 to 2017.

As for Shtokman and the Tambey group of fields. I may say unequivocally: we won't start the Yamal LNG project until the Shtokman project is commissioned. There will be succession. We have signed the relevant memorandum with NOVATEK, the terms and the priority order have been specified for NOVATEK and we will participate in this project only after Shtokman comes onstream. I've given an answer about Stockman's deadlines. Certainly, they will be adjusted a little with respect to the original plans. But this is the joint decision of the shareholders within the new agreement that will be signed in coming days.

MARIYA TATEVOSOVA: At the shareholders meeting you were talking about the integrated export channel not only for pipeline gas, but for LNG as well. How will this apply to Yamal LNG and how will this mechanism work? Thank you.

ALEXEY MILLER: By means of an agency agreement with Gazprom Export.

QUESTION: Nadezhda Rodova, Platts Agency. Speaking of Japan, apart from LNG supply, at what stage are the negotiations, if there are any, concerning the pipeline gas? And, if possible, give some preliminary data, please.

ALEXEY MILLER: We have analyzed several optional routes of a pipeline placement to the Japanese islands. I can say that all the options led to one and the same answer, the same result: the pipeline placement from Russia to Japan is not reasonable either technically, or economically. That is why the issue of a pipeline placement to Japan is taken off from the agenda. Now we are considering only gas liquefaction projects, the projects of new liquefaction capacities.

NADEZHDA RODOVA: We hear the problem of price formation in China remains, and it is one of the reasons for the difficulties in negotiations. Moreover, in the course of earlier briefings we heard that Gazprom wanted first to decide on the LNG export program in the Far East before making a final decision on pipeline supplies to China. Does this mean that the last final arrangements on gas supply to China are postponed for a rather substantial period? When will the prerequisites that will allow you to come to a final agreement with China be created? Thank you.

ALEXEY MILLER: As for the western route of gas supply to China, we are considering pipeline gas and those pricing issues that still exist and remain unclosed, that is, pricing issues on pipeline gas supplies through the western corridor. As for the eastern gas supply corridor to China, today we do not have any options of pipeline gas supply to China from the vicinity of Vladivostok on our

agenda. The single and, thus, the prioritized course is the creation of liquefaction capacities in this region.

Therefore, taking into consideration the staging of liquefaction projects, the negotiations on price, volumes and timing with all the interested countries and companies will start in the nearest future.

ANNA SHIRYAEVSKAYA: A question about further possible expansion of Nord Stream.

Has Gazprom started preliminary negotiations with prospective participants, that is, what new partners may appear when the third and the fourth strings are going to be built? Is gas supply to the United Kingdom possible? Do you see the market in the long term and what are the British companies, you have started preliminary negotiations with – if any?

ALEXEY MILLER: The decision on the third and the fourth strings was made by those shareholders of Nord Stream AG who had made decisions on the first and the second strings. That is why it would be premature to discuss if there are negotiations on any new participants and if there are any new proposals.

The provisional engineering and economic analysis will be finished – please note, that it's not a feasibility study, but the preliminary engineering and economic analysis, and the shareholders of Nord Stream AG will consider these materials. The analysis of these materials will constitute a ground for the shareholders to make a decision on whether it is expedient to participate in construction of the third and the fourth strings.

As for Gazprom, we have already decided that for us, for Gazprom, it is expedient.

Speaking of the United Kingdom, both on the British governmental level and on the corporate level there have already been signals that the UK would be interested in one of the Nord Stream strings being routed to Great Britain, and it was BP who has shown such interest. I'd like to stress that these are not negotiations, but only interest shown.

As for the configuration of the pipeline section to the UK, this configuration, as you understand, may be different depending on whether this is an offshore pipeline from Russia through the Baltic to Germany or an onshore pipeline through European countries, and then an offshore pipeline through the North Sea to the UK.

Technically, it is possible and perhaps quite logic that there might be different shareholder compositions for different route sections. It is also possible that the shareholder composition for the offshore sections of the first and the second strings, as well as the third and the fourth strings, might remain the same. It is

possible that it may change. It is possible that for the string that will be routed to continental Europe the Nord Stream AG shareholder composition will remain, but it might be different for the fourth string that will have new target markets, the UK, in particular.

That's why now we understand that shareholder composition might be different for different sections. But right now this is not the subject of negotiations. Now we are waiting for the analysis of engineering and economic expediency of the third and the fourth strings. But anyway, the main decision on the third and the fourth strings and on the construction of new capacities from Russia through the Baltic Sea is scheduled for the end of 2012.

SOFYA PEKARIKHINA: It is known that discussions are being held now in the European Union on granting a new status to gas transmission projects that would exempt those projects from the rules of the Third Energy Package. They had a TEN status, and now they want to grant them a national interest status. Is there any work underway between Gazprom and Europe on this matter in terms of realizing South Stream? Thank you.

ALEXEY MILLER: This work is being done by the relevant ministries and departments of the Russian Federation Government in the first place. We think that this issue may be settled on the level of agreements between the Russian Federation and the European Union where the cross-border infrastructure, the gas transmission one, in particular, would be released from the jurisdiction of the Third Energy Package. I'd like to draw your attention to the fact that Norwegian pipelines called upstream pipelines have been released from the jurisdiction of the Third Energy Package. That's why we have an example to follow.

As for the influence of the Third Energy Package rules on South Stream, these issues are not significant for engineering and construction phases of South Stream. There's still time for discussions.

Construction of the pipeline's offshore section will start in December 2012 on the Russkaya compressor station site in the Krasnodar Territory, Russia. A solemn ceremony dedicated to launching the construction of the project's offshore section will be held there.

NADEZHDA RODOVA: We hear that you have been negotiating with Bulgaria about the price reduction. Bulgaria would like to get a discount on the gas price, and Bulgarian representatives stated that due to certain difficulties in financial issues that came up during the negotiations the agreements on South Stream will hardly be signed by November 15. Could you, please, comment on how the things stand in regard to the negotiations with Bulgaria, concerning both gas prices to this country and South Stream? Thank you.

ALEXEY MILLER: All the issues with our Bulgarian colleagues are settled. Acceptable agreements have been reached in an integrated manner.

Our Bulgarian colleagues will make their final investment decision on the offshore section and the onshore sections of South Stream by mid-November 2012. A gas discount is one of the terms of our integrated decision. All the agreements have been reached; there are no problems for the moment.

ALEXEY NOVIKOV: Mr. Miller, today Gazprom has many joint projects to enter with different partners – covering both the existing stations and projects for building new power stations. But if we consider the ratio of gas prices to energy prices on the European market, spark spread, now it is negative, and an extended forecast is negative as well. So, you have to make, perhaps, a political decision, whether to enter in those projects and not only make investments, but also sustain losses in the foreseeable future. How do you consider this issue, what are your ways of settling it?

ALEXEY MILLER: You have formulated your question quite correctly – there are certain difficulties. As for making these projects economically efficient, a certain preferential regime should be established that we do not have for the time being. On the other hand, we understand that this is an absolutely new model of energy cooperation and gas cooperation when we could deliver gas to power stations directly, conclude single source contracts, provide power stations with a preferential price regime and redistribute profit center in the direction of the energy market.

But you have pointed it out right: the situation in the European energy market is not easy now. I'll stress it once again: it is rather difficult to achieve economic efficiency without the preferential regime and appropriate decisions on the part of the European Commission's state bodies. But even though the European Union has proclaimed renewable energy sources as its priority in the framework of its Energy Strategy, the parallel development of gas-powered generation would be totally uncontested. The reason for this is the only possible way of shaving peaks in alternative energy sector is construction of gas-powered generation facilities. Only gas-powered generation, only combined cycle stations can immediately raise energy output to the required volumes and, therefore, smooth out those peaks that appear for objective reasons at renewable energy facilities. Renewable energy and gas-powered generation are inseparable.

Our biggest project is the project with the Bavarian Government; we signed a Roadmap. The work in this direction is being done in a sustained manner through the Bavarian government. Absolutely all the issues we are discussing today, open ones as well, are formulated. Our Roadmap will remain in effect till the end of 2012. That's why I suppose the work we'll do in the next six months will give us answers to many questions.

QUESTION: Stanislav Natanzon, Rossiya 24 TV channel. This year Gazprom's dividends hit a record high, but at the same time in comparison with the last year your investment program has decreased. Are these two facts connected somehow and is your investment program going to change because of the Company's recent decision to increase the net profit percentage allotted to dividends? Thank you.

ALEXEY MILLER: No, our dividend policy will remain the same. The amount of dividend percentage in 2012 will be the same as in 2011. We have already increased the 2012 investment program following the operating results in the first quarter; to be more specific, we have increased it by RUB 67 billion. Our initial amount was a bit less, that is RUB 777 billion, and the approved amount now is RUB 844 billion. The second quarter is about to come to an end, and the third quarter is ahead. Last year, you know, it was not at once that we reached RUB 1.2 trillion. But the amount of the investment program will in no way affect the dividend policy we will pursue.

EVGENIYA SOKOLOVA: The Ministry of Economic Development says there is a recommendation for state companies to pay 25 per cent of dividends according to IFRS. Does Gazprom consider this recommendation? Are you ready to do this and how soon? Thank you.

ALEXEY MILLER: We have considered it, but we'll see and count when the next year comes. We are a state-owned company, and we decide on such issues following directives anyway. That's why whatever the government directive is, this directive we will follow.

QUESTION: A question from the Internet: are you planning a buy-back of shares to support quotations and investors?

ALEXEY MILLER: To keep the capitalization level on the move, sometimes to achieve a company's growth a stock buy-back is put into practice, including the buy-back by the company itself. Today Gazprom does not consider such a possibility for itself. I'd like to draw your attention to the fact that Gazprom's dividend yield is the highest among oil and gas companies. That's why I recommend you to buy Gazprom's shares.

QUESTION: Vadim Davydov, Pravda newspaper. I'm really glad that at last the discussion has reached this topic, because I think unlike Ukraine and Shtokman, social issues are a concern of all who are present here today. I understand that our football players do not deserve to be financed at all judging by their performance at the European Championship. But is this enough of a ground for Gazprom to finance foreign football clubs, like Schalke 04? And if the reason is different, I'd like to hear what is Gazprom's purpose in doing so in the frames of charity.

There are many projects in our country where, unfortunately, Gazprom hasn't shown its participation to the full extent. The year 2011 was a year of the fiftieth

anniversary of the globally important event – the first flight of a man to space. Nobody knows that it should be ascribed to twenty almost unknown Soviet physiologists specializing in aerospace medicine. Almost all of them are already dead. But they were real heroes of their Motherland: they were burning in aerospace chambers, they were breaking their spines on catapults, they were detaching their heart valves on rotating machines, and they were kept top-secret at that time. And now nobody needs those few people who are still alive. This case is a fine example, in which we all try to find our national cause. Space is a cause that could unite everyone. Moreover, April 12 could be a national holiday.

Could Gazprom in the frame of its charity projects – at least so that the younger generation knew these examples, which are probably the only way to raise them – finance at least the memory book about those doctors? Thank you.

ALEXEY MILLER: It's fine that you are concerned about these issues. I do respect people who revere our Soviet and Russian history, who know this history. The knowledge of these facts creates a broader background, and it is through this background that we should perceive our present and future. If such background lacks, then, unfortunately, I think, it will be rather hard to reach the goals and objectives we have set for ourselves.

Sometimes I also read historical literature, I try to build on the origins, and I hold a tender feeling for anniversaries. Our history is glorious. Almost every day is some anniversary, an anniversary we can be proud of.

You were talking about space, and I will mention the topic which is much closer for Gazprom – the Arctic region. The year 2012 is an anniversary for us. 75 years ago the world's first polar station became operational. 75 years ago the first Russian Arctic Museum opened; today it is the Museum of Arctic and Antarctic in Saint Petersburg. 50 years ago, in July 1962, for the first time in the history the atomic submarine K-3 came up in the North Pole. It's the seventy-fifth anniversary of Chkalov's flight from Russia to the United States of America across the North Pole. The Arctic issue is a bit closer for Gazprom than the space issue. We have a certain understanding of how we work in this direction to support those anniversaries including cooperation with Sovcomflot. The Arctic shelf is our main center of oil and gas production in the midterm and it's very important for us how hydrocarbons will be transited to target markets. Moreover, there's enough space for new world records and new glorious dates in this sphere. We can set such world records in 2012.

Anyway, if you have any certain proposals, let us consider them and see of what service we could be to you. Though once again I stress the fact that Gazprom is doing a lot to support the historical background and remember our glorious dates. Let us consider the space issue as well.

Speaking of Schalke 04, I'd like to draw your attention to the fact that Schalke 04 is sponsored by Gazprom Germania, a company which sells gas in Germany. The German market is a target market for us. Europe is the target market number one for us, with Germany being on top of other countries in terms of priority. According to all experts' estimates, Gazprom made a right decision to sponsor one of the German teams. That's why we treat this project very carefully. I can say that the image of Gazprom and the image of Russia have improved in Germany, and I'll stress it once again, this project is financed – from the German market – by Gazprom Germania.

And I won't agree with you saying that Shtokman and Ukraine are not of a great concern for us. I have a feeling that Ukraine is everyone's concern.

QUESTION: Elena Grigoryeva, BBC Radio. We can see quite a lot of Gazprom advertisements in Russia. Will Gazprom advertisements appear abroad? Thank you.

ALEXEY MILLER: The issues of advertising abroad and of understanding that we will be using new advertising formats are related to the fact that Gazprom is a global company. We are entering the global market, that's why in the sphere mentioned in your question we will act with due consideration for the fact that Gazprom is a global company.

QUESTION: Rustem Tell, Tribuna newspaper. Mr. Miller, in your recent speeches, particularly, at the European Business Congress, and also today, you've been mentioning the importance and the need to develop natural gas vehicle (NGV) fuel as a kind of business really necessary for both our country and Gazprom. In what direction are you going to move, do you need government support in this issue? Is there a niche for private companies to invest into the development of gas filling stations?

And what kind of relationship is there between Gazprom and NOVATEK today – is that a partnership or a competition? The reason this question came up is that Gazprom has fully delegated gas supply to the Chelyabinsk Region to NOVATEK. How can you comment on this? Thank you.

ALEXEY MILLER: We see the development of NGV fuel market in Russia as one of the important development and expansion trends of the gas domestic market. Being the gas country number one, being the largest producers and exporters, unfortunately, we are not the leading country in NGV fuel production. Many countries are already ahead of us in this business.

We have all the prerequisites to develop this business: firstly, in order to change the environmental situation in million-plus cities, in big Russian cities; and secondly, in order to create new economic conditions for agricultural producers, for the railway, for water transport, and finally, for car drivers.

In addition, we are planning to organize our activity through regional gas supply and gasification programs, making NGV fuel a part of agreements we sign with Russian Federation constituents. It should also be noted that there is a certain interest group, including private companies that would be interested in investing in this business. Particularly in business. Speaking of creating some committees, we'd like to see a totally working body, which would include interested people, who see their interest in participating in this program.

Some of these days Gazprom is planning to hold an enlarged, multi-sectoral, as I call it, meeting, and to speak openly with representatives of other sectors and other companies to see what their opinions on the development of NGV fuel in Russia are, to understand and feel their interests, unite the efforts and work jointly from now on.

The interest that private companies hold is not new for us; we see the opportunities for private companies in the frame of this program, which are quite significant.

Speaking of NOVATEK, this is purely dialectic: sometimes we are competitors, sometimes we are partners. Concerning Yamal LNG – we are partners. In the market any company is a competitor anyway. Speaking of Chelyabinsk, NOVATEK has signed contracts with the most part of largest industrial consumers in the Chelyabinsk Region, so to say, has scooped the main and plum part of consumers. We made an offer to NOVATEK: if you have such a high percentage of gas delivery to large industrial producers with high financial reliability, wouldn't it be reasonable to consider a possibility for NOVATEK to also take community expenditures and public services upon itself? NOVATEK agreed. This is the reason for making such a decision on Chelyabinsk.

QUESTION: Oksana Gavshina, Vedomosti newspaper. Mr. Miller, Yaroslav Golko said in May that Gazprom was considering the opportunity of placing orders for purchasing large-diameter pipes in smaller lots, so that producers could take part in tenders themselves. Is there any decision made?

And my second question considers gas purchasing in Central Asia. According to your budgets, the Cyprian company Tancredo takes part in purchasing, there's a slight difference in pricing: USD 60 per 1,000 cubic meters. You pay more to this company, than you pay to your own subsidiary company. Does Gazprom have any single-source contracts on purchases in Central Asia? And what is using Tancredo scheme connected with?

ALEXEY MILLER: Today we in Gazprom are pursuing a very tough policy of cost optimization. This concerns tender and competitive procedures in particular. We have reached a considerable economic effect, because we have chosen such a tough, sometimes an extremely tough, course. And taking into consideration the fact that pipe products have a great share in the structure of Gazprom purchases, we are also considering the possibility of lot reduction and competition increase in

the frame of tenders themselves, while being aware that the issue of a lot is always connected to a certain project, a certain area and timelines as well, by the way. There are cases when, vice versa, a very large pipe volume needs to be delivered at short notice to this or that building site. But we are planning to reach cost optimization in the frame of competitions through lot reduction, including the pipe lot reduction.

As for Central Asian gas, today Gazprom holds gas purchase contracts in Turkmenistan, Kazakhstan and Uzbekistan. Work patterns on Central Asian gas in all of these countries are different. In one case, if we take Turkmenistan, for instance – it is a single source contract. In Uzbekistan the schemes are way more complicated, taking into account the resource base and the companies that work as subsurface users. And there is Kazakhstan, where work is carried out through the single export channel of KazRosGaz. Considering the fact that we have a resource base and that additional value is created, among other things, in production, gas purchasing schemes are diverse, and, in particular, they do not necessarily require the presence of Gazprom's single source purchase contract.

MARIA TATEVOSOVA: Mr. Miller, will Gazprom move to Saint Petersburg in 2015 or not? And if it will – what will be left of Gazprom in Moscow: its Administration or even less than that? How will we visit you? Thank you.

ALEXEY MILLER: No, we are not planning to move to Saint Petersburg. There is a certain understanding that Gazprom will follow a much more reasonable policy with regard to its staff and their location throughout the country. Specifically, this work is in line with the taxpayers' consolidation that we have started, where the aggregate approach consists in more fair tax distribution among regions. This particularly concerns producing regions; it also concerns transport regions, large transport corridors, which cross certain constituents of the Russian Federation.

Quite recently, a number of decisions in respect to Saint Petersburg were made. This is because we see the new place of Saint Petersburg on the Russian gas map, considering it to be a gas window into Europe thanks to Nord Stream. And we have certain ideas in regard to new market operations we could carry out with certain instruments, building on Saint-Petersburg being a city where Nord Stream starts its route to Europe. We understand that construction of the third and the fourth strings will require that at least 110 billion cubic meters of gas from this region were conveyed to Europe. In addition, new gas transmission capacities appear, for example, Gryazovets – Vyborg, and so on. The decisions made on Saint Petersburg are connected with the appearance of new main gas transmission capacities in this region and with emerging role of this Russian constituent as a stronghold for gas export to Europe.

But this concerns other regions as well. I can say that we are planning to optimize the figures both regarding our producing regions and regions crossed by gas transmission capacities.

MODERATOR: Thanks to everyone, good-bye for the moment.

ALEXEY MILLER: Thank you for such an involved discussion. Our meetings are held in different formats, Gazprom is always open for journalists, and we are always ready for meetings and diverse discussions. The best of luck, see you soon. Thank you.