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TO OUR READERS:

Blue Fuel, Green Planet

Natural Gas is Essential to Fueling an Environmentally-Friendly Economy

The energy policies of industrialized nations typically share three elements: sustainability, cost competitiveness and energy security. However, as concerns grow over climate change and CO₂ emissions, governments are reevaluating their energy policies to determine how to make them more environmentally-friendly. This especially rings true as world leaders and policymakers meet in Copenhagen to negotiate a successor treaty to the Kyoto Protocol.

The European Union is a notable example of a government that is proactively and vigorously addressing this issue. Their target for sustainable development requires a cut of 850 million tons of CO₂ by 2020 (using 1990 levels as a reference point). Some progress toward reaching the target has been made, largely due to economic restructuring in Central and Eastern Europe in the early and mid-1990s, and to switching fuel to gas in certain countries. But from 2000 to 2007, progress floundered — partly due to rising economic activity. In 2008, for example, greenhouse gas (GHG) emissions in the EU were 3,780 million tons — just two percent less than in 2000.

This means that a further incremental reduction of 385 million tons of CO₂ is required by 2020, or around 45 percent of the initial target. The size of this gap remains very large indeed, and recent progress does not instill confidence that the target will be met.

In an effort to reach this target, the EU has initiated a straightforward plan aimed at reducing fossil fuel consumption. Part of

Natural gas is the cleanest fossil fuel on the market, and is cost-effective when compared to renewable sources of energy. A decrease in the use of natural gas for power generation, especially when renewable energy sources are still unproven, will impede the EU's ability to reach its CO₂ emissions reduction goals.

this plan includes a phase-out of natural gas through energy conservation and the development of renewable sources of energy. According to the most extreme ecological scenario of the EU's new policy, by 2020, the EU-27 could reduce consumption of natural gas by 116 bcm in comparison with 2005 levels, and could reduce gas imports by 14 bcm. If this scenario were to occur, there would be no need for expanded imports from Russia, resulting in a reduction of gas volumes under existing contracts.

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LETTER FROM THE DIRECTOR GENERAL:

Gas Demand Grows and Remains Environmentally-Friendly

Alexander Medvedev, Deputy Chairman of OAO Gazprom Management Committee, Director General of OOO Gazprom Export



These are challenging times for the global economy, and, in particular, the global energy industry and natural gas sector.

Lately, it has been assumed that the global economic crisis has produced irrevocable changes to the European gas market. A conclusion that can be drawn from one of the recent scenarios put forth by the International Energy Agency (IEA) is that demand has reached catastrophic lows, and it will take years for the market to fully recover to pre-crisis levels, if at all.

Given the steady rise of demand for Russian gas within the framework of our contracts, we expect the overall decrease in European gas demand this year to be around five-to-seven percent. This slump is unprecedented in the European gas industry; however, gas consumption in Europe taken in absolute terms, even amid the crisis, did not fall below 2007 levels.

In other words, more evidence and data are needed to support the theory that the current system of natural gas demand is crumbling. This year, the demand for European car manufacturing products is expected to decline by 25 percent. Yet nobody doubts that demand will rebound as soon as the European economy frees itself from the grips of the financial and economic crisis. The gas industry, in our view, is no different from car manufacturing. We strongly believe that the situation in the European gas market is reversible, and the return to the original upward trend is inevitable.

Major global consultancies tend to agree. According to various estimates, the gas demand trend in Europe has bottomed out. The crucial issue is how long it will take for the market to recover to pre-crisis levels. Most forecasts predict 2012; as for

the end of the recession, experts believe it will end in the first quarter of next year.

It is noteworthy that the financial and economic turmoil forced leading consultancies, industry associations and governmental agencies in various countries to significantly revise their short-term forecasts, while mid- and long-term forecasts were subject to cosmetic amendments. The majority of these forecasts expect steady long-term growth in European gas consumption. For instance, the consensus-forecast estimates that European gas consumption will reach 683 bcm in 2020, and 742 bcm by 2030.

“It is noteworthy that the financial and economic turmoil forced leading consultancies, industry associations and governmental agencies in various countries to significantly revise their short-term forecasts, while mid- and long-term forecasts were subject to cosmetic amendments. The majority of these forecasts expect steady long-term growth in European gas consumption.”

One reason for the growing gas demand in Europe is the decrease in local European production capacities. As in the case of gas demand, dozens of forecasts predict gas production declines in Europe. The only difference between the forecasts is the pace of decline, without challenging the basic conclusion of the gradual downfall.

Then there is the environmental protection issue. Some European politicians claim that renewables are the only way to reduce greenhouse gas (GHG) emissions.

This is not quite true. Studies have shown that CO₂ emissions can be lowered by 185 million tons (half of the EU's 2020 target) by replacing less than half of Europe's existing industrial coal-fired power stations with gas-fired facilities of the combined cycle with a total capacity of about 50 gigawatts (GW).

This will not only help reduce GHG emissions, but it will also save more money than investing in nuclear energy or renewables. To achieve the same effect of CO₂ reduction by wind power, investments of some \$150 billion will be required. One would need at the same time \$50 billion to construct gas-fired power-generating facilities of the combined cycle, which implies savings of \$100 billion. Needless to say, there is plenty of gas to meet this additional market demand.

Finally, energy security must be taken into consideration. We believe that the safety and security of energy supply means being able to satisfy the peak time demand in a predictable and economically efficient way. Natural gas is the safest source of energy when it comes to peak consumption, compared to other sources of energy, including nuclear, solar, wind and hydropower.

Renewables are critically dependent on weather and climate conditions. For example, in the United Kingdom, the loading level of wind power facilities in winter months for the last six years fluctuated from zero to 50 percent. In the last two years, the loading level was somewhere between zero and 10 percent. No system operator can guarantee that it is possible to meet peak time demand using renewable energy. Therefore, during peak time consumption, when there is no alternative but gas to generate power, the European consumer will pay tax on gas as one of the carbons (such a tax will be introduced in France next year). What kind of common or business sense does that make?

UGSF in Europe: Gazprom Group's Goal is Supply Reliability

Vladimir Khandokhin, head of logistics and gas purchases at Gazprom Export, answers some of the most frequently asked questions about Gazprom Group's strategy and tactics in the construction and operation of underground gas storage facilities (UGSF).



What is Gazprom Group's goal when developing underground gas storage facilities in Europe?

Gazprom Group is one of Europe's major gas suppliers. Our gas fields are about 6,000 km from Western Europe. In view of the length of this gas transport system, and our strong commitment to energy security in Europe, we have adopted a strategy of developing a network of underground gas storage facilities in European countries. This network will help Gazprom supply gas without interruption within the framework of our obligations under long-term gas supply contracts: when transport system operators are performing repairs along the transport route; during emergency work at some pipeline segment; and at a time of peak demand when there is a shortage of transit capacities in the countries through which Russian gas is routed.

What principles guide Gazprom when it selects potential underground gas storage facilities in Europe?

At the beginning we consider the strategic location of gas storage facilities, which must not be far from the primary transit flow of Russian gas. Then we perform a feasibility analysis and assess the investment risks of developing a given underground gas storage facility. Using these principles we are now developing underground gas storage facilities in Austria, Serbia, Germany, the Netherlands and Hungary. We are seeking other underground gas storage

facilities that will ensure the safety of Russian gas exports, both via traditional routes and via new ones – Nord Stream and South Stream.

Why is Gazprom seeking to be a co-owner of the underground gas storage facilities rather than just leasing storage capacity?

First, the facilities that Gazprom is developing, usually with licensees, would never have reached the construction phase without Gazprom's involvement. Second, to ensure the reliability of supplies, Gazprom needs long-term storage capacities for 20 years or more. It makes sense for Gazprom to be involved with decision-making on these capacities during this period of use as a co-investor.

Does this imply that Gazprom has made it a goal to control the activities of the storage facility operators with respect to its adherence to "open market" principles?

One of the fundamental conditions for deciding in favor of entering into a project is that Gazprom Group owns at least 50 percent of the UGSF, the rest belonging to a partner. In the long run, it is important for Gazprom Group that its capacities not be transferred to a third party, since these storage capacities have been figured into Gazprom's long-term plan for gas supplies to Europe. The capacities that belong to the partner are generally offered on the open market, and we have no plans to build any roadblocks to third party access to storage capacities.

But can't you block third party access to storage capacities through your participation in management committees?

There is no advantage for us to do this with respect to the capacities that do not belong to Gazprom Group, since it would affect the cost-effectiveness of the entire project. Through management committees, we aim to reduce investment and operating costs, and to ensure that the underground gas storage facilities are built on time using the specified engineering designs. Accomplishing these goals will lead to a lower storage rate and benefit all users of each facility.

What is your attitude toward the principle of "use it or lose it" when it comes to the use of capacities?

We are not planning to develop any surplus storage capacities, primarily because it is not cost-effective. Before determining whether we need a certain amount of storage capacity, we perform a thorough analysis and determine the storage capacity we will actually use to ensure the safety of Russian gas supplies. If, in the short-term, we have available capacity, we are ready to put it up for sale on the open market.

Does that mean that you are not afraid of competition on the gas market if third parties have access to storage capacities?

Of course not, unless this pertains to Gazprom Group's own capacities. Let me reiterate, our goal for using storage capacities is different from that of ordinary traders. Our goal is to ensure the reliability

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Challenges and Opportunities for the Gas Industry

Marcel Kramer, Chairman of the Executive Board and CEO, Gasunie



Let me start with a simple fact: in the coming years, domestic production of natural gas in the European Union, primarily in northwest Europe, will decline from 202

bcm in 2007 to about 133 bcm in 2020.

In terms of demand, while we should expect some short-term drop-off as a consequence of the current economic recession, I am convinced that gas demand will remain solid in the long term. This was recently confirmed by the International Energy Agency's (IEA) World Energy Outlook for 2009, which forecasts that gas demand will grow steadily, albeit initially at a slower pace due to the economic situation.

In any case, it would be irresponsible to let this current pessimism about the economy influence our planning. The reduction in domestic gas production combined with increasing demand will have to be compensated by new imports from various sources and routes. These imports will reach Europe through pipelines from the east, north and south in the form of liquefied natural gas (LNG) from all over the globe. To ensure sufficient capacity for this gas influx, substantial investments in gas production and gas infrastructure – pipelines, storage facilities, LNG terminals – will need to be made. The challenge that we are now facing is to ensure that these investments are made in a timely manner.

Natural Gas: Fuel of choice for the future

For years, gas has been seen as the fuel of choice among fossil fuels. Recently, however, this enviable perception has come under attack. Gas is no longer perceived to be as cost-competitive compared to other fuels as it once was. Furthermore, policymakers have

increasingly focused on renewables — “clean coal” with CCS and even nuclear — rather than on gas. Finally, the security of natural gas has come into question.

Steering this perception in a positive direction again will require a concerted effort by the gas industry. Gas should be given a voice again. Policymakers should be convinced that the role of gas in the future energy mix is essential and fulfils the objectives of security, competitiveness and environmental sustainability of energy supply and use.

Gas is set to gain further importance particularly in the context of sustainable energy. Gas is not only the cleanest, but also the most flexible and sustainable fuel source. The unpredictable supply patterns of other sustainable energy sources, such as wind and solar, will demand even more flexibility in order to match supply with demand — a key issue for future energy supply systems. Gas provides this flexibility and, for this reason, is the cornerstone of sustainable energy.

Gas supply systems are very well-positioned to contribute to low-carbon energy supply, not only due to the favorable combustion properties of natural gas, but also because these systems substitute climate-neutral “green gas” for energy from carbon-rich energy sources such as coal and oil. In this way, gas acts not only as the bridge to the sustainable energy future but also as a part of this sustainable future. Gasunie is driving various initiatives to “green the grid,” including certification of green gas and the introduction of green biogases into the grid. These initiatives reinforce the role of natural gas as a transition fuel and will strongly contribute to maintaining the role of gas as the fuel of choice in the long term.

Creating attractive markets

Gasunie is making strong efforts — along with huge investments — to expand

infrastructure in the northwest European gas market. The aim is to create a well-functioning and secure market that is attractive for producers, suppliers and consumers. In response to our customers' needs, we continue to build what we call the “gas roundabout” of northwest Europe. A typical roundabout has a number of entry and exit points and a design that provides for an efficient flow of traffic. Our “gas roundabout,” offering a route to the market with many entry and exit points for sellers and buyers, will become a reality through a range of specific projects. These projects can only be initiated if they are based on sound customer demand. Examples of such market-driven projects include the BBL pipeline connecting the Netherlands and the UK, the GATE LNG terminal, the joint venture with Vopak and four long-term customers, our participation in the Nord Stream pipeline project together with Gazprom and our German partner companies, and our salt cavern storage project in the Netherlands. Additionally, we are significantly expanding the Dutch grid for domestic demand, transit and export.

Russia, for one, is playing a very important role in the global energy market. Russian gas is, and will continue to be, a key part of the European energy import portfolio. It is therefore necessary to create and maintain the conditions that stimulate producers of gas to continue providing this gas to the EU market. The security of supply that the EU wishes to maintain can only be achieved if there is a corresponding security of demand for producers. Such challenges can best be overcome if we cooperate and find solutions together. Industry from both the supply and demand sides has an important role to play in this. Gasunie, for example, ought to make clear that, in addition to short-term arrangements, long-term commitments and contracts remain necessary to underpin investments and to mitigate risks for both suppliers and consumers.

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The investment challenge

Creating an attractive gas market and achieving security of supply for Europe requires a proper investment climate. Part of such a climate demands a regulatory regime that provides investors with a fair return to underpin their investments and promote the removal of cross-border obstacles. A more integrated European regulatory approach would stimulate enhanced services and cross-border flows, facilitate access for multiple suppliers and help to avoid unnecessary infrastructure costs. In some EU member states such as Germany, the regulatory regime needs improvement as timely investment might otherwise not be realized. As one of the leading gas infrastructure companies in Europe, Gasunie is fully involved in the discussions with policymakers and regulators at European and national levels to achieve this goal. With this central role and with the help of energy policy experts in our offices in Brussels and Moscow, Gasunie is well-placed to contribute to the dialogue between producers and consumers at the industry level. Such industry expertise is important to ensure that the dialogue at the political level leads to results that are practical and efficient and can realistically meet the objectives from both the supply and demand sides.

Securing resources: the human element

A key factor for ensuring the future sustainability and integrity of the gas industry, like any industry, is that of human capital. An emerging challenge for the energy industry is that personnel are getting older — the 46-50 age demographic, for example, has significantly increased. A silver lining in this otherwise bleak picture is that the energy industry continues to be a sought-after field for the younger generation. As these new employees enter the sector, they will need to understand changes in the market and what impact they have on it (e.g. market liberalization, climate change issues, etc.).

With this in mind, Gasunie and a group of other leading energy companies, including Gazprom, remain committed as partners of the Energy Delta Institute (EDI) — a unique business school combining strong academic knowledge with practical industry experience. Together with the Berlin-based European School of Management and Technology, EDI developed the Fellowship on Energy Programme launched by the European Business Congress in 2009. The aim of this international program is to prepare future leaders of the energy sector for the major transitions in the European energy business and to enhance cooperation within the energy sector.

The aging of the workforce might lead to a brain drain which, if not addressed, could have serious consequences for the gas industry moving forward. For this reason, Gasunie decided to establish an independent center of expertise, called the Global Gas Networks Initiative (GGNI) in the Netherlands. The Netherlands is a leading gas country, with a great deal of expertise and experience in the exploration and production of natural gas, its transport and application. Dutch gas experts have valuable knowledge and skills at their disposal, which are in great demand across the globe. It would be very unfortunate to lose this knowledge when older personnel ultimately retire.

GGNI is putting this valuable knowledge to good use by playing an intermediate role between retired experts who are committed to their profession and companies or governments with energy questions and issues. In addition, it offers traineeships to young, talented technicians in the Netherlands and abroad to achieve future excellence in the varied areas of natural gas. The Dutch Ministry of Economic Affairs supports this initiative, which has been joined by other gas infrastructure companies in the Netherlands. This makes GGNI an experienced, well-rounded partner in solving some of the toughest energy questions.

Meeting the challenges

The gas industry is facing considerable challenges and opportunities. Gasunie is committed to addressing these challenges head-on and pursuing all available opportunities. More than ever, human resources will play decisive role in successfully meeting our challenges. In addition, we will need to work more closely with our colleagues and partners in the gas industry to achieve our joint objective of a well-functioning and secure gas market that is attractive for producers, suppliers and consumers alike.

The logo for Gasunie, featuring the word "gasunie" in a lowercase, sans-serif font.

Gasunie is a European frontrunner as a fully unbundled gas infrastructure company. Its cross-border network ranks among the largest high pressure gas pipeline grids in Europe, transporting annually some 125 bcm through a network of more than 15,000 kilometers of pipeline in the Netherlands and Northern Germany. The network spans from the area of Berlin to and through the Netherlands to the UK (through Gasunie's participation in the BBL pipeline). In addition, Gasunie is one of the shareholders in the Nord Stream pipeline project.

Russia and Italy Celebrate 40 Years of Meaningful Relations in the Natural Gas Field

Throughout December, Gazprom Group and Eni are commemorating the 40th anniversary of natural gas and energy relations between Russia and Italy. It all started in 1969 with negotiations that resulted in the first Soviet-Italian gas supply contract, and the delivery of six billion cubic meters (bcm) of gas to Italy. Over the last 40 years, that quantity has evolved into the collaborative, fruitful and meaningful relationship that Eni and Gazprom Group share today.

Eni's relationship with Soviet and Russian energy related agencies goes far beyond trading Russian gas. In the late sixties, when Russia started the construction of important infrastructures, Eni provided equipment, expertise and services. In the seventies, the relationship with Eni was so strong and stable that the two nations partnered to construct the Trans Austria Gas Pipeline Gasleitung (TAG) to transport Russian gas via Slovakia and Austria. The first shipments through the TAG arrived in Italy in 1974.

Over the past four decades, Eni has imported 400 bcm of gas from Russia. Today, Italy is the third largest European importer of Russian gas; in 2008 alone, 22.4 bcm of gas was delivered to Italy by Gazprom Export. The recent renewal of contracts has extended the terms of the deliveries until 2035.

In 1992, Eni contributed to the modernization of Russia's pipeline system, allowing it to recover significant volumes of gas that was otherwise unused. In 1998, Eni and Gazprom Group marked a new stage in their cooperation: the creation of NeftoAgip, a joint venture designed to operate upstream and downstream.

In 2000, the Blue Stream Pipeline Company (BSPC) was created. Constructed by Saipem in just three-and-a-half years with pipes laid at a record



The Blue Stream project's Saipem 7000 pipe-laying ship in the Black Sea. Photo by Gazprom.

depth of 2150 meters on a very irregular seabed, the Blue Stream project is one of the most technologically advanced gas transportation projects in the world.

Today, as a result of the agreements with Eni, Gazprom Group is taking the initial steps to sell 3 bcm directly on the Italian market. There are also good prospects for a partnership in the power generation sphere.

Eni and Gazprom Group are currently involved in another ambitious project: the South Stream pipeline. With an overall designed annual capacity of up to 63 bcm, South Stream will ensure greater energy security for Italy and Europe as a whole by diversifying supply routes, and also by helping Europe meet its future growing energy demand. This sentiment is shared by both partners.

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Gazprom and EDF Sign Memorandum Detailing Joint Participation in South Stream Project

Gazprom Management Committee Chairman Alexei Miller and Electricité de France (EDF) CEO Henri Proglio signed a Memorandum of Understanding on the possibility of EDF helping to construct the offshore section of the South Stream pipeline. The joint signing took place during the Franco-Russian intergovernmental seminar meeting in Paris and in the presence of Prime Minister of Russia Vladimir Putin and Prime Minister of France François Fillon.

The document specifies that EDF will work with ENI to outline details of the project. ENI currently owns 50 percent of South Stream AG, the operator of the offshore section of South Stream. The Memorandum also states that Gazprom and EDF will expand cooperation in the sphere of natural gas supply and in the electricity sector in France and elsewhere.

Alexei Miller remarked on the significance of bringing on EDF as a partner: "Today, we are gaining a new reliable and long-term partner. The participation of a French company in the South Stream

project underscores the European scale of the pipeline and is additional evidence of its tremendous importance for ensuring stable energy supplies to the continent. We are confident that South Stream, along with Nord Stream, which is being recognized by a growing number of European countries, will ensure the well-being of Gazprom's customers in terms of energy."

Meanwhile, Henri Proglio shared his vision for EDF, one of the leaders in the energy market in Europe: "The agreement signed with Gazprom, the first gas producer in the world, marks the start of a long term partnership between the two companies. It enables EDF to complete a further major step forward in its strategy aiming to secure its gas supplies, both for supplying its own electricity production facilities and for selling natural gas to its clients. The Group wishes therefore to strengthen its presence through a gas reserve and infrastructure project as the Dunkerque gas terminal project in France, which is due to come online in 2014."

Background on the EDF Group:

The EDF Group is an integrated energy company active in all businesses: generation, transmission, distribution, energy supply and trading. The Group is the leading electricity producer in Europe. In France, it has mainly nuclear and hydraulic production facilities where 95 percent of the electricity output involves no CO₂ emissions.

EDF's transport and distribution subsidiaries in France operate 1,274,000 km of low and medium voltage overhead and underground electricity lines and around 100,000 km of high and very high voltage networks.

The Group is involved in supplying energy and services to more than 38 million customers around the world, including more than 28 million in France.

With 29 billion cubic meters of gas handled in Europe in 2008, the Group is a significant player in the gas sector, mainly through its European subsidiaries. The Group generated consolidated sales of € 64.3 billion in 2008, 47 percent of which came from Europe excluding France. EDF is listed on the Paris Stock Exchange and is a member of the CAC 40 index.

To Our Readers:

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While Gazprom Group applauds the new energy policy's emphasis on conservation and environmental protection, we are concerned with the projected market displacement of natural gas. We believe that this approach will not guarantee energy security and will not be money-wise.

The authors of the EU's new energy policy claim that moving away from natural gas is a response to the high cost of imported fuels. The solution is more costly; in effect, such a policy would result in additional taxes on European citizens without offering a satisfactory solution to the EU's energy import dependency.

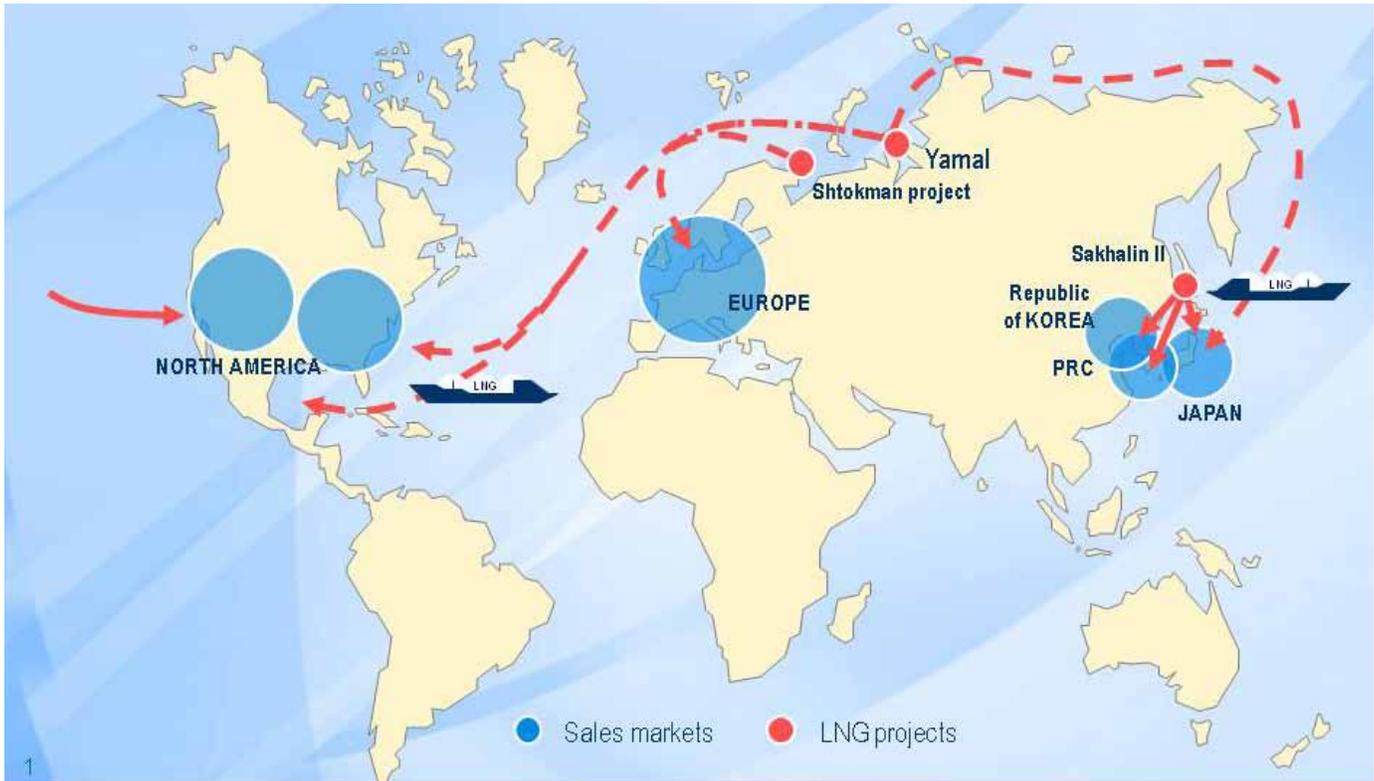
Natural gas is the cleanest fossil fuel on the market, and is cost-effective when compared to renewable sources of energy. A decrease in the use of natural gas for power generation, especially when renewable energy sources are still unproven, will impede the EU's ability to reach its CO₂ emissions reduction goals.

Gazprom is not against renewables. However, it is hardly justifiable that huge cost savings, which could easily be achieved by adopting gas-based solutions, are offset by non-market subsidies in support of renewables. We believe that business and market mechanisms, e.g. carbon trading, should decide the best clean fuel mix.

Broader use of natural gas contributes to a cleaner environment and is cost-effective. As the world moves beyond Copenhagen and continues to debate ways to fight global climate change via energy, natural gas should be part of any policy discussion or solution.

Gazprom Marketing & Trading USA Launches North American Natural Gas Business

Initial Operations to Include Gas Swaps and LNG Marketing



Source: Gazprom

On 1 October 2009, GM&T USA, Inc. announced that it had begun trading and marketing natural gas in North America, marking the first entry by a Gazprom Group company in the United States.

“The development of new markets and products is key to Gazprom Group’s global energy strategy. We have now achieved our goal of bringing the world’s largest gas company into the world’s largest gas market,” said Vitaly Vasiliev, Chief Executive Officer of Gazprom Marketing and Trading Limited in the United Kingdom. “Our U.S. affiliate is now off and running, and we look forward to significant growth and profitability from our expanding geographical base.”

Gazprom Marketing & Trading USA has acquired physical gas supplies from counterparties at designated pipeline hubs across North America by executing a number of innovative, long-term gas swap transactions that have allowed it to quickly gain a substantial physical gas supply position in North America.

John Hattenberger, President of Gazprom Marketing & Trading USA, said: “These gas swaps have given us a strong supply foundation to build our marketing and trading operations. We have already signed deals giving us more than 350 million cubic feet per day of physical supplies at several different locations all across the U.S., for the next three to seven years. Our goal now is to grow

from that position rapidly and expand into all major North American markets.”

Gazprom Marketing & Trading USA will also market liquefied natural gas (LNG) exported to North America by its Gazprom Group affiliates. In May 2009, the company signed long-term agreements enabling it to buy LNG from the Sakhalin-2 LNG plant, off Russia’s Pacific coast, which started production in 1Q 2009; and to regasify LNG in a facility in Baja California, Mexico, transport it by pipeline to southern California, and sell natural gas into southwestern U.S. markets. The company also plans to import LNG into the USA from the giant Shtokman LNG projects in the Arctic.

Gazprom Marketing & Trading USA and Statoil ASA Commence Series of Transactions

Initial Agreements Include Cove Point, Maryland Capacity Deal and Gas and LNG Sales

On 1 December 2009, Gazprom Marketing & Trading USA and Statoil ASA announced the signing of a non-binding Memorandum of Understanding for the finalization of a series of separate, mutually beneficial agreements between the two companies including regasification capacity at the Cove Point, Maryland receiving terminal for liquefied natural gas (LNG), gas sales in the USA and LNG imports to the US.

Statoil and GM&T USA are currently negotiating all terms and conditions of the final binding detailed agreements based on the MoU. The parties aim to finalize negotiations by first quarter 2010. Under the terms of the MoU:

- GM&T USA will, under a separate LNG throughput agreement, receive access to 50 million cubic feet per day (approximately 0.5 billion cubic meters per year) of regasification capacity at the Cove Point terminal starting in 2010. In addition, GM&T USA will in a separate throughput agreement receive long-term access to 200 MMCFD (2 bcma) of regas capacity at the Cove Point terminal for 18 to 20 years. GM&T USA will utilize the capacity to import LNG purchased from Gazprom Group's world-wide portfolio of supplies. Both agreements also include the release to GM&T USA of take-away Cove Point Expansion pipeline capacity.
- GM&T USA will purchase natural gas from Statoil at various trading hubs in the U.S. market. This agreement, which commenced on 1 November 2009, includes a gas volume of 100 MMCFD (1 bcma) and will last more than five years.
- Statoil will purchase, under a separate 20-year agreement, 200 MMCFD (2 bcma) of LNG from Gazprom Group's global portfolio of LNG supplies for delivery in international waters to Statoil for regasification at the Cove Point terminal.

Gazprom Marketing & Trading USA President John Hattenberger said: "The

About Gazprom Marketing & Trading USA: Gazprom Marketing & Trading USA was formed in July 2006 to serve as the platform to entry into the North American market. GM&T USA is also engaged in obtaining and operating LNG regasification capacity, and is actively developing a business to provide solutions for reduction of carbon emissions. The company is a wholly-owned subsidiary of Gazprom Marketing and Trading Limited, which is headquartered in London and was established in 1999 to manage Gazprom's marketing and trading activities in the liberalized markets of Europe.

About Statoil: Statoil is an international energy company with operations in 40 countries and is the second largest supplier of gas in Europe. Headquartered in Norway with 30,000 employees worldwide, Statoil has more than 35 years of experience from oil and gas production on the Norwegian continental shelf. Statoil is listed on the New York and Oslo Stock Exchanges.

regasification agreements with Statoil will enable GM&T USA to import significant volumes of LNG purchased from Russia and other sources, both short and long term, and will provide a firm foundation for our long term LNG supply strategy. Our gas purchase agreement enables us to strengthen our North American marketing and trading operation, which we launched on 1 October, and provides us with gas supplies in areas of strategic importance. We are very pleased to add these North American deals to the long list of business transactions between our companies, and we look forward to additional business opportunities in the future."

Statoil ASA's U.S. affiliate, Statoil Natural Gas, has a long-term throughput arrangement with Dominion, the owner of the Cove Point terminal which is an import terminal for gas to the US east coast.

Here, liquefied natural gas is delivered, stored and regasified to become pipeline gas. Since 2003, Statoil has delivered LNG to Cove Point. The group has access to a total capacity of some 10 billion cubic meters of gas annually.

"The agreement is an important step in Statoil's efforts to ensure supply for our LNG-import and regas capacity at Cove Point. It further underlines our ability to develop our gas business in the US where we over a relatively short time have built a position in upstream conventional production, shale gas and the LNG-import terminal Cove Point," said Irene Rummelhoff, Senior Vice President for International Gas Development in Natural Gas in Statoil. "It is also an important broadening of the successful commercial relationship between the companies in the Gazprom Group and Statoil."

Bergermeer Gas Storage Consortium and Gazprom Export Announce Investment Program Decision

On 21 October 2009, the Bergermeer Gas Storage Consortium and Gazprom Export announced the Final Investment Decision (FID) on the Bergermeer Gas Storage investment program, with the BGS Consortium agreeing to invest 800 million euros in the construction and design of the gas storage facility between 2009 and 2013. Gazprom Export will provide a certain amount of cushion gas for injection into the Bergermeer reservoir and will receive working capacity and a participating interest in the technical operatorship of the facility.

As operator of the project, Abu Dhabi National Energy Company (TAQA) has completed a thorough environmental and safety assessment and expects to receive all necessary permits in 2010. The construction of the facility will start once the necessary permits have been granted, allowing commercial operations to commence in 2013.

"I am delighted with this final investment decision by the BGS Consortium and Gazprom Export," said Paul van Gelder, managing director of TAQA in the Netherlands. "This is a substantial milestone and represents TAQA's commitment to this flagship project. The transfer of high-end technological knowledge and skills from this program will provide the Netherlands, and particularly the Alkmaar region, with substantial employment and career development opportunities."

Jan Dirk Bokhoven, chairman of the Executive Board of EBN, said, "Our approval of the project is based on sound business principles and marks an important step for EBN toward extending its range of activities for the future. In addition, the project is expected to make a valuable contribution toward the ambition of our shareholder, the Dutch State, to realise the 'gas roundabout of North-West Europe' in The Netherlands."



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Managing Director,
TAQA Netherlands*

"The Bergermeer Gas Storage program is a large-scale endeavor," said Alexander Medvedev, Deputy CEO of Gazprom and Director General of Gazprom Export. "By being linked to gas transit systems very close to major trading platforms we can cover demand in peak moments and conclude deals on the spot market. We at Gazprom Export value the opportunity to propel this project in collaboration with solid and respectable partners and firmly believe that Bergermeer UGS has all the makings of a true success story."

UGSF in Europe

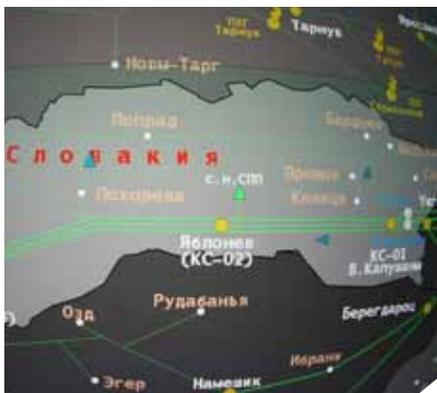
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of gas supplies. Therefore we do not see any competitors here.

What is Gazprom Group's position on the potential increase in requirements concerning the use of capacities in gas storage facilities the European Commission is planning to adopt?

We are making major investments in the development of gas storage facilities, primarily because we are confident that Gazprom Group will use our capacities in the long term. To reiterate, our network of underground gas storage facilities in Europe will ensure the stability of the development of the gas market in Europe. By contrast, any disruptions in Russian gas supplies would lead to market frenzy and result in a drastic increase in gas prices. Storage capacities can help mitigate the effects of supply disruptions, and thus protect consumers. We therefore hope that the European Commission's Recommendations will take into account the particulars of Gazprom's ownership of storage capacities.

Gazprom-Slovakia Energy Relations



Gazprom has been pumping gas to and through the Slovak Republic for more than 40 years. A major portion of Russian gas volumes exported to Western Europe is transited through Slovakian gas pipelines. Slovakia imports at an annual rate of approximately six billion cubic meters of gas supplies.

Between 2000 and 2008, total export volumes of gas to Slovakia amounted to 68.4 bcm. During the same period, the volume of Russian gas transported through Slovak territory amounted to nearly half a trillion cubic meters.

Under a 20-year agreement signed in November 2008 and effective from 1 January 2009, Gazprom's partner SPP will buy 130 billion cubic meters of gas for Slovakia's own needs during that entire period. According to the new transport contract, the company Eustream A.S. will transport one trillion cubic meters of gas to European customers over the next 20 years. In the past ten years, Eustream transported 600 billion cubic meters through the territory of the Slovak Republic.

Regarding the ongoing projects between the Slovak Republic and Russia, just recently, during the visit of Prime Minister

Robert Fico to Moscow, both sides agreed that Gazprom and its Slovak partners will study the opportunity to set up a joint venture for natural gas storage and sales. Gazprom's efforts to further develop gas storage facilities will provide a significant safety margin to ensure reliable gas supply to European consumers even during seasonal peak periods.

Slovakia is an important partner for Gazprom, which has been working hand-in-hand with the Slovak gas industry since the signing of the very first supply contracts with former Czechoslovakia in 1967. This is a partnership which Gazprom values and, with the Slovak government being a shareholder in SPP, the Slovak people do as well. Slovakia remains both an important export market and a vital transit route of Russian gas to Gazprom's main European markets.

Fueling the Soul: Russian and Polish Energy Companies Sponsor Warsaw Concert

The Tchaikovsky Symphony Orchestra, under the leadership of renowned conductor Vladimir Fedoseyev, performed an inspiring and successful concert at the Warsaw Teatr Wielki — Polish National Opera. On 26 November 2009, Russian musicians presented to Polish connoisseurs the suite from Peter Tchaikovsky's "Sleeping Beauty" ballet and Dmitry Shostakovich's Symphony No. 5.

Gazprom Export, the joint Russian-Polish enterprise EuRoPol GAZ and Polish PGNiG — all partners in the energy industry — sponsored this celebration of classical music.

After the concert, Vladimir Fedoseyev said, "The audience in Warsaw was absolutely wonderful. The house gave us a standing ovation three times during the performance. Isn't that the crowning reward for any musician? I also had a chance to talk to maestro Krzysztof Penderecki, whom we consider to be a

grand name in the musical world. We agreed to invigorate our contacts, both personal and professional. Maestro gave his consent to write some music for our orchestra. All in all, my second visit to Poland was a complete success. I am thankful to Gazprom Export for this opportunity. Truly, I am filled with positive emotions, most likely to enhance the creative spirit of myself and of my colleagues. I hope the Polish classical music lovers will cherish memories of our meeting as well."

"Since Gazprom maintains intense commercial and economic interaction with Polish business, we are extremely pleased to have this opportunity — in cooperation with our Polish partners — to treat the Warsaw classical music aficionados to the masterpieces of the Russian musical realm," said Alexander Medvedev, Deputy Chairman of Gazprom and Director General of



Gazprom Export, who was in attendance at the concert. "Such concerts do not relate directly to business, but, surely, they pave the way for better understanding, also on an emotional basis, and create favorable conditions for cooperation in various fields."

The Tchaikovsky Symphony Orchestra headed by Vladimir Fedoseyev is considered to be the national treasure of Russia.

“I Learn From You” Charity Event

Gazprom Export teamed up with the “For the Future” Center (which provides psychological assistance to orphaned children), with the Administration of the Smolensk region, and with the Smolensk Diocese to hold the “I Learn From You” charity event at a boarding school for visually impaired children in the village of Chernysh in the Smolensk region of Russia.

Taking part in the event were orphaned or abandoned students from the Chernysh Boarding School for Blind and Visually Impaired Children, students from a correctional boarding school from the city of Yartsevo, and students from an

Orthodox orphanage operating under the auspices of the Smolensk Diocese.

Since 2006, Gazprom Export has collaborated with the For the Future Center to provide psychological assistance to orphans and abandoned children in the Smolensk region through the “I Learn From You” program.

Designed specifically for boarding school students, the program introduces children to basic understandings and skills of Russian folk art.

This autumn, a performance by the Smolensk Puppet Theater was one of the highlights of the festival. Participants received “Illustrated Books for Small Blind Children,” age-appropriate books adorned with visual and tactile image perception aspects.

The books introduce children to the world around them, familiarize them with reading skills, serve as an aid in the development of speech, memory and imagination, and provide an immersion into a cultural and artistically stimulating world.

Gazprom Export has been a part of the UNESCO-founded “Books for Small Blind Children” program for six years. In 2008, the company was awarded a gold certificate for its participation and the company’s German partners, Wintershall Holding AG and VNG (Verbundnetz Gas AG), received silver certificates for their contribution to the success of the program.



The Day of Big Football for Russia and Germany

On 10 October 2009, the Grand Sports Arena of the Luzhniki Olympic Complex in Moscow hosted the Russian and German national football teams, who were playing a decisive 2010 FIFA World Cup South Africa qualifying match. Football fans from both sides were also given the opportunity to enjoy playing against each other at the stadium prior to the event, allowing this day of big football to come full circle.

The team representing Gazprom Export met with the Dresden Football Fans Association (Fanprojekt “Dynamo” Dresden) on the football battlefield. The match ended with a convincing victory of 7-3 for the Russian football players. But as the photo taken after the match vividly demonstrates, the game also revealed two other winners: friendship and amateur sport.



Note: Football in this instance refers to soccer