

Report on Sakhalin community meetings held by Sakhalin Energy in 2008

In 2008 Sakhalin Energy held a series of public meetings in order to fulfil its commitments made in Public Consultation and Disclosure Plan and to ensure public awareness about the Project implementation. The meetings were held in the communities directly affected by the Project activities. In the course of this information campaign, Sakhalin Energy representatives visited a total of 17 communities. Total number of people who took part in the consultations exceeded 1,000.

Summary Report on the community meetings is provided below.

Settlement	Date	Venue	Number of participants	Questions	Answers
Nogliki	20 May	District Leisure Centre	16	<ul style="list-style-type: none"> - Are there any age requirements for employment at the Company? - Are there any plans in place to guard the Automatic Block Valve Stations and to recruit personnel for this purpose? 	<ul style="list-style-type: none"> - Recruitment of personnel by the Company is performed in compliance with the RF labour laws. - Yes, the Stations will be guarded by qualified security organisations.
Tymovskoye	21 May	Vocational school No. 7	110	No	
Aleksandrovsk-Sakhalinsky	22 May	Teacher Training College	139	<ul style="list-style-type: none"> - Our town is not affected by the construction, so what are the benefits to be gained by the residents of Aleksandrovsk-Sakhalinsky? 	<ul style="list-style-type: none"> - The Russian Party started to receive payments as early as in 1996. First payments were made in the form of bonuses. Since 1999, bonuses have been supplemented with the royalty on Vityaz operations. As of late 2005, the aggregate amount of payments made by Sakhalin Energy was equal to US\$460 mln. In 2008, upon achievement of full-scale activities under the Project, the amount of royalty payable to Russia will make some US\$300 mln a year. It will take 5 to 6 years to recover the initial costs (US\$22 bln) incurred for creation of Sakhalin II production complex. It can be expected that in 2012 or in 2013 the Project will start to bring profit, and since then the applicable RF revenue will go up to US\$2 bln a year (assuming \$34 per barrel). If the Sakhalin Oblast maintains its current share in the profit tax (17.5% out of 32%), the revenue of the local budget will amount to about US\$600 mln, i.e. the current budget of the Sakhalin Oblast will double. Assuming the oil price of \$34 per barrel, total revenue derived by the RF from the Project over the Project life will amount to \$50 bln. Today, the oil price is much higher, and the RF revenue will potentially be even higher than that. <p>Russia's indirect benefits are related to participation of hundreds of Russian enterprises in the Project. As of September 2007, total value of contracts awarded to Russian</p>

				<ul style="list-style-type: none"> - Will gas supply be arranged in the island, and when will this happen? - Can the Company provide assistance in arranging some sport events for our college students majoring in "physical training instructor" field? 	<p>enterprises has exceeded US\$10 bln, with further opportunities expected in various areas such as well drilling, HR training, offshore operations, and production site management.</p> <p>New jobs appear in Sakhalin. Today, Russian nationals make about 70% of those 20 thousand people who are involved in the Project. Sakhalin oil- and gas project operators contributed to the decrease of unemployment to 1.5%, the lowest unemployment rate in Russia. During the operation phase, the Company and its contractors will establish a total of 2,400 permanent jobs, let alone the jobs being established in associated industries due to the general economic rise in the island.</p> <p>General infrastructure is being continuously improved, with US\$400 mln allocated for the improvement of motor roads, railroads, bridges, communication lines, ports, airports and healthcare facilities.</p> <ul style="list-style-type: none"> - The goal of Sakhalin II Project is to manage the hydrocarbon production project only, but not the issue of gas supply in Sakhalin. All questions about the gas supply in Sakhalin can be referred to the Administration and to Gazprom whose competence covers the national gas supply issues. - You may lodge an application/project for participation in Sakhalin Energy <i>Small Grants / Big Deeds</i> Social Program. This is one of the Company most popular charity programs aimed to support the initiatives and to resolve social problems. Since commencement of this Program, the Company has supported more than 160 projects related to environmental protection, healthcare, social support and cultural development in the island.
Smirnykh	23 May	Secondary school	120	<ul style="list-style-type: none"> - What are the specialties and educational background that are in demand in the Company? 	<ul style="list-style-type: none"> - Sakhalin Energy offers various personnel selection/development programs, including programs of training and upbringing of inexperienced staff. Today, Sakhalin Energy has its own Training Centre used by the Company to train technical specialists using its own resources. All of the apprentices are the Sakhalin residents. The Centre trains ship electricians, constructors, mechanics, and several specialists with higher education. After an intensive six-month language learning course, the trainees undergo a major technical

					training, and can then choose a job at one of the Company facilities: offshore platforms, LNG plant, OPF or pipelines.
Dolinsk	27 June	Vocational school No. 18	49	No	
Aniva	28 May	Children Art Centre Municipal Education Institution for Children Extended Education	32	<ul style="list-style-type: none"> - Can the Company arrange a tour to LNG plant for the war veterans residing in Aniva District? - Is knowledge of a foreign language a prerequisite for employment at the Company? - What about the meals at the platforms? - What kind of specialists does the Company need apart from technicians? - What is the number of personnel currently working with the Company? Are there any vacancies for cooks? 	<ul style="list-style-type: none"> - You may lodge an application for such a tour to our LNG/OET External Affairs. Please contact Alina Azizova at 294413, or Tatyana Derivedmid at 290993, or Natalya Gonchar at 294212. - No, knowledge of a foreign language is not a prerequisite for employment at the Company. - Platform personnel are offered full hot meals including meat- and fish courses. - The Company is managing the whole Sakhalin II Project and therefore needs various specialists. It needs, in the first place, specialists with technical educational background (engineers, mechanics, technicians, etc.), as well as lawyers, finance specialists, taxation specialists, etc. - Today, the number of the Company personnel is more than 20 thousand persons. Most of the services for the Company personnel are provided by dedicated contractors. In particular, catering services are provided by <i>Eurest-loca</i>.
Poronaysk	29 May	Secondary school No. 1	47	<ul style="list-style-type: none"> - Why is petrol so expensive? - What are the countries that will be buying oil under the Project? - When will gas supply be arranged in Poronaysk for dwelling houses? - Who will acquire the camps in Poronaysk? 	<ul style="list-style-type: none"> - Sakhalin Energy is not engaged in oil product pricing issues. Price of petrol is made up of the following basic components: cost of oil, wages to oil refinery personnel, depreciation, and taxes. Besides, price of fuel is linked to the world prices of oil. - All Vityaz-grade oil produced is exported to the Asia Pacific and US markets: Japan, Korea, USA, Thailand. In the past, oil was also exported to China, Taiwan and Philippines. - The goal of Sakhalin II Project is to manage the hydrocarbon production project only, but not the issue of gas supply in Sakhalin. All questions about the gas supply in Sakhalin can be referred to the Administration and to Gazprom whose competence covers the national gas supply issues. - The issues of temporary camps are currently under discussion.

Makarov	30 May	Administration	21	<ul style="list-style-type: none"> - Project works involve more people from Makarov District than from Poronaysk District, don't they? Then why Poronaysk District enjoys more social projects than Makarov District? - What are the vacancies offered by the Company today? 	<ul style="list-style-type: none"> - Social projects are being implemented in almost all of Sakhalin districts. For example, medical equipment has been purchased for Makarov District hospital. - For current vacancies, please refer to the Company information materials you received in the beginning of this meeting. In addition, you can obtain applicable information from the following sources: <ol style="list-style-type: none"> 1. Website www.sakhalinenergy.com 2. Community Liaison Officer in your community 3. District Employment Centres 4. Monthly publications in district newspapers
Gastello, Poronaysk district	27 November	Secondary school	36	<ul style="list-style-type: none"> - Can the specialists currently engaged in the Project pick up natural objects? - Will gas supply be arranged in our village? - How can inexperienced specialists get a job in your company? What specialties are currently in demand? 	<ul style="list-style-type: none"> - It is prohibited to pick up any nature resources for the personal benefit, except where there is a risk of threat to human health and safety. - The goal of Sakhalin II Project is to manage the hydrocarbon production project only, but not the issue of gas supply in Sakhalin. All questions about the gas supply in Sakhalin can be referred to the Administration and to Gazprom whose competence covers the national gas supply issues. - For current vacancies, please refer to the Company information materials you received in the beginning of this meeting. In addition, you can obtain applicable information from the following sources: <ol style="list-style-type: none"> 1. Website www.sakhalinenergy.com 2. Community Liaison Officer in your community 3. District Employment Centres 4. Monthly publications in district newspapers
Makarov	28 November	Secondary school No. 2	19	<ul style="list-style-type: none"> - Will gas supply be arranged for the boiler-houses in Sakhalin? 	<ul style="list-style-type: none"> - The goal of Sakhalin II Project is to manage the hydrocarbon production project only, but not the issue of gas supply in Sakhalin. All questions about the gas supply in Sakhalin can be referred to the Administration and to Gazprom whose competence covers the national gas supply issues. Sakhalin Energy has made gas topping provisions along the trans-Sakhalin pipeline system.

Aniva	1 December	Secondary school No. 1	79	<ul style="list-style-type: none"> - Please tell us about your grants for school-leavers? - What are the job opportunities offered by the Company to inexperienced specialists? 	<ul style="list-style-type: none"> - In January 2009, information on educational grant program will be published in local mass media and will be made available to the Department of Education of the Sakhalin Oblast. Besides, you can get consultations from the specialist in your district, namely from Olga Shpagina (tel.: 29-47-44). - For current vacancies, please refer to the Company information materials you received in the beginning of this meeting. In addition, you can obtain applicable information from the following sources: <ol style="list-style-type: none"> 1. Website www.sakhalinenergy.com 2. Community Liaison Officer in your community 3. District Employment Centres 4. Monthly publications in district newspapers
Dolinsk	2 December	Secondary school No. 1	52	<ul style="list-style-type: none"> - What are the benefits derived by the residents of Dolinsk District from the Project? - The Sakhalin Oblast is the place of active seismic processes. How does the field development affect the seismicity in Sakhalin? - Why do we sell oil and gas instead of using them in Sakhalin and in Russia? 	<ul style="list-style-type: none"> - Main production facilities have not yet been commissioned. Yet, Russia and the Sakhalin Oblast are deriving financial benefits even at the construction and seasonal production phase. Total proceeds derived by the RF from the Project in the period from 1997 through 2007 exceeded US\$800 mln (more information is available in the 2007 Annual Report). - The Project is being implemented in the zone of high seismic activity. Safety of the main facilities is ensured through special engineering solutions (more information is available in brochure <i>Sakhalin II, Russia's Large-Scale Innovative Project</i>). - The goal of Sakhalin II Project is to manage the hydrocarbon production project only, but not the issue of gas supply in Sakhalin.
Nogliki	3 December	Nogliki branch of Industrial and Economic College	35	<ul style="list-style-type: none"> - What countries do you export oil to? - For how long is the operations phase expected to run? - How will the field development affect the seismic processes in Sakhalin? - What will come once the Project is completed? How many other projects will there be developed? 	<ul style="list-style-type: none"> - All Vityaz-grade oil produced is exported to the Asia Pacific and US markets: Japan, Korea, USA, Thailand. In the past, oil was also exported to China, Taiwan and Philippines. - For 35 to 40 years. - The Project is being implemented in the zone of high seismic activity. Safety of the main facilities is ensured through special engineering solutions (more information is available in brochure <i>Sakhalin II, Russia's Large-Scale Innovative Project</i>). - Sakhalin hydrocarbon reserves total to 45 bln barrels, with only 9% allocated for Sakhalin II Project.

Tymovskoye	4 December	Secondary school No. 1	100	<ul style="list-style-type: none"> - Why don't we have gas supply in Tymovskoye District? - Does the extraction of hydrocarbons affect the seismic processes in Sakhalin? 	<ul style="list-style-type: none"> - The goal of Sakhalin II Project is to manage the hydrocarbon production project only, but not the issue of gas supply in Sakhalin. - The Project is being implemented in the zone of high seismic activity. Safety of the main facilities is ensured through special engineering solutions (more information is available in brochure <i>Sakhalin II, Russia's Large-Scale Innovative Project</i>).
Smirnykh	5 December	Evening school	98	<ul style="list-style-type: none"> - Why is the Company reducing staff now? - What will come once the Project is completed and all hydrocarbons are extracted? 	<ul style="list-style-type: none"> - The Project is nearing the operations phase. - Sakhalin hydrocarbon reserves total to 45 bln barrels, with only 9% allocated for Sakhalin II Project.
Yuzhno-Sakhalinsk	10 December	Sakhalin Fuel and Energy College	34	<ul style="list-style-type: none"> - Who and when was performing exploration of hydrocarbon reserves in Sakhalin? - Where did you borrow the unemployment and average wage data used in your presentation from? - How many other projects will there be developed in Sakhalin? - What about the remaining 41 bln of oil barrels? - Is there any chance of being employed by the Company? 	<ul style="list-style-type: none"> - Sakhalin was explored for available hydrocarbon reserves in the 70-s, with financial support provided by Sodeco, Japan, under the applicable Agreement between Japan and Russia. - The data used in the presentation were provided by the Department of Employment for the Sakhalin Oblast and by the Committee of Economics of the Sakhalin Oblast. - Currently, 10 projects have been explored in the continental shelf of Sakhalin. Some of the reserves have just been explored, others are already being extracted, and the share of the latter is rising every year. - These are the strategic reserves of Russia, and this issue is within the competence of the RF Government. - There are many employment opportunities, everything depends on you. Information about vacancies can be obtained from the following sources: <ol style="list-style-type: none"> 1. Website www.sakhalinenergy.com 2. Community Liaison Officer in your community 3. District Employment Centres 4. Monthly publications in district newspaper

Kholmsk	12 December	Sakhalin Industrial Technologies and Service College	45	<ul style="list-style-type: none"> - Does hydrocarbon extraction produce impact on Sakhalin environment? - What is the amount of royalty received by Russia under the PSA? - Why don't they use gas as a source for heat power stations? 	<ul style="list-style-type: none"> - Oil deposits are porous sand structures. When a reservoir is managed, special fluid is injected to equalise reservoir pressure. - The Russian Party started to receive payments as early as in 1996. First payments were made in the form of bonuses. Since 1999, bonuses have been supplemented with the royalty on Vityaz operations. As of late 2005, the aggregate amount of payments made by Sakhalin Energy was equal to US\$460 mln. In 2008, upon achievement of full-scale activities under the Project, the amount of royalty payable to Russia will make some US\$300 mln a year. It will take 5 to 6 years to recover the initial costs (US\$22 bln) incurred for the creation of Sakhalin II production complex. It can be expected that in 2012 or in 2013 the Project will start to bring profit, and since then the applicable RF revenue will go up to US\$2 bln a year (assuming \$34 per barrel). - The goal of Sakhalin II Project is to manage the hydrocarbon production project only, but not the issue of gas supply in Sakhalin.
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The representatives of the External Affairs Department answered the questions during the meetings: Alexey Vladislavovich Okhotnikov, Government and Stakeholders Relations Manager, and Sergey Anatolievich Manchilin, Acting Government and Stakeholders Relations Manager.