

May 12, 2003

## **Basic Agreement Reached on the Purchase of Liquefied Natural Gas from the Sakhalin II Project**

Tokyo Gas Co., Ltd.

Tokyo Gas Co., Ltd. ("Tokyo Gas"; President: Hideharu Uehara) signed a basic agreement on May 12<sup>th</sup> regarding the purchase of LNG produced by the Sakhalin II Project, which is now being developed by the Sakhalin Energy Investment Company Ltd. ("SEIC").

Tokyo Gas has been in talks with SEIC since being briefed on the project in 1996. On this occasion, basic agreement on the main conditions was reached. The agreement was signed in Yuzhno-Sakhalinsk, in the Sakhalin Region of the Russian Federation.

The Sakhalin II Project holds large LNG reserves of approximately 500 billion m<sup>3</sup>. LNG facilities, with two liquification trains having a total maximum annual output of 9.6 million tons, will be constructed in Prigorodnoye on the southern end of Sakhalin Island. The project, which plans to supply LNG to markets like Japan, is the first Russian project that will supply natural gas to North-East Asia. Because of its abundant reserves and proximity to consumer regions, the project is expected to make a major contribution to future natural gas cost competitiveness and supply stability.

### **Outline of the Basic Agreement**

- 1) Seller: Sakhalin Energy Investment Company Ltd.
- 2) Buyer: Tokyo Gas Co., Ltd.
- 3) Contract term: 24 years starting April 2007
- 4) Scope of contract: 1.1 million tons / year
- 5) Delivery conditions: 100% FOB (free-on-board) basis

### **Features of the basic agreement**

- 1) There are competitive and flexible contract conditions that establish 100% FOB delivery and leverage the merits of the project's proximity.
- 2) This is the first time for Russia to export LNG, and the first time for it to supply natural gas to North-East Asia, and it will contribute to the diversification of Japan's natural gas suppliers.

## **Profile of Sakhalin Energy Investment Company Ltd.**

Company name: Sakhalin Energy Investment Company Ltd. (incorporated in Bermuda)  
Established: April 1994  
Head office: Yuzhno-Sakhalinsk, Sakhalin Region, Russian Federation  
CEO: Stephen H. McVeigh  
Main shareholders: Shell Sakhalin Holdings B.V. (Royal Dutch/Shell Group subsidiary, 55%)  
Mitsui Sakhalin Holdings B.V. (Mitsui & Co., Ltd. Subsidiary, 25%)  
Diamond Gas Sakhalin B.V. (Mitsubishi Corporation subsidiary, 20%)

## **Outline of Sakhalin II Project**

Main operator: Sakhalin Energy Investment Company Ltd.  
Production areas: Piltun-Astokhskoye, Lunskeye  
Estimated amount of recoverable natural gas reserves: Approximately 500 billion m<sup>3</sup>

## **Map of Sakhalin II Project Sites**

