

PRESS RELEASE

6 November 2007

Landmark deal for Russian pipe industry

Nord Stream and OMK sign a contract for offshore pipes

Vyksa, Russia, 6 November 2007. Nord Stream AG, Zug, Switzerland, and United Metallurgical Company (OMK), Vyksa, today signed a contract for the supply of steel pipes for the construction of the pipeline across the Baltic Sea. OMK will supply 25 per cent of the pipes for the first line of the 1,200 kilometre pipeline from Vyborg in Russia to Greifswald in Germany. 75 per cent of the volume needed for the first pipeline has been awarded to the EUROPIPE, based in Mülheim on the Ruhr, Germany.

The order awarded to OMK covers over 280,000 tonnes of high quality steel pipes. In total, Nord Stream AG is investing more than 1 billion Euros in the pipes for the first pipeline. By signing this contract for pipe supplies up to the beginning of 2010, Nord Stream has secured pipes for the first pipeline to ensure security for its supplies.

For the first time, a Russian pipe producer was contracted to supply high-quality pipes for a major offshore pipeline. As OMK is a new player on the offshore pipe market, its trial production was tested and certified by the independent DNV (Det Norske Veritas). This certification guarantees the highest international standard.

Result of a world-wide call for tender

The world-wide call for tender for the supply of pipes was made at the end of November 2006. Nord Stream, together with its shareholders, had already conducted an international study aimed at identifying possible suppliers. On the basis of this study, six manufacturers in Germany, Russia and Japan were invited to bid. The companies participating had to prove that they were able to supply high pressure-proof steel pipes with a large diameter for offshore use, in accordance with international quality standards and in the volume required. Four companies met these criteria. After examining their offers, one quarter of the order volume was allocated to the Russian pipe mill OMK, and three-quarters to the German manufacturer, EUROPIPE. Both companies are DNV-certified. They have the necessary capacity to manufacture and supply the pipes ordered in the years up to the beginning of 2010. Technical, commercial and capacity related criteria determined the split between the suppliers.

A new pipe supply tender will be held for the second pipeline. By then, the number of technically qualified pipe mills is expected to increase.

Important project step

The contractual agreement is an important intermediate step for the intended completion of the first pipeline in 2010. One-third of the pipes to be laid, i.e. more than 400 kilometres, must be available at various logistic sites when construction starts in 2009. By then, the entire production chain must have been completed – starting with steel production, plate and pipe production, up to and including the transport to coating and marshalling yards for the offshore installation.

Budgetary planning

As soon as the major contracts have been signed, Nord Stream will be able to use the prices contained in the bids received for the supply of pipes and the provision of logistics services and installation capacity as a real costing basis for a detailed project budget for the 1,200 kilometre pipeline. At the moment, Nord Stream calculates at least 5 billion Euros. A long-term cost comparison shows the economic benefits of laying the pipeline across the Baltic Sea rather than onshore. Total costs for Nord Stream, including operating costs for a period of 25 years, are estimated to be around 15 per cent below those for an equivalent onshore pipeline with the same transport capacity. The saving is mainly due to the compressor stations needed for an onshore pipeline which contribute to comparatively high operating costs.

The shareholders have injected equity into Nord Stream AG as required by the estimated project budget. This has been recorded in the Commercial Register. Further equity increases will be undertaken as required by the project budget in 2008 thus ensuring that Nord Stream has the necessary capital to meet its cash flow commitments.

Notes for editors:

Nord Stream is a natural gas pipeline that will link Russia and the European Union via the Baltic Sea. Gas import of the European Union, 336 billion cubic metres in 2005, is projected to grow by 200 billion cubic metres to 536 per year in 2015 (Source: Global Insight, 2007). Connecting the world's biggest gas reserves with the European gas pipeline network, Nord Stream will meet about 25 per cent of that additional requirement. The project will be an important contribution to long-term security of supply and a test of the energy partnership between the European Union and Russia.

Nord Stream AG plans to have the first of two parallel pipelines, approx. 1,200 kilometres long, each with a transport capacity of some 27.5 billion cubic metres per annum, operational in 2010. In the second phase, capacity should double to about 55 billion cubic metres a year.

Nord Stream AG is an international joint venture established for the planning, construction and subsequent operation of the new offshore gas pipeline. Gazprom holds a 51 per cent stake in the joint venture. Wintershall and E.ON Ruhrgas hold 24.5 per cent each.

United Metallurgical Company (OMK) is one of Russia's largest producers of pipes, railroad wheels, and other metal products for energy, transport, and industrial companies. The company employs over 25,000 people. OMK comprises six large enterprises in the metallurgical sector. The OMK pipe plant complex includes Vyksa Steel Works (Nizhniy Novgorod Region), Almetyevsk Pipe Plant (Republic of Tatarstan) and the plant Trubodetal (Chelyabinskaya Oblast); the metallurgic complex of OMK comprises Chusovoy Steel Works and Gubakha Coke (Perm Region) as well as Shchelkovo Steel Works (Moscow Region).

In 2006, OMK products accounted for up to 20 per cent of domestic pipe consumption in Russia, including 41 per cent of large-diameter pipes, 63 per cent of railroad wheels and over 70 per cent of automobile springs. In 2006, the OMK enterprises manufactured around 1.65 million tonnes of assorted pipes as well as over 400 thousand tonnes of rolled metal and 805 thousand railroad wheels. OMK's revenues in 2006 amounted to around 3 billion US-Dollar. Among the major consumers of OMK products are such leading Russian and foreign companies as Gazprom, Russian Railways, LUKOIL, Transneft, Surgutneftegas, Rosneft, TNK-BP, ExxonMobil, Royal Dutch/Shell, General Electric, Samsung. OMK products are delivered into 20 countries of the world.

Det Norske Veritas (DNV) is an Oslo-based independent foundation established in 1864 with the objective of safeguarding life, property, and the environment. It identifies, assesses, and advises on the management of risk in the maritime industry, energy and transportation. DNV has a dedicated research department that has enhanced and developed services, rules and industry standards. Many of the technology solutions developed have been so precise that they have helped define internationally recognized standards.

For more information please visit: www.nord-stream.com.

For further information please contact:

Irina Vasilyeva, mobile: +7 916 133 87 81

Jens Müller, mobile: +41 79 295 96 08

E-mail: press@nord-stream.com