

PRESS RELEASE

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**Sustainable Investment in Logistics around the Baltic Region
Nord Stream and EUPEC agree to sign Letter of Intent**

Zug, Switzerland/Dunkerque, France, 18 February 2008. Nord Stream AG (Zug) and EUPEC PipeCoatings S.A. (Dunkerque) will sign a Letter of Intent by the end of February 2008 for the supply of concrete weight coating and logistics services to implement the Nord Stream pipeline project. EUPEC will undertake the concrete weight coating for both Nord Stream pipelines at new coating plants to be constructed in Mukran (Germany) and Kotka (Finland). The agreement with EUPEC also includes interim trans-shipment, handling and storage of pipes across the Baltic Region.

The total budget of the coating and logistics contract is about 650 million Euros. Around 100 million Euros will be invested in establishing the required coating and logistics infrastructure around the Baltic Sea. The remaining budget covers raw materials, trans-shipment and labour costs.

This decision on logistics made by Nord Stream represents an important step for the project's efficient and timely implementation. To ensure that the pipes are properly coated by the time pipelaying starts, Nord Stream is making preparatory investments in the facilities and infrastructure needed for the coating, handling and storage of pipes in several locations.

Result of a world-wide call for tender

EUPEC was chosen on the basis of an international tender process, which was open to all interested service providers. The winning bidder, EUPEC, guarantees the timely delivery of comprehensive weight coating and logistics services. With its headquarters in Dunkerque, France, EUPEC has been providing reliable solutions to both the onshore and offshore pipeline industries for the "end-to-end" to assure total steel pipe protection for more than forty years.

Logistical challenge

Prior to the tender, Nord Stream prepared a comprehensive logistics concept for implementing the pipeline project. To ensure the Nord Stream pipeline is laid in the most efficient manner possible – in terms of costs, timing and to protect the environment – a customised logistics infrastructure in the Baltic Sea region comprising weight coating plants, interim stock yards and trans-shipment facilities is required. As Nord Stream is the first pipeline to be implemented in the Baltic Sea region, with several other pipeline projects being planned, a logistics infrastructure still needs to be developed.

With the aim of minimising transport distances, Nord Stream has assessed potential logistics locations along the Baltic Sea coast that are technically feasible and environmentally viable. Kotka in the Gulf of Finland and Mukran on the German island of Rügen have been selected as the locations for concrete weight coating and interim stock yards. Slite on the island of Gotland in Sweden is selected as main interim stock yard. The port Hanko on the South of Finland and Karlshamn in Southern Sweden are envisaged as additional interim stock yards in order to reduce transport distances to less than 100 miles. EUPEC as Nord Stream's logistics partner will hold further discussions with the relevant authorities at these locations about the facilities required to ensure delivery of comprehensive weight coating and logistics services.

Positive impact on local business

The logistics centres for the Nord Stream pipeline project represent major investments in these locations that will have a strong and positive impact on their regional development, boosting local business and employment.

The coating plants and interim stock yards in Mukran and Kotka are each expected to employ around 150 employees for some years. The interim stock yards at Slite, Karlshamn and Hanko are expected to require up to 25 employees at each site. Precise figures will be determined by EUPEC in the course of discussions at these locations. Investments in the logistics infrastructure will also have positive indirect effects on business development and employment in all these locations, as well as long-lasting benefits resulting from improvements to their infrastructures.

Envisaged timeline for logistics

The first pipes for constructing the pipeline are due to arrive in Mukran in April 2008 and in Kotka in June 2008 at the latest. Three-quarters are to be delivered by German manufacturer EUROPIPE and one quarter by OMK of Russia.

In both locations pipes will be stored prior to the weight coating application, which will be shared about half-and-half between Mukran and Kotka. Pipe coating is scheduled to start in Mukran in January 2009 and in Kotka in March 2009. All pipes for the first line of the Nord Stream pipeline are planned to be coated by December 2009. When coating is completed, the pipes will be transported from the two coating plants to the five interim stock yards and transhipped from these stock yards directly to the lay barge.

Notes for editors:

Nord Stream is a natural gas pipeline that will link Russia and the European Union via the Baltic Sea. Gas imports by the European Union, 336 billion cubic meters (bcm) in 2005, are projected to grow by 200 bcm 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 operational in the spring of 2011. Each line is approximately 1,220 kilometres long, providing a transport capacity of some 27.5 bcm per annum. Full capacity of about 55 bcm a year will be reached in the second phase, when operation of the second line starts.

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. BASF/Wintershall and E.ON Ruhrgas hold 20 per cent each. Dutch gas infrastructure company N.V. Nederlandse Gasunie is acquiring a 9 per cent stake.

EUPEC is one of the world-wide leading companies in the application of multi-layer anti-corrosion coating systems. For more than 40 years, EUPEC has been providing reliable solutions for the "end-to-end" protection of steel pipelines on both onshore and offshore pipeline industries. This international reputation also applies to concrete weight coating, pipe-in-pipe fabrication, cathodic protection, remote processing and monitoring of pipelines and services related to global project management and pipeline field services. EUPEC is certified ISO 9001, 14001, OHSAS 18001 and Qualicert.

For further information about the pipe-laying process please refer to our background paper "Secure gas supply for Europe: Laying and operation of the Nord Stream pipeline" (http://www.nord-stream.com/fileadmin/Dokumente/Background_Pipeline_Laying_eng.pdf)

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