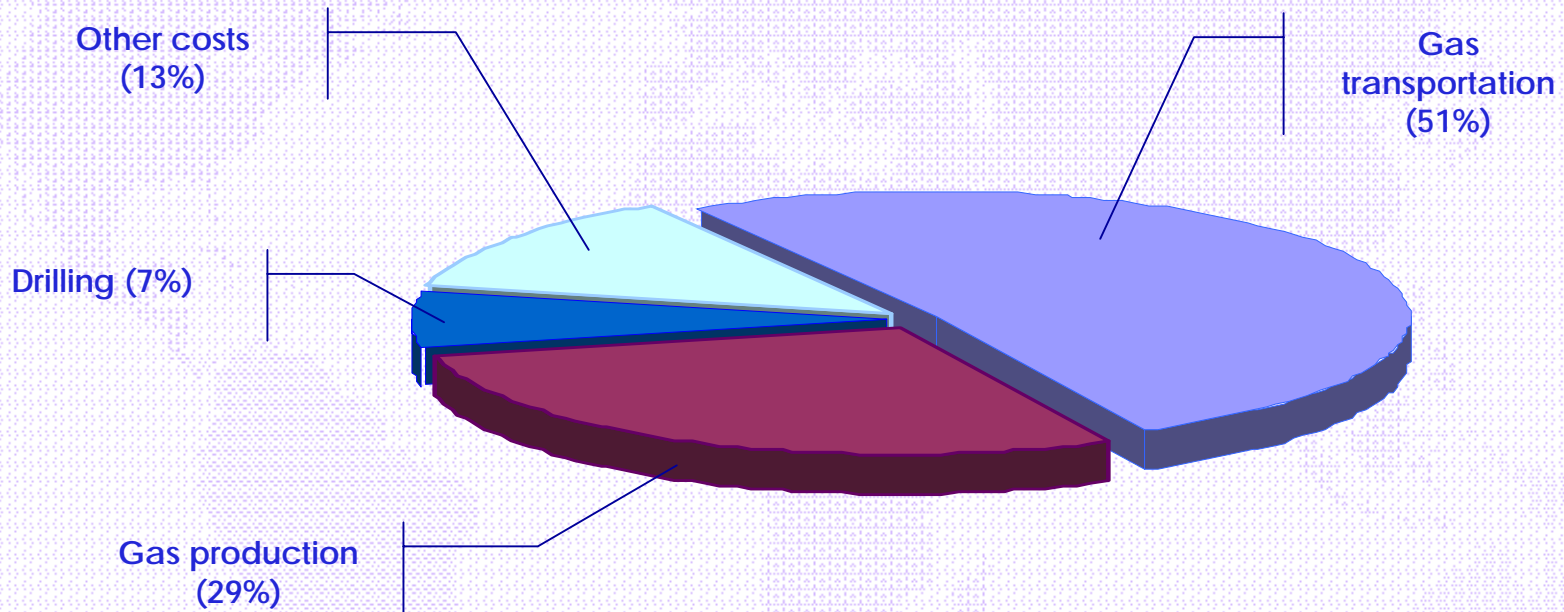

January 24, 2006, Geneva

New principles of OJSC «Gazprom» and Russian pipe producers cooperation

First deputy of the head of the Department of investments and
construction of OJSC «Gazprom»
Golko Ya.

OJSC «Gazprom» investments structure in 2006-2008

1



- North-European Gas Pipeline
- Gas pipeline «Yamal-Europe»
- North Regions of Tumen Area - Torjok
- Expansion of Urengoy gas transportation junction
- Gas pipeline «Pochinki-Isobilnoye-North-Stavropol Underground Storage»
- GTS creation in Eastern Siberia and on the Far East

North-European Gas Pipeline characteristics

3

First pipeline leg will be put in operation in **2010**,

Second leg – in **2012**

Land section:

Length	917 km
Working pressure	9,8 MPa
Diameter	1 420 mm
Strength class	K60
Wall thickness	21,6-32,0 mm
External coating	three-layer anticorrosion polyethylene
Internal coating	smooth, epoxy

Underwater section:

Length	1 200 km
Working pressure	17 - 21 MPa
Diameter	1 219 mm
Steel grade	X70-X80



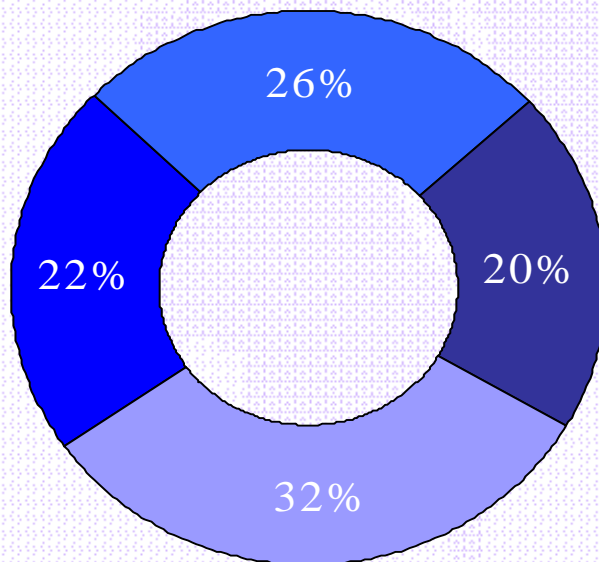
ЧЕЛЯБИНСКИЙ ТРУБОПРОКАТНЫЙ ЗАВОД

JSC «Chelyabinsk Tube-Rolling Plant»



ВЫКСУНСКИЙ
МЕТАЛЛУРГИЧЕСКИЙ ЗАВОД

PJSC «Vyksa Steel Works»



ВОЛЖСКИЙ ТРУБНЫЙ

OJSC «Volzhsky Pipe Plant»

Import, including



ХАРЦИВСКИЙ
ТРУБНЫЙ ЗАВОД

OJSC «Harcizsky Pipe Plant»

- One longitudinal-seam pipes with 508-1420 mm diameter, wall thickness up to 50 mm, strength class K52-K80 (X52-X100 according to standard) for working pressure up to 24,7 MPa (250 atm.);
- Two longitudinal-seam pipes with 1016 - 1420 mm diameter, wall thickness up to 30 mm, strength class K52-K65 for working pressure 5,4-9,8 MPa (up to 100 atm.)

- Providing of high reliability gas transportation (on difficult land and sea areas) at long distance
- Reduction of pipes purchasing expenses and delivery costs
- Optimization of financial and supplying conditions of pipes production

- Open competition
- Tender conducting before acceptance of investment program
- Using of sliding prices mechanism
- Delay of contract attachment till acceptance of investment program

- production and sale of material-technical resources
- contractual operations in building
- transportation and storage of loads
- engineering, consulting, logistics and other services
- financing, crediting and insuring of deliveries, operations and services

January 24, 2006, Geneva

New principles of OJSC «Gazprom» and Russian pipe producers cooperation

Chairman of coordination council of
«Association of tube producers»
Shabalov I.

Volume of pipe production, export and import of pipes of Russian Federation

9

Characteristics	2004 (report)	2005 (estim.)	Forecast*						2008/ 2004, %
			2006		2007		2008		
			var. I	var. II	var. I	var. II	var. I	var. II	
Production, mln. tons	6,0	6,2	6,4	6,5	6,6	6,8	6,8	7,1	112,7 - 117,7
Production, % to previous year	98,4	102,8	103,2	104,8	103,1	104,6	103	104,4	
Export of pipes, mln. tons	1,5	1,5	1,5	1,6	1,5	1,6	1,5	1,6	100 - 106,6
Import of pipes, mln. tons	1,2	1,1	1	0,9	0,9	0,9	0,9	0,9	75

*- Source: Ministry of Economic Development and Trade of Russian Federation «Forecast of social-economic development of Russian Federation for 2006 and forecast of primary parameters to 2008», December 2005r.



OJSC «Gazprom»

Providing:

20% of world gas extraction

11% of world gas consumption

Ownership:

153,8 th. km of gas pipelines and laterals

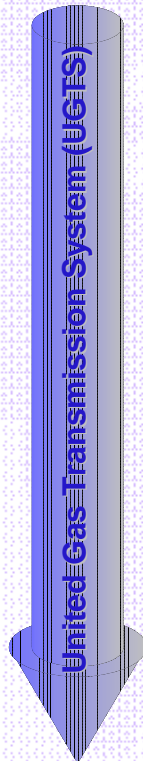
Russian pipe producers



Providing more than 60% of total pipes purchasing by OJSC «Gazprom»

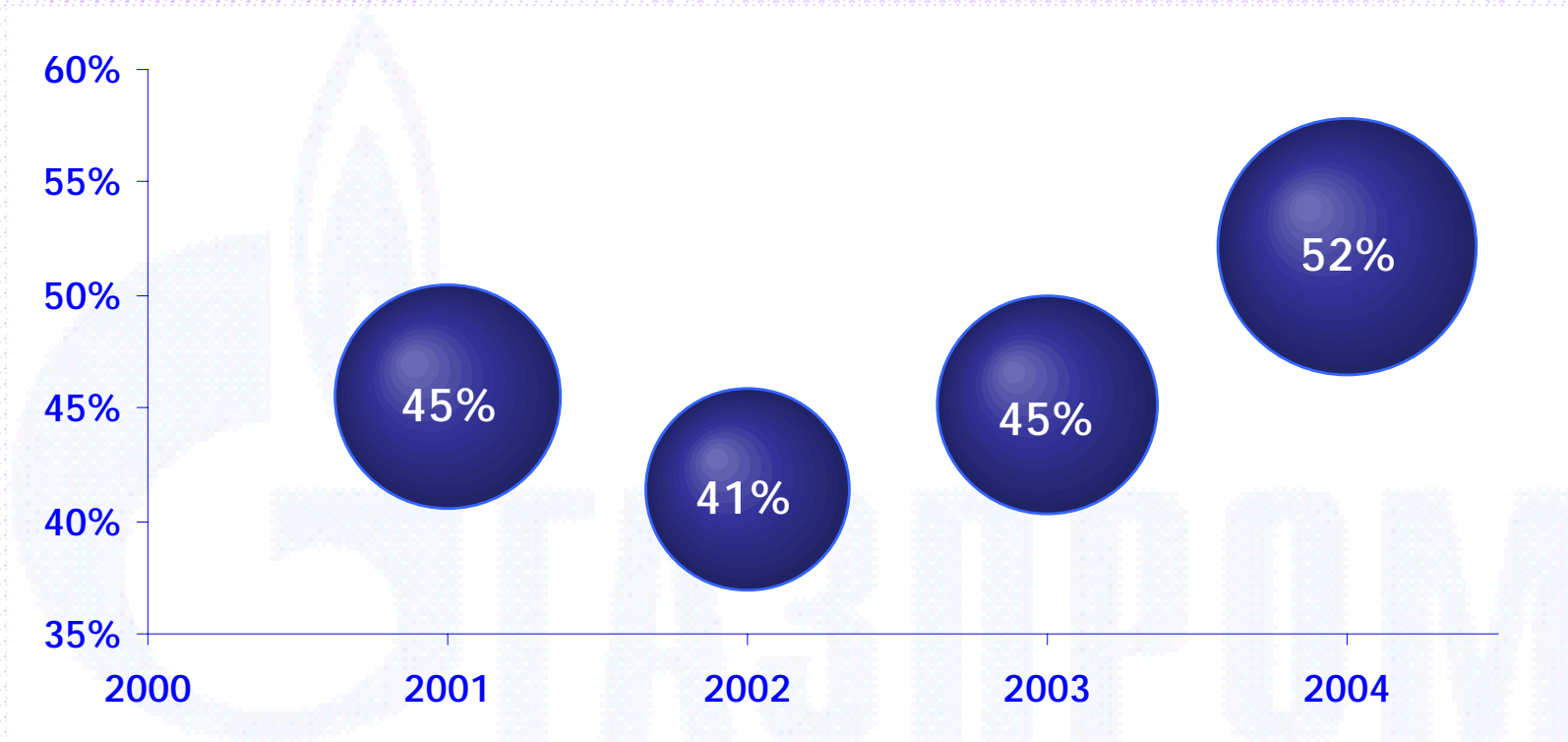
Capacity of long diameter pipes market – 1,4 mln. tons (23% of total pipes production)

Approx. 20% of total pipe production goes on export



Purchasing volume of pipes of OJSC «Gazprom» - more than 600 th. tons per year or approx. 13% of total consumption of pipe production in Russian Federation

Share of gas transport and storage investments in OJSC «Gazprom» investment program



$$P_{sp} = P_{bas} \cdot \left(C_d + A \cdot \frac{I_{sp}^A}{I_{bas}^A} + B \cdot \frac{I_{sp}^B}{I_{bas}^B} + \dots \right)$$

P_{sp} – sliding (final) price at the moment of delivery

P_{bas} – based price fixed in the contract

C_d – Coefficient of deceleration

A, B – shares of the most significant expenses of the pipe production

I_{sp}^A, I_{sp}^B – indexes of price rise of various factors (raw materials, materials, salary, electricity) at the moment of delivery

I_{bas}^A, I_{bas}^B – indexes of price rise of various factors (raw materials, materials, salary, electricity) at the moment of drawing up the contract

- Costs of the raw materials (strip)
- Electricity cost
- Cost of the thermal energy (gas, coke)
- Salary with the assessments

X - Y - Z

- X – the number of months of observation the instability of prices on the main components of price
- Y – the time interval - period of time during which the price doesn't change under the price changes of its components
- Z – the frequency of price corrections (reconsideration) on the production

6 - 0 - 3



* The price correction are made in case of essential changes in prices of its components

- Objectively and qualitatively forms the price forecast for the pipe production
- Reduces the time of the agreeing contract price
- Allows calculate the forecast price level for the pipes with different diameter
- Allows react efficiently on changing in prices of the main components of the pipe production

- Forms the production and investment program
- Attracts borrowing costs under the guarantee of the future supplies
- Fixes order of the effective program of cost control
- Forms up the partnership relationship with their own suppliers of the material and technical basis

Thank you for your attention !