

Gazprom's annual general shareholders' meeting to convene 30 June 2006



Dmitry Medvedev,
the Chairman of the Board of
directors

Address by

**Dmitry Medvedev, the Chairman of the Board of
directors and**

**Alexey Miller, the Chairman of the Management
committee to**

the shareholders of OAO "Gazprom"



Alexey Miller, the Chairman of
the Management committee

Gazprom in 2005:

- **Increase in Russian Federation shareholding**
- **Share market liberalization**
- **Acquisition of controlling interest in OAO "Sibneft"**
- **First LNG cargo delivery to the USA**
- **Achievement of full capacity by the Blue Stream**
- **Launch of North European gas pipeline construction**

Dear shareholders!

In 2005, Gazprom continued evolving into the world-class global energy company. Over the past year, Gazprom has shown impressive capitalization growth rates well above the country-wide and industry-wide average. The share price went up 2.5 times accompanied by an increase of 83 % in the RTS index and an increase of 42 % in the world oil and oil product prices.

One of the key aspects to stimulate this process was OAO "Gazprom" share market liberalization, which became possible due to the increase in the government's shareholding in the company to a controlling interest. This removed any limitations with regard to foreign investors' shareholdings in OAO "Gazprom".

Following its strategy, Gazprom persistently keeps expanding the area of its supplies. In 2005, the company stepped over the Atlantic and entered one of the world's largest liquefied natural gas markets as first tankers with LNG reached the USA.

The company is implementing intensive preparations for the development of the Shtokmanovskoye field on the shelf in the Barents Sea, which is to become the mineral resource base for large-scale LNG production in Russia.

The company continued to strengthen its positions in its traditional foreign markets. The gas sales in Europe exceeded 156 bcm. The unique Blue Stream gas pipeline running from Russia to Turkey reached its design capacity in 2005. The construction of a brand new gas transportation line – the North European Gas Pipeline – was launched. This project carried out in cooperation with the German companies "BASF AG" and "E.ON AG" will allow Gazprom to considerably expand its scope of operation in the European market, diversify its export flows, and improve their reliability and flexibility.

In 2005, Gazprom moved to the market principles of cooperation in gas sphere with the former Soviet Union states, which can be viewed as a considerable success. This will not only enable the company to increase its profit but also to improve the reliability of gas supply to distant foreign countries through the CIS countries.

It is hard to imagine a global energy company without an oil business component. In 2005, Gazprom acquired Sibneft having completed by far the largest transaction in Russian history. Acquisition of Sibneft allowed Gazprom not only to diversify its production activities but also to become one of the most influential players in the Russian oil market.

In pursuing its strategy of export routes diversification and mastering new areas of business, Gazprom pays special attention to the consolidation of its financial position, the development of its resource base, the production growth, and the gas transportation system expansion.

In the past year, OAO "Gazprom" achieved record high production and financial results. Its revenues grew up by 38.8 % and reached RR 1 231.3 billion, while its net profit exceeded RR 203 billion. High financial results make it possible to considerably increase the dividends.

This was the first year in the joint-stock company's history when the incremental growth in its explored gas reserves (583.4 bcm) considerably exceeded its production (547.9 bcm).

Gazprom continued to expand its production capacities. The production complex combining the Vyngayakhinskoye and Yety-Purovskoye fields reached its design capacity of 20 bcm of gas per year. 246 new wells were commissioned at Gazprom's fields. Successful overcoming of this winter's spell of abnormally low temperatures evidenced Gazprom's capabilities in gas production.

The work was carried out to improve the reliability and the throughput capacity of the Unified Gas Supply System. 1.4 thousand km of trunk pipelines and 7 new compressor stations were commissioned in 2005.

Our achievements in the field of export enabled stable gas supply to Russian consumers and established favorable conditions for resolving the persistent problems concerning the development of the domestic market. Gazprom's Program for the expansion of gas supply facilities in regions of Russia for the period between 2005 and 2007 became its major social-oriented project. The advantages of gas fuel will become available to over 11 million citizens all over the country. An unprecedented amount of RR 35 billion is to be invested into the construction of gas supply facilities. The priority of the Program is the expansion of gas supply facilities into rural areas.

Business efficiency is one of the main principles underlying the world largest companies' operations. Therefore, Gazprom keeps consistently improving its corporate governance structure and reforming the company. It started establishing subsidiaries specializing in such fields of activities as underground gas storage, underground repairs, hydrocarbon processing, oil production, etc.

The electric power assets have been structured as part of the reform enabling Gazprom to consider the power industry as its core business rather than a field for its financial investment.

Gazprom's efforts have been positively perceived by the professional participants of the market: the leading international rating agencies have raised the company's credit ratings. Last year, Gazprom managed to successfully place a number of largescale bond issues and considerably bring down the cost of raising funds.

The results of 2005 allow us to be confident in our future. We are setting ambitious goals to win leading positions in the global energy market, improve Gazprom's prestige and influence in the world community, and provide for the long-term growth of the company's shareholder value.

**OAO "Gazprom" Chairman of
the Board of directors**



Dmitry Medvedev

**OAO "Gazprom" Chairman of
the Management committee**



Alexey Miller