

## Profile

WINGAS GmbH & Co. KG is a joint venture of Wintershall Holding AG in Kassel, Germany's largest crude oil and natural gas producer, and Russia's OAO Gazprom. It has been active in gas distribution since 1993 and supplies natural gas to public utilities, regional gas suppliers, industrial facilities and power plants in Germany and other European countries via the pipeline network of WINGAS TRANSPORT GmbH & Co. KG, which now extends to over 2,100 kilometers, as well as other networks. The WINGAS companies also market transport, storage and fiber-optic capacities, are active in natural gas trading and procurement, and operate gas pipelines and storage facilities.

The world's largest producer of natural gas, Russia's Gazprom, and BASF subsidiary Wintershall teamed up more than 18 years ago for the joint marketing of natural gas. The aims of the two partners were to supply natural gas on competitive terms, to optimize its use and to secure its supply in the long term. WINGAS became an initiator of competition in the German energy market, which had been shaped by monopolistic structures until recent years. Other joint ventures are WIEH (Wintershall Erdgas Handelshaus GmbH & Co. KG) and WIEE (Wintershall Erdgas Handelshaus Zug AG).

Since WINGAS entered the market its sales of natural gas have risen continually. In 2000 the company sold over 100 billion kilowatt hours for the first time. In 2008 WINGAS increased its sales of natural gas on the previous year by about 48 billion kilowatt hours, or around 19 percent, to 302.8 billion kilowatt hours. This represented the highest sales figure for natural gas in the company's history.

Supplies to customers on the German market totaled 17.8 billion cubic meters (178 billion kWh) in 2008. With an increase in sales of almost 17 percent on the previous year, WINGAS managed to achieve further growth – against the market trend in Germany (natural gas consumption in Germany fell by 1 percent in 2008). Since autumn 2008 WINGAS has been supplying 22 new customers in Germany. It has extended 26 existing agreements and agreed additional volumes. The company's marketing and sales activities were particularly successful in the public utilities and resellers segment.

But the marketing activities of WINGAS are not limited to the immediate area served by the WINGAS TRANSPORT pipeline network; on the contrary, the company has vigorously pursued the opportunities presented by the opening of the European gas markets for many years. In 2008, WINGAS supplied more than 100 customers in Germany and abroad outside the WINGAS TRANSPORT network.

## Success in Europe

The positive development of the company's European business activities also continued last year. The company managed to increase the sales volume on the previous year by 22 percent to 12.5 billion cubic meters (124.8 billion kWh). Sales in Europe accounted for around 41 percent of the total WINGAS sales. WINGAS focused its activities in neighboring European countries on trading on the spot markets as well as sales to end customers, primarily in Western Europe. WINGAS operates directly in France, Austria, Denmark and the Czech Republic and

via the subsidiaries WINGAS Belgium s.p.r.l., Brussels, in Belgium and WINGAS UK Ltd., Richmond, in the UK.

As in the past, in 2008 WINGAS took full advantage of the short-term marketing and procurement opportunities arising on the spot markets. The company will continue to exploit trading opportunities in 2009 as a way of enhancing the company's portfolio.

In 2008 supply agreements with a volume of around 1.6 billion cubic meters (16 billion kWh) of natural gas were agreed via the subsidiary WINGAS Belgium s.p.r.l. The customers supplied by WINGAS in Belgium include companies in the chemicals and textiles industries, as well as in the manufacture of metal and plastic products. Overall, WINGAS will supply more than 30 sites of large-scale industrial customers in Belgium with natural gas in 2009 on the basis of the agreements now signed.

With its own natural gas reserves dwindling, the United Kingdom is already one of the fastest-growing import markets. In 2008 WINGAS sold around 0.85 billion cubic meters (8.5 billion kWh) of natural gas via its subsidiary WINGAS UK. WINGAS UK focuses on the market for industrial and commercial customers in the UK. In view of the growth forecasted, WINGAS has secured itself extra capacities, including in the BBL pipeline through the North Sea. WINGAS UK supplies over 60 leading industrial customers from various sectors – the chemicals, pharmaceutical, paper and glass industries, amongst others.

### **WINGAS boosts supply security**

Most of the Member States of the European Union are becoming increasingly dependent on imports of natural gas. WINGAS meets demand primarily by means of long-term supply contracts. The contracted volumes mostly come from Russian sources and are supplied by OOO Gazprom export. WINGAS has been procuring natural gas from Russia via two separate import routes for several years now. This makes the deliveries less vulnerable to instable political and economic conditions in individual transit countries. The company also ensures supply security by constructing and expanding storage facilities. WINGAS has the largest natural gas storage facility in Western Europe south of Bremen. Hence, during the transit stoppages through the Ukraine there were no supply shortages for WINGAS customers. WINGAS was even able to help out other suppliers.

In 2008 the overall volume purchased was around 30 billion cubic meters (298.8 billion kWh) and was thus significantly higher than the previous year's figure (244.1 billion kWh). 58 percent of the contracted volumes come from OOO Gazprom export and are supplemented with purchases from the North Sea. In 2008 WINGAS also stepped up its procurement activities on the Western European spot markets.

In addition, last year an agreement was made with the largest gas producer in the world, OAO Gazprom, to extend the existing main supply agreement – currently the biggest single supply contract in the history of the German-Russian energy partnership – ahead of schedule until 2043, thus securing more than 800 billion cubic meters of natural gas from Russia for the gas trading companies WINGAS and WIEH over the next 35 years. To put this into context, this volume is enough to provide all German households with the 'blue fuel' for 25 years.

In order to increase supply security and meet the growing demand for natural gas imports in Germany and Western Europe, the "Nord Stream" natural gas pipeline is planned for

construction in the next few years. The Nord Stream pipeline will start at the Russian town of Vyborg and run 1,200 kilometers through the Baltic Sea coming on land at the German Baltic Sea coast near Greifswald. The company Nord Stream AG, in which Wintershall has a 20 percent shareholding, has initiated the permitting process and extensive environmental assessments necessary for this project. Contracts for the pipes have been concluded and pipe-laying capacities have been secured. WINGAS has already agreed the first deliveries with OOO Gazprom export via the Nord Stream pipeline. The company plans to procure up to 9 billion cubic meters of natural gas a year through the new pipeline, in addition to existing supply volumes, over a period of 25 years from the time of commissioning, which is scheduled for 2011.

### **Investments in storage construction and infrastructure**

WINGAS, WINGAS TRANSPORT and OPAL NEL TRANSPORT GmbH are planning to expand the European gas infrastructure with investments of around three billion euros by 2015. The investments are mostly earmarked for the expansion of the transport system on the German mainland – particularly the onshore connections for the Nord Stream Baltic Sea pipeline – and the construction of new natural gas storage facilities in Europe.

In order to transport the gas arriving through the Baltic Sea pipeline on to further destinations, two natural gas pipelines on the German mainland are planned: the OPAL (Ostsee-Pipeline-Anbindungs-Leitung – Baltic Sea pipeline link) will transport gas arriving through Nord Stream from the Baltic Sea coast to the German-Czech border. The NEL (Norddeutsche Erdgas-Leitung – Northern German gas link) will link the coast with West Germany from 2012. These pipelines will also enable the Russian gas to be transported onwards to neighboring European countries.

European energy company WINGAS has already invested about 3 billion euros in developing its gas pipeline system. This network has now exceeded a distance of 2,100 kilometers. It links the major gas reserves in Siberia with the growing markets in Western Europe, and also provides the company with access to the growing European spot markets. With its natural gas reservoir at Rehden in North Germany, which has a working gas capacity in excess of four billion cubic meters, WINGAS possesses about one-fifth of the total storage capacity available in Germany.

WINGAS will invest hundreds of millions of euros in the construction of new gas storage facilities in Europe, thus making a sustained contribution to Europe's supply security. In addition to the storage facility in Rehden, the second construction phase of the storage facility in Haidach (Austria) is now getting underway. Additional storage facilities are in planning for Saltfleetby, in the UK, and Jemgum, near Leer in North Germany.

### **WINGAS TRANSPORT operates ultra-modern infrastructure**

The natural gas transport segment also showed a positive development in 2008. On 1 January 2006, WINGAS TRANSPORT GmbH & Co. KG commenced business activities as the operator of a trans-regional gas pipeline network in Germany. The company operates more than 2,100 kilometers of gas pipelines across Germany and offers its customers flexible access to its state-of-the-art gas transport infrastructure. Under the brand name WINCARRY, a simple and extremely customer-friendly tariff system for natural gas transport in Germany was developed. The grid access model for transport customers was also further simplified, with the three existing market areas being merged into one. Last but not least, several new take-off points in the WINGAS TRANSPORT infrastructure were set up, creating more freedom of choice for consumers in the transport of natural gas.

More information at [www.wingas.de](http://www.wingas.de)

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 ISO 9001: WINGAS products and processes are certified.