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More natural gas for Europe

- **WINGAS supplies Russian natural gas to Belgian households**
- **First customers in the Netherlands**
- **New storage facilities and link to Siberian gas reserves**

Brussels / Kassel. German-Russian joint venture WINGAS is calling for natural gas to play a stronger role in the European energy mix. “Politicians must finally recognize the value of natural gas as an environmentally friendly energy and promote it as a natural partner of renewable energies,” Dr. Gerhard König, Chairman of WINGAS, explained to journalists in Brussels on Wednesday. “This requires a sustainable European energy policy from the new EU Commission,” he added. In particular, Dr. König said it was necessary for policy-makers to prepare the political groundwork for an increased use of natural gas for electricity generation. Meanwhile, WINGAS, a joint venture of BASF subsidiary Wintershall and Russia’s Gazprom, continues on its growth course in Europe. In Belgium, the company is supplying Russian natural gas to resellers for the first time and increased quantities to power plant operators. WINGAS has also expanded its sales activities to the Netherlands. Belgium and the Netherlands will also profit from an improved natural gas infrastructure in northern Germany and new storage facilities in the border region in future, in which WINGAS Group is planning to invest more than one billion euros.

Customers from Belgium and the Netherlands can store their natural gas with their neighbor in future. WINGAS is building a new cavern storage facility near the Dutch border in Jemgum in northern Germany which will be connected to the Dutch gas network via a 15-kilometer-long pipeline. Hence, in addition to the largest natural gas storage facility (capacity: 4.2 billion cubic meters) in Western Europe, in Rehden near Bremen, customers in Belgium and the Netherlands will have access to another flexible natural gas storage facility in future. The cavern storage facility in Jemgum will have a total capacity of 1.2 billion cubic meters.

In addition, in future Belgium and the Netherlands will have improved access to the gas reserves in Siberia thanks to the planned extension of the Nord Stream pipeline, through which Russian natural gas will be transported to the German Baltic Sea coast from 2011. Construction of the 470-kilometer-long OPAL pipeline link, which will run from the Baltic Sea coast to the Czech border, has already commenced. In the coming year, more than a billion euros has been earmarked for the construction of a new pipeline, the North European Gas Pipeline (NEL) – from the German Baltic Sea coast past Hamburg to Rehden in west Lower Saxony. There it is

planned that the NEL pipeline, which is over 440 kilometers long, will be connected to Dutch company Gasunie's gas network, amongst others, thus supplying Western Europe with Russian natural gas.

WINGAS Belgium has established itself successfully on the market

The positive development of the company's European operations in previous years continued in 2009; 23 new gas supply agreements were signed. Overall, the volume of natural gas sold in Europe last year increased by 11.1 percent to 138.7 billion (2008: 124.8) billion kWh. As such, international sales account for 45 percent of overall sales, four percent above the previous year's figure. Trading on the spot and futures markets helped to increase sales.

WINGAS has established itself with remarkable success on the **Belgian** market in particular. The subsidiary WINGAS Belgium s.p.r.l. supplies about 40 locations in Belgium with natural gas, primarily customers in the chemicals, food, plastics and building materials industries. "We launched our operations here in 2003 in order to boost competition in our neighboring country too, as a strong and reliable partner," Dr. König said. With Nuon, WINGAS has also acquired its first customer in the resellers segment in Belgium.

"We have taken another step in diversifying our customer base," Tom Amery, Chairman of WINGAS Belgium, explained. "In Belgium we are also focusing on partnerships with resellers – as WINGAS has done with the utilities in Germany for many years with great success," Mr. Amery explained. The cooperation with WINGAS opens up doors to the upstream business for the household customers supplier Nuon.

"I am optimistic that we will further increase sales in Belgium in the next few years, especially in the power plant and household customer segments," Dr. König explained. WINGAS already has a market share of around 15 percent in the Belgian industrial customers segment. "In particular, the Belgian L-gas market, in which WINGAS Belgium recently has started its activities, and which makes up 30 percent of the overall market, offers further opportunities for sales," the WINGAS Chairman added. WINGAS aims to achieve a market share of 10 percent in Belgium in the medium-term.

The first customers in the Netherlands are also being supplied. "We want to continue to grow in Europe, and Belgium and the Netherlands play a key role in achieving this growth," Dr. König explained.

Activities abroad remain on growth course

WINGAS operates directly in **France, Austria, Denmark** and the **Czech Republic** and was also able to expand its activities in these countries. In the **UK**, WINGAS UK Ltd. signed new supply agreements with British industry customers. WINGAS UK focuses on the market for industrial and business customers in the UK and supplies over 60 larger industrial customers from the chemicals, pharmaceutical, paper and glass industries. WINGAS continued to take advantage of the short-term procurement and sales opportunities on the spot markets in 2009.

Success with utility customers strengthens the domestic market

In Germany WINGAS was not able to fully avoid the effects of the overall market development and recorded a fall in sales of five percent in 2009 compared to the previous year. "However, overall sales developed satisfactorily when you consider the overall economic development," Gerhard König said. The decrease to 169.3 (2008: 178) billion kilowatt hours was mainly attributable to the industrial customers segment. However, the decline in sales in this segment was partly offset by new customer contracts, particularly in the utilities segment. In 2009 WINGAS closed contracts with re-sellers, utilities, large-scale and industrial customers worth about 37 billion kilowatt hours. In addition, it acquired 15 new customers, extended 16 existing contracts and agreed additional volumes. WINGAS generated about 10 percent of its sales with companies in the BASF Group.

Continued diversification of procurement sources

"Domestic production of natural gas in Europe is going to decline significantly in the next few years. Securing our procurement sources is therefore a central pillar of the company's growth-oriented sales strategy," the WINGAS Chairman explained. WINGAS meets its demand for gas primarily by means of long-term supply agreements. About 50 percent of the contracted volumes come from OOO Gazprom export. The supplies from Russia are supplemented with gas from the North Sea. WINGAS is increasingly making use of the procurement possibilities of the Western European spot markets, especially the National Balancing Point (NBP) in the UK, and in Zeebrugge (ZBH), Belgium, for its gas purchases from Western Europe. This enables it to make the most of the favorable price conditions on the spot markets.

Investments in the European natural gas infrastructure

In order to transport the required quantities of natural gas to Europe, the WINGAS Group is continuing to invest in the expansion of the European supply network, despite the difficult economic environment. The Nord Stream pipeline, which began construction a few weeks ago, and its connecting onshore projects, OPAL and the planned NEL pipeline, will strengthen the infrastructure greatly. "These billion-euro investments require stable and investment-friendly conditions," Dr. König underlined. The exemption from regulation for OPAL was an important first step, he said.

Construction of OPAL already began in the German states of Saxony and Mecklenburg-West Pomerania in late summer 2009, and is now underway in Brandenburg too. The topsoil has been removed from nearly 380 kilometers of the pipeline track; around 215 kilometers of pipes have been welded together and more than 125 kilometers of the pipeline string have already been laid. The second connecting pipeline for Nord Stream, NEL, which will run from Mecklenburg-Vorpommern to Lower Saxony, is currently in the planning approval process. WINGAS and its subsidiaries invested around 300 million euros in the expansion of the pipeline and storage infrastructure last year. This figure is set to rise to almost 600 million euros in 2010.

The construction of additional storage capacities reinforces the growth strategy for natural gas trading. The natural gas storage facility Saltfleetby in the UK is still undergoing the approval process, while in Jemgum in northern Germany, drilling work for the new cavern storage facility has already begun. The planned working gas capacity of the storage facility in Jemgum is around 1.2 billion cubic meters of natural gas. The first caverns are scheduled to come on stream in 2013. The second stage of construction for the storage facility in Haidach in Austria is already underway. From 2011 the natural gas storage facility operated by Austrian company RAG will be able to store 2.4 billion cubic meters of natural gas.

Operating profit fell marginally in 2009 as a result of the oil price

Although demand for energy fell in 2009 as a result of the weakening economy, WINGAS managed to increase its total sales slightly by 1.7 percent to 308 (2008: 302.8) billion kWh. Sales in other European countries and particularly the increased trading on the West-European spot and futures markets were able to offset the slight decrease in sales in Germany triggered by the economic downturn.

Despite the difficult business environment in 2009, WINGAS only recorded a marginal fall in earnings before interest and taxes. EBIT fell in the reporting period by 0.3 percent to 392.3 (2008: 393.4) million euros.

A look forward

“2010 will be anything but easy. But overall we want to match the high sales of the previous year,” Dr. König explained. What’s more, the foundations for a successful business year in 2010 have already been laid. The figures for the first quarter of 2010 are very positive: as a result of the economic recovery and the much longer and colder winter, natural gas sales by WINGAS increased by 19 percent to 102.9 (Q1 2009: 86.2) billion kWh compared to the same period the previous year.

WINGAS. More energy - together.

European energy provider **WINGAS GmbH & Co. KG** is active in natural gas trading and distribution in Germany, Belgium, France, Great Britain, Austria, the Czech Republic and Denmark. Its customers include municipal utilities, regional gas suppliers, industrial firms and power plants. Since 1990 WINGAS has invested more than 3 billion Euros in the development of a natural gas transport and storage infrastructure. WINGAS TRANSPORT pipeline network, which is over 2,000 kilometers long, connects the major gas reserves in Siberia and in the North Sea to the growing markets in Western Europe. In Rehden in North Germany, WINGAS has the largest natural gas storage facility in Western Europe – with a working gas volume of over four billion cubic meters, and the company also participates in Central Europe’s second largest storage facility in Haidach, Austria. Additional natural gas storage facilities are currently being built in Great Britain and Germany in order to secure the supply of natural gas in Europe.