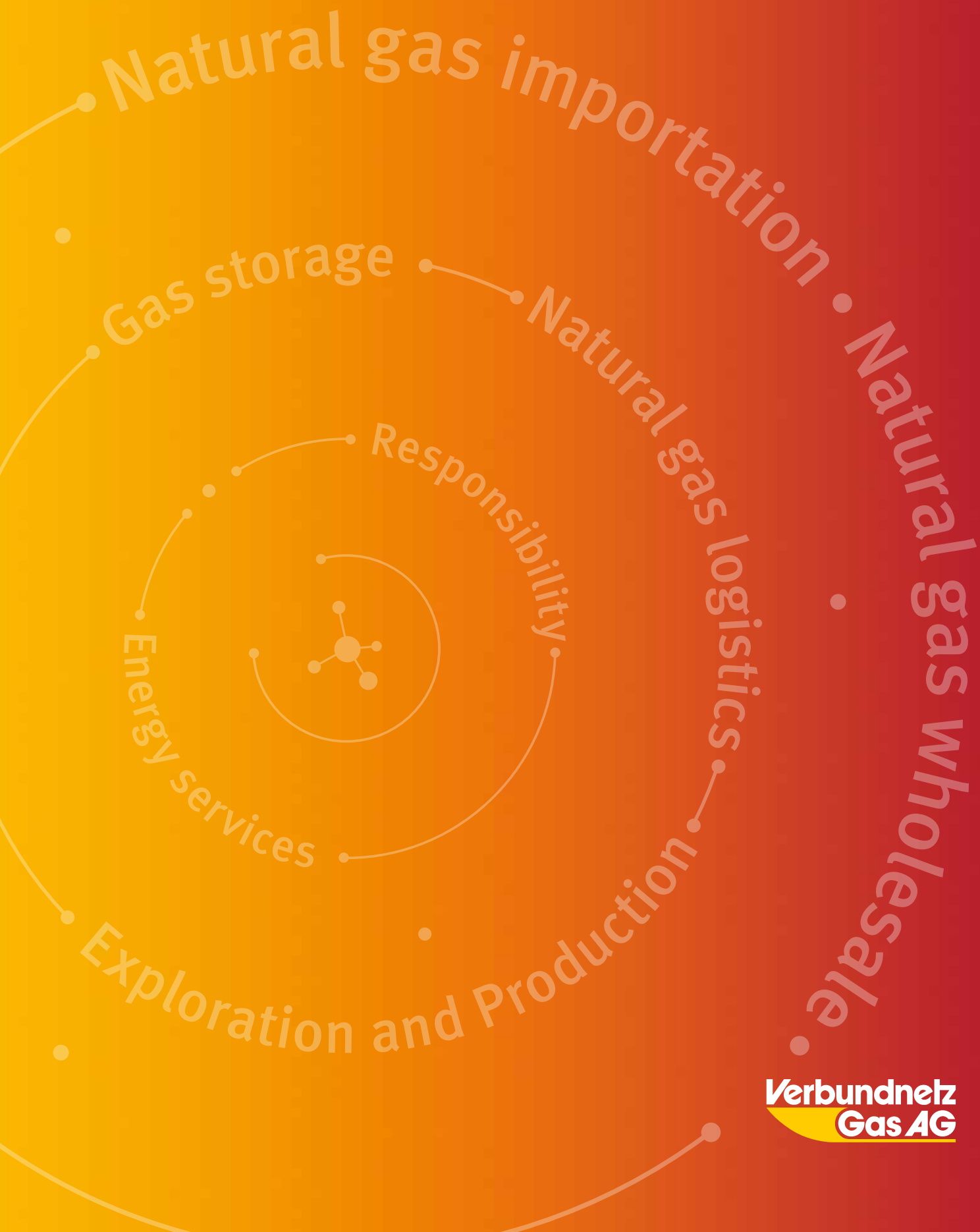


# Annual Report 2009

VNG – Verbundnetz Gas Aktiengesellschaft



# VNG highlights










## ● VNG AG annual financial statements


		2009	2008
Sales	€ million	4,763	5,529
Cost of materials	€ million	4,319	5,266
Personnel expenses	€ million	55	49
Depreciation and amortisation expenses	€ million	58	56
Net income for the year	€ million	170	141
Total investment	€ million	393	82
Intangible assets and property, plant and equipment	€ million	473	470
Financial assets	€ million	698	388
Balance sheet equity	€ million	780	706
Provisions	€ million	416	332
Liabilities	€ million	1,063	990
Balance sheet total	€ million	2,270	2,039

## ● VNG key performance data

		2009	2008
Numbers of employees at year end		697	638
Gas sales	billion kWh	183.0	171.4
Maximum daily sales	million kWh	870	802
Minimum daily sales	million kWh	283	246
Length of pipeline system at year end	km	7,005	7,029
Power installed at compressor stations at year end	MW	77.8	77.8
Gas capacity of underground storage facilities at year end	billion m <sup>3</sup>	2.6	2.4

## Tables, diagrams and charts

Page	Title
10	Executive Board and organisational chart of VNG – Verbundnetz Gas Aktiengesellschaft 
11	VNG shareholders 
12	VNG management bodies
19	Diversification of natural gas procurement at VNG AG compared with previous years
20	VNG AG sales markets
25	Fully consolidated companies in Germany within the VNG Group
25	Fully consolidated companies outside Germany within the VNG Group
26	Affiliated companies in Germany within the VNG Group
26	Affiliated companies outside Germany within the VNG Group
27	Other holding companies within the VNG Group
31	VNG AG and VNG Group workforce
32	Financial situation
32	Assets and liabilities
38	VNG AG balance sheet as at 31 December 2009
39	VNG consolidated balance sheet as at 31 December 2009
40	VNG AG income statement for the period from 1 January to 31 December 2009
41	VNG consolidated income statement for the period from 1 January to 31 December 2009
44	Tangible assets
44	Financial assets
44	Inventories
45	Receivables and other assets
45	Retained earnings
46	Provisions
46	Liabilities
48	Cost of materials
48	Personnel expenses
49	Financial result
50	Derivative financial instruments
52	Details of and changes in the fixed assets
56	Share of natural gas in German primary energy consumption 1999–2009 
56	VNG AG sales 1999–2009 
57	Natural gas consumption in Germany 1999–2009 
57	VNG AG diversified natural gas procurement, annual comparison 1999, 2004, 2009 
58	VNG AG sales per client group 2008 and 2009 
58	VNG AG natural gas supplies 1999–2009 
59	Balance sheet total of VNG AG 1999–2009 

 The charts on pages 10–11 and 60–63 are not part of the audited management report of VNG – Verbundnetz Gas Aktiengesellschaft.

# Contents

4	<b>Foreword of the Executive Board</b>
8	<b>Report of the Supervisory Board</b>
10	<b>Executive Board and organisational chart</b>
11	<b>VNG shareholders</b>
12	<b>VNG management bodies</b>
12	Members of the Executive Board
12	Members of the Supervisory Board
14	<b>Management report on the financial year 2009</b>
14	Successfully on course for growth
14	Strategic direction
16	Business environment and energy market
17	Energy policy environment
17	European Union completes Third Single Energy Market Package
17	Security of natural gas supply directive amended
17	Germany: energy policy in the Coalition Agreement
18	<b>Exploration and Production</b>
18	<b>Gas trading</b>
18	Gas purchase
20	Gas sales
20	Gas sales, Germany
21	Gas sales, other countries
22	Spot and forward trading
22	<b>Gas storage</b>
22	Expanding storage capacity
22	Marketing storage capacity
23	<b>Gas transport</b>
23	ONTRAS – grid operator
23	ONTRAS – helping to structure the GASPOOL marketing area cooperation
23	ONTRAS – the European-level activities
24	ONTRAS – subject to cost regulation

24	VNG Group investment portfolio	40	VNG AG income statement for the period from 1 January to 31 December 2009
28	VNG Group services	41	VNG consolidated income statement for the period from 1 January to 31 December 2009
28	Technical services	42	Notes on the VNG AG balance sheet
28	Telecommunication and documentation	42	Basic premises
28	IT and software	42	Accounting and valuation principles
28	Natural gas as fuel	42	Fixed assets
29	Marketing and sales communication	42	Current assets
29	Sustainable commitment	43	Provisions
29	Research and innovation	43	Liabilities
30	Staff	43	Balance sheet
31	VNG AG annual financial statements	43	Fixed assets
31	Earnings situation	44	Current assets
32	Financial situation	45	Equity
32	Assets and liabilities	46	Debt capital
33	Opportunities and risks	47	Contingent liabilities
33	Opportunities and risks in VNG's core business	47	Other financial obligations
35	Opportunities and risks of gas transportation	48	Income statement
35	Technical risks	49	Balance sheet profit
36	Financial risks	50	Data pursuant to Article 10(2), Energy Industry Act
36	Liquidity risk	50	Derivative financial instruments
36	Credit risk	51	Staff
36	Currency risk	51	Management body remuneration
37	Interest-rate risk	51	Investment pursuant to Article 20, Stock Corporation Act
37	Opportunities and risks in the investment portfolio	51	Consolidated financial statements
37	Outlook	52	Details of and changes in the fixed assets of VNG AG
38	VNG AG balance sheet as at 31 December 2009	54	Auditor's report
38	Assets	56	Key data
38	Liabilities		
39	VNG consolidated balance sheet as at 31 December 2009		
39	Assets		
39	Liabilities		

## Foreword of the Executive Board

With a net income of €167.9 million, 2009 was overall a very successful year for the VNG Group. Most subsidiaries and holding companies withstood the economic downturn and, with a net income of €169.9 million, VNG AG even managed to break its previous record from the financial year 2006. Compared with 2008, the new record is the equivalent of growth of more than 20%. We are thus well ahead of our growth target.

This result is also based on a pleasing sales record. In 2009, 183 billion kilowatt hours of gas were sold – more than ever before. With an increase of 6.8%, VNG expanded its sales volume for the twelfth time in succession. That is even more amazing as the global economic crisis led to the lowest gas consumption figure in Germany since 1995. We see this as clear evidence of the company's ongoing vigour. A particular contribution to the new sales record was made by the 34.7% increase in deliveries to other European countries. Special mention should be made of the achievements in Poland and Italy. Growth in eastern Germany, which once again more than offset the losses in the home sales market in that region, also contributed to the record achievement.

Despite the new record sales volumes, proceeds from sales fell in 2009 by 12.7% to around €4.8 billion. This decrease can be explained primarily by the exceptionally high fluctuations in procurement costs and their striking impact on sales prices and sales figures over the past two years. The decrease in procurement prices in the wake of the financial crisis led to turnover for 2009 sliding back towards the distinctly low figure recorded in 2007.

In the past financial year, we also achieved positive results in the European energy market. The pleasing results and the overall positive developments of the financial year 2009 again confirmed VNG's competitiveness. VNG ranks as the third-largest gas importer in Germany and is among the top 10 in Europe. Our customers in Germany and elsewhere appreciate and value VNG's expertise, reliability and flexibility.

Exceptionally great dynamism was also apparent on the procurement markets in 2009. Above all, this prompted VNG to make a marked increase in its trading activities on the spot and forward markets. In the financial year 2008, we had already



The Advisory Committee on the occasion of its meeting on 10 September 2009 at Wackerbarth Castle.

tripled the volume raised in these markets. This accounted for a share of 11% in total supplies. In 2009 we again doubled the volume of supplies derived from the European spot and forward markets. Representing 22% of total supplies, they now match the volume of direct gas supplies from Norway. Against the background of long-term gas imports from Russia and Norway, VNG takes consistent advantage of the growing opportunities on the European gas trading markets to achieve greater diversification of its supply portfolio, and thus to further enhance its competitiveness.

The dynamism of the spot and forward markets was boosted by the global additional supply of liquefied natural gas (LNG). From the perspective of VNG's strategy of putting gas supplies on as broad a basis as possible, liquefied natural gas (LNG) is a promising option. LNG is transported on special tankers to the coasts of the importing regions, regasified and fed into grids. VNG plans to use LNG to tap new supply sources in North Africa and the Middle East, and is working with well-known LNG suppliers on a framework agreement for supply opportunities at various European terminals. VNG is also pursuing the goal of increasing its direct participation in these developments, and of thus establishing a further diversification pillar.

In addition, for the purpose of supply diversification, VNG's ambitious goal is also to cover as much as 10% of sales from its own sources in Norway from 2019 onwards. We came a lot closer to that goal in 2009. The VNG Group expanded its upstream activities considerably and now has shares in 26 licences, including shares in two fields that are already producing. As well as gaining an entry into the production of gas and oil, the subsidiary VNG Norge AS also succeeded in making the major shift from licensee holder to operator manager on the Norwegian continental shelf.

Finally, as a further aspect of the diversification of our supply portfolio and in connection with climate protection, we are also expanding our biomethane production capacities. In October 2009, for example, the VNG Group took over the operation of the Güstrow biogas network connection plant. Biomethane is fed into the transport network and is available as an additive product for natural gas customers.

The current statutory rules, as in the Renewable Energies Heat Act or the Gas Net-

work Access Ordinance, for example, impinge on the marketing of biogas. To make biogas more competitive, appropriate incentives or technologically open regulations need to be created, particularly in the heating market.

The importance of underground storage facilities is growing not only with regard to supply security but also because of the aforementioned intensification of spot and forward trading. VNG is considered a storage pioneer and is the third-largest storage facility operator in Germany. The four storage facilities can take up to 2.6 billion m<sup>3</sup> of gas – the volume needed to supply one million single-family houses for a whole year. Additional caverns and storage facilities at new locations are being planned or are already being built. Using state-of-the-art technology, we are able to develop needs-oriented storage products and sell them on the open market.

On behalf of the entire workforce, the Executive Board would like to thank its customers for the confidence that they have shown us and for their excellent cooperation with us in the financial year 2009.

Our gratitude is also due to the shareholders, the former Supervisory Board and its successor, the staff representatives, the Advisory Committee and all partners and friends of VNG. Particularly in turbulent times, constructive cooperation is essential to the success of a company.

Of no less importance, the Executive Board would like to express its gratitude to all members of staff. Not only could we not manage without their skills, but their exemplary willingness to master change is of vital importance to us.

## The Executive Board

## Report of the Supervisory Board

The Supervisory Board has received regular, comprehensive and prompt written and oral reports from the Executive Board on corporate development and on the situation of the company as well as on major business transactions. The Supervisory Board has supervised the management of the company on the basis of these reports and the information supplied, and has consulted extensively on the development of business, the situation in the fields of gas procurement, sales and storage, the company's financial position, issues pertaining to financial, investment and personnel planning, and all measures which by statute require the approval of the Supervisory Board.

The Supervisory Board held four meetings in the financial year 2009. These meetings dealt in depth with implementation of the 2020 strategy concept developed by the company and focused primarily on the further development of new procurement instruments such as the company's involvement in acquiring production licences for the Norwegian continental shelf, the acquisition of an E&P company and its integration into the VNG Group or activities in the field of renewable energies. Deliberations also concerned the consolidation and expansion of business activities in Italy and Poland and other holding companies in the company's portfolio, including several corporate restructuring measures. Approval was also given for the conclusion of a long-term gas delivery contract. In addition, the Supervisory Board dealt regularly with the effects of regulation.

On the basis of these consultations and the information and reports received from the Executive Board, the Supervisory Board has verified the due conduct of the company's business by the Executive Board.

The financial statements and consolidated financial statements drawn up by the Executive Board for the year ending on 31 December 2009, the management report and the consolidated manage-



Dr Rainer Seele, Chairman of the Supervisory Board of VNG

ment report for the financial year 2009, together with the bookkeeping system and compliance with the unbundling requirements of Article 10(3) of the Energy Industry Act in the company's accounts were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Leipzig, Germany, which issued an unqualified audit opinion on these documents. The auditor's reports were distributed to all members of the Supervisory Board. The Supervisory Board took due note of the findings of these audits.

The Supervisory Board has examined the financial statements and the management report, the consolidated financial statements and the consolidated management report as well as the proposal of the Executive Board concerning the distribution of the balance sheet profit. After examination of these documents, the Supervisory Board raised no objections. The auditor attended the balance sheet meeting of the Supervisory Board and reported on the main findings of its audit. The Super-

visory Board approved the financial statements and consolidated financial statements drawn up by the Executive Board for the year ending on 31 December 2009.

The Supervisory Board concurs with the proposal of the Executive Board concerning the distribution of the balance sheet profit.

Mr Bernard Alran and Mr Uwe Barthel stepped down from the Supervisory Board at the close of the ordinary general meeting on 13 May 2009. Mr Erik von Scholz and Mr Rainer K Otto were appointed to the Supervisory Board in their place by resolution of the shareholders on 13 May 2009.

At the meeting of the Supervisory Board on 10 September 2009, Dr Rainer Seele was elected Chairman of the Supervisory Board with immediate effect, following the resignation of Dr Karsten Heuchert from his position as Chairman of the Supervisory Board on 10 September 2009.

Dr Heuchert also stepped down from the Supervisory Board on 9 December 2009. Dr Ties Tiessen was appointed to the Supervisory Board in his place by resolution of the shareholders on 9 December 2009.

Mr Otto retired from office as a member of the Supervisory Board with effect from 15 February 2010. Mr Hans-Jörg Scheliga was appointed to succeed him by resolution of the shareholders on 22 March 2010.

We would like to thank the retiring members of the Supervisory Board for their constructive cooperation and their committed service.

At its meeting on 1 April 2009, the Supervisory Board appointed Mr Uwe Barthel as the new member of the Executive Board with oversight of gas sales/technical affairs. The Supervisory Board also decided to transfer responsibility for oversight of

commercial affairs/human resources to Dr Holtmeier as from 1 November 2009.

At its meeting on 10 September 2009, the Supervisory Board also appointed Dr Heuchert as a member of the Executive Board and as the new Chairman of the Executive Board of VNG with effect from 1 September 2010.


On 31 October 2009, Professor Gerhardt Wolff went into retirement and thus stepped down from the Executive Board. The Supervisory Board would like to thank Professor Wolff for his long-standing commitment as a member of the Executive Board and for his key contribution to the success of the company. Furthermore, Dr Gerhard Holtmeier, whom the Supervisory Board would also like to thank for his work on the Executive Board, stepped down from the Executive Board at his own request with effect from 30 November and was released from his duties on 1 November 2009.

At its meeting on 15 October 2009, the Supervisory Board appointed Mr Michael Ludwig as the new member of the Executive Board with oversight of gas procurement. In addition, responsibility for oversight of commercial affairs/human resources was entrusted to Mr Klaus-Dieter Barbknecht with effect from 1 November 2009.

The Supervisory Board would like to thank the Executive Board and all members of staff for their dedication and commitment during the financial year 2009.

Leipzig, 13 April 2010

The Supervisory Board



Dr Rainer Seele  
Chairman

## Executive Board and organisational chart of VNG – Verbundnetz Gas Aktiengesellschaft



**Professor  
Klaus-Ewald Holst**  
Chairman



**Klaus-Dieter Barbknecht**  
Board Member  
Commercial Affairs/Human  
Resources



**Michael Ludwig**  
Board Member  
Gas Procurement



**Uwe Barthel**  
Board Member  
Gas Sales/Technical Affairs

### Chairman's Division

**Compliance/Audit**  
Peggy Tettenborn

**Legal Affairs/Real Estate/  
Insurance**  
Friedrich Nollau

**Corporate Communication**  
Bernhard Kaltefleiter

**Strategy and Group  
Development**  
Oliver Hill

**Data and Process  
Management**  
Dr Peter Heine

**Gas Storage**  
Bernd Protze

**Office of the Executive  
Board/Events**  
Stephanie Flinth

**Strategic Organisation**  
Dr Peter Heine

**Management Staff Affairs**  
Christopher Seibel

### Commercial Affairs/Human Resources

**Human Resources**  
Christopher Seibel

**Controlling/Regulation/  
Procurement**  
Heike Garczarek

**Finance/Accounting**  
Bodo Rodestock

**Affiliates Management**  
Frank Ruhland

**IT Management/Process  
Services**  
Dr Peter Stoll

**Invoicing**  
Angelika Letsch

**Planning/  
Business Management**  
Jana Kreuz

**Taxes**  
Kerstin Krauße

**Affiliate Controlling**  
Peter Siegert

### Gas Procurement

**Gas Purchase Eastern  
Europe/Germany**  
Toni Philipp

**Gas Purchase West**  
Mike Diekmann

**Gas Procurement E&P**  
Dr Volker Busack

**Gas Purchase LNG/Special  
Projects**  
Thomas Witt

**Trading**  
Marco Penzhorn

**Trading Arrangements**  
Mathias Hocke

### Gas Sales/Technical Affairs

**Gas Sales Utilities**  
Olaf Schneider

**Gas Sales Industrial and  
Commercial Clients**  
Dr Stephan Krein

**Gas Sales South-West**  
Dr Markus Spitz

**Gas Sales International**  
Dr Achim Westebbe

**Customer Services/  
Marketing**  
Jan Schuster  
(Acting head)

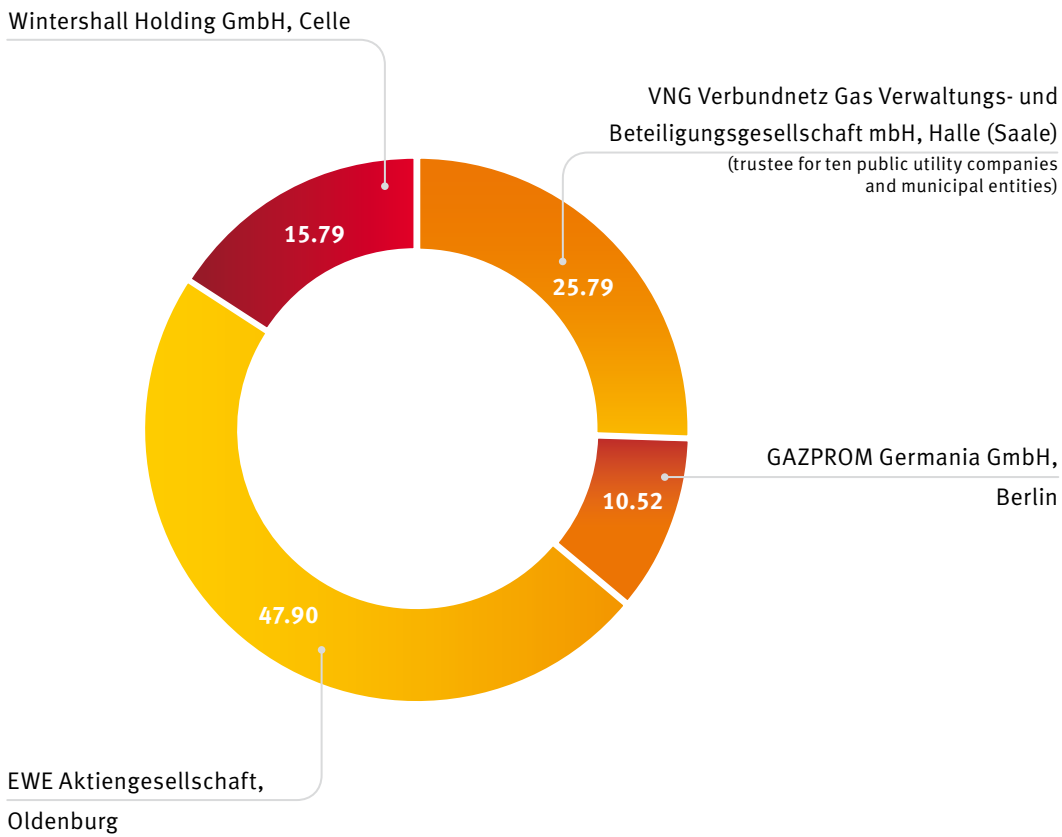
**Operations/Technology**  
Uwe Ringel

**Market Management**  
Karel Schweng

**Coordination Energy  
Trading Companies**  
André Burkhardt

## VNG shareholders

in %



Until 23 March 2010, EEG - Erdgas Transport GmbH, Berlin (100% GDF SUEZ), had a 5.26% share in VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig.

As at 1 April 2010

## VNG management bodies

### Members of the Executive Board

<b>Professor Klaus-Ewald Holst</b>	<b>Chairman</b>
<b>Professor Gerhardt Wolff</b>	<b>Deputy Chairman and board member for Commercial Affairs/Human Resources (until 31 October 2009)</b>
<b>Klaus-Dieter Barbknecht</b>	<b>Board member for Commercial Affairs/Human Resources, board member for Gas Procurement (until 31 October 2009)</b>
<b>Uwe Barthel</b>	<b>Board member for Gas Sales/Technical Affairs (from 1 November 2009)</b>
<b>Michael Ludwig</b>	<b>Board member for Gas Procurement (from 1 November 2009)</b>
<b>Dr Gerhard Holtmeier</b>	<b>Board member for Gas Sales/Technical Affairs (until 31 October 2009), board member for Commercial Affairs/Human Resources (1–30 November 2009), released from office</b>

### Members of the Supervisory Board

<b>Dr Rainer Seele</b>	<b>Chairman</b> (from 10 September 2009) Chairman of the Executive Board, Wintershall Holding GmbH, Celle, Germany
<b>Dr Karsten Heuchert</b> (until 9 December 2009)	<b>Chairman</b> (until 10 September 2009) Member of the Executive Board, Wintershall Holding GmbH, Celle, Germany
<b>Holger Hanson</b>	<b>1<sup>st</sup> Vice-Chairman</b> (from 1 April 2009) Chairman of the Board of Management, Neubrandenburger Stadtwerke GmbH, Neubrandenburg, Germany
<b>Uwe Barthel</b> (until 13 May 2009)	<b>1<sup>st</sup> Vice-Chairman</b> (until 1 April 2009) Former member of the Board of Management, Stadtwerke Chemnitz AG, Chemnitz, Germany
<b>Jürgen Behm</b>	<b>2<sup>nd</sup> Vice-Chairman</b> Former Chairman of the general works council, VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, Germany
<b>Bernard Alran</b> (until 13 May 2009)	Former Managing Director, EEG - Erdgas Transport GmbH, Berlin, Germany
<b>Günther Boekhoff</b>	Honorary mayor of the city of Leer, Leer, Germany
<b>Dr Werner Brinker</b>	Chairman of the Management Board, EWE Aktiengesellschaft, Oldenburg, Germany

<b>Martin Döscher</b>	Honorary Chief Executive of Cuxhaven rural district, Köhlen, Germany
<b>Joachim Ebert</b>	Telecommunication systems engineer, GDMcom Gesellschaft für Dokumentation und Telekommunikation mbH, Leipzig, Germany
<b>Dr Hans Michael Gaul</b>	Former member of the Board of Management, E.ON AG, Düsseldorf, Germany
<b>Hans-Joachim Gornig</b>	Managing Director, GAZPROM Germania GmbH, Berlin, Germany
<b>Dr Hans-Dieter Harig</b>	Former Chairman of the Board of Management, E.ON Energie Aktiengesellschaft, Munich, Germany
<b>Johannes Hegewald</b>	Foreman, Bad Lauchstädt compressor station of VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, Germany
<b>Rainer K. Otto</b> (from 13 May 2009 until 15 February 2010)	Former Managing Director, SWE Stadtwerke Erfurt GmbH, Erfurt, Germany
<b>Josef Rahmen</b>	Chairman of the Board of Management, LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH, Leipzig, Germany
<b>Andreas Reichelt</b>	Pipeline system technology officer, VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, Germany
<b>Hans-Joachim Richter</b>	Chairman of the general works council, VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, Germany
<b>Erik von Scholz</b> (from 13 May 2009)	Chairman of the Management Board, GDF SUEZ Energie Deutschland AG, Berlin, Germany
<b>Anita Schwabe</b>	Cost accounting officer, VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, Germany
<b>Petra Steuer</b>	Scheduling employee, Bernburg underground storage facility, VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, Germany
<b>Dr Ties Tiessen</b> (from 9 December 2009)	Member of the Executive Board, Wintershall Holding GmbH, Celle, Germany
<b>Björn Thümler</b> (member of the state assembly)	Historian and political scientist, Berne, Germany
<b>Michael Wagener</b>	Member of the Management Board, EWE Aktiengesellschaft, Oldenburg, Germany

## Management report on the financial year 2009

### Successfully on course for growth

The VNG Group again had a successful year in 2009. VNG – Verbundnetz Gas Aktiengesellschaft (VNG AG), the parent company, and its various affiliated companies in Europe have further expanded their position as a gas importer and gas wholesaler, as a marketer of transport and storage capacities and as an energy service provider on national and international markets.

VNG AG can look back on the best annual result in its history. With a net income for the year of €169.9 million, the company has strengthened its position on the German and European markets in an impressive manner. VNG AG made a decisive impact on the Group result, its net income of around €167.9 million almost matching that figure. A sales volume of 183.0 billion kilowatt hours (kWh) marked another new record in gas sales.

These results are even more noteworthy in the light of the underlying economic and energy policy conditions. In 2009, a year that was marked by the economic and financial crisis, there was a substantial increase in competition at all distribution stages in the German and European markets. The VNG Group took advantage of this to consolidate its strong position in the home market and, at the same time, to expand its sales in Europe.

In 2009 fixed asset and financial investments were up considerably on previous years. The VNG Group thus made the most of its excellent financial situation to take advantage of the opportunities arising in the market. At the same time, this paved the way for further growth.

### Strategic direction

In the future, the VNG Group will also continue to operate and further expand its core business areas – namely the exploration and production of natural gas, gas importing, gas wholesale, gas transport, gas storage and energy services.

#### European with national roots

The key objective is to diversify business activities and hence also the contributions to the result along the value-added chain. There is no doubt that Germany is VNG AG's main sales market. As well as securing and strengthening the domestic competitive position, the VNG Group is focusing more intensely on expanding its international business. To this end, it is working in various European countries, particularly Poland, the Czech Republic, Slovakia, Italy, Switzerland, Austria and the Benelux countries.

#### Successful sales require secure procurement

With regard to procurement, the VNG Group is continuing to focus on developing a diversified, internationally oriented purchasing portfolio. Alongside the long-term delivery contracts with producers from Russia, Norway and Germany, the possibilities of European spot and forward trading are being exploited as a means of optimising procurement over the short and medium term. The VNG Group is also pressing forward with the establishment of its own portfolio of exploration and production licences in order to ensure, in the medium term, that a substantial share of gas sales comes from its own production. With the acquisition of Endeavour Energy Norge AS in the first half of 2009 and the merger of this company with VNG Norge AS (VNG Norge), which was already in existence, the VNG Group took a significant step forward in this respect.

#### Procurement diversification through liquefied natural gas (LNG)

As the supplies of natural gas decrease in Europe, the acquisition of LNG is becoming more important. The VNG Group sees the long-term securing of new, even remotely situated gas sources through LNG as a further pillar in the diversification of its purchasing portfolio. The infrastructures established in the recent past lead to an improvement in the supply situation and the competitiveness of LNG compared with pipeline gas. The VNG Group intends to take part in this development.

#### Infrastructure remains crucial to a secure and reliable gas supply

A reliable gas industry infrastructure that is able to meet demand is crucial to ensuring efficient gas supplies. The VNG Group will therefore continue to invest in its gas industry infrastructure, particularly in storage facilities. Given the decline in European production capacities, demand for storage capacities in Europe can be expected to grow over the short and medium term. In addition to the development of the existing storage sites, the VNG Group intends to invest in additional storage capacities at new locations. The transport business will also be an important part of the VNG Group's future business activities. The focus is on efficient and unimpeded marketing of the transmission pipeline network and on active involvement in preparing the regulatory framework conditions by ONTRAS – VNG Gastransport GmbH (ONTRAS). Moreover, transport services are being expanded further.

#### Expansion of innovative business areas and services

Apart from strengthening its core competencies, the VNG Group is increasingly opening up new fields of business and will be further strengthening its involvement in the field of renewable energies. In this area, the VNG Group is focusing on the production of biogas for local power generation and biomethane as partial substitutes for fossil gas. Biomethane is fed into the transport network and is available as an additive product for natural gas customers. In addition, the VNG Group is pursuing entry into natural-gas-driven power generation. In this connection, a first stake in a power station has been acquired. The VNG Group also offers a wide range of energy industry services for other market players. The range extends from services for transmission and distribution networks, telecommunication and documentation through IT consultancy services and software to support for the introduction of various kinds of gas-based energy efficiency technologies.

#### Financing basis is broadened and strengthened

Financing at the VNG Group is sound. The financing basis was further strengthened and diversified by the placement of a borrower's note loan with a volume of €200 million. Despite the difficult market environment, the debut transaction met with exceptional success and is thus major evidence of confidence and confirmation of the business model by the capital market. A clear improvement in the financial basis for further growth was thus achieved.

#### Indebted to the past

The VNG Group can look back on a very successful development record. The success of the Group was, and will continue to be, possible only if all involved work harmoniously together. As an independent company in eastern Germany, VNG AG is under an obligation to its shareholders as well as to its customers and staff. At the heart of corporate policy, ensuring an increase in the value of the company and a market-based interest on shareholder equity stand alongside safeguarding and creating jobs and numerous commitments to fostering regional environment in different areas.

#### Business environment and energy market

The business environment in 2009 was affected considerably by the international economic and financial crisis. Economic output in Germany declined by 5%, the highest figure since the Federal Republic was established. The industrial sector was particularly affected.

#### Decrease in energy consumption in Germany

The economic crisis has a major impact on energy consumption in Germany and elsewhere. For the first time since 1981, there was a considerable decline in worldwide energy consumption. In 2009, energy consumption in Germany was down 6.5% on the previous year. Fossil fuels, natural gas and various oil products were particularly hard hit by the recession. The decrease in production in the steel and chemical sector, in particular, pushed consumption down. A 4% increase was recorded only in the consumption of renewable energies.

#### Marked decrease in natural gas consumption

Gas consumption in Germany declined by 5.5% and, for the third time in succession, was below the figure for the previous year. It was only the colder temperatures in the first quarter with the high need for heat generation that prevented an even greater slump in demand. The consumption figure of 891 billion kWh is the lowest since 1995. There was also a decline in the use of gas to generate power. This was caused by far lower energy consumption and the greater use of other fuels, particularly lignite, at power stations than in previous years.

#### Renewable energies gain further market shares

Apart from the slump in economic performance, the further rise in the use of competitive energies, particularly in the generation of heat and power, were the cause for the decline in demand for gas. As a result of extensive investment in new plants and the political promotion of the use of renewable energies, there was an increase in the use of biomass, while the consumption of heating oil remained virtually unchanged. The decrease in gas consumption in Germany slowed towards the end of the year. However, this is due to the lower figure for the previous year caused by the recession and not necessarily the sign of a new trend.

#### Growing importance of spot markets

As a result of the marked decline in crude oil prices in the second half of 2008, the import price for natural gas fell in the course of 2009, and in September was at the lowest level since August 2005. In line with the price of oil, there has been a moderate increase in gas import prices since October 2009, continuing in early 2010. The growing spot

and forward market for natural gas has become more influential. The cyclical decline in gas consumption in Europe and the expansion in supplies from non-European sources put pressure on prices in 2009.

## Energy policy environment

### European Union completes Third Single Energy Market Package

On 22 April 2009, the European Parliament endorsed the compromise on the Single Market Package achieved by the European Commission and the Council Presidency by a large majority. The Commission's aim is to strengthen its three principal energy objectives through this package: security of energy supply, sustainability and competitiveness.

In order to ensure the effective separation of power generation and transmission, the member states can use one of three models. "Full ownership unbundling", which had been emphatically promoted by the European Commission, was included in the package alongside "independent system operator" (grid management transferred to an independent operator) and "independent transmission operator" (enhanced organisational unbundling for the purpose of ensuring grid management that is independent from the vertically integrated company). No provision is made for compulsory sale of the networks by energy supply companies to third parties.

The package also provides for the introduction of the first European Agency for the Cooperation of Energy Regulators. It is to provide support for the work of the national regulatory authorities and, in particular, to keep an eye on cross-border matters.

The Directive concerning common rules for the internal market in natural gas contained in the package entered into force on 3 September 2009. The member states now have 18 months in which to implement the Directive in national law. The companies must have implemented the relevant unbundling rules at the latest 30 months after the Directive has entered into force.

### Security of natural gas supply directive amended

On 16 July 2009, the European Commission presented to the European Parliament and to the Council a proposal for a Regulation concerning an amendment of the Natural Gas Supply Directive. The proposal contains obligations for the member states to increase supply security. The Parliament intends to vote on it in the first half of 2010.

### Germany: energy policy in the Coalition Agreement

In the Coalition Agreement, the governing parties committed themselves to presenting an energy concept in 2010 which is to lay down the guidelines for future energy supply. This task will be lead-managed by the Ministry of Economy as well as the Department of the Environment. A further key point in the Coalition Agreement is the consistent expansion and promotion of renewable energies. To this end, the Renewable Energies Act is to be amended, placing the promotion of renewable energies on a more business-like footing, i.e. supply is to be structured more efficiently. Further plans concern the revival of the market for biofuel and improving the position of biomethane in the Renewable Energies Heat Act.

In order to increase competition in the energy markets, there are to be only two markets in the future (H- and L-gas). The intention is also to re-draft the Gas Network Access Ordinance and to improve access to unused gas transportation and storage capacities.

### Exploration and Production

In the area of gas procurement, the development of its own natural gas production is a key project at the VNG Group. Its own gas production will contribute to improving supply security over the long term. In the field of upstream activities, the focus is on areas with a high potential for exploration and production activities, such as the Norwegian continental shelf. These areas have a well-developed infrastructure and a large share of discovered resources and of those to be expected.

In 2009, the upstream activities of the subsidiary VNG Norge in Norway were expanded considerably. With the acquisition of Oslo-based Endeavour Energy Norge AS in May 2009, the VNG Group also became a producer of natural gas and oil. The merger with the already-established company VNG Norge in Stavanger, which was completed on 1 October 2009, led to the successful integration of the two companies. The merged company, which is based in Stavanger, now has shares in a total of 26 licences, including in two fields that are already producing, and has the status of an operator for exploration licences.

Forty-five staff members are employed at the Stavanger and Oslo sites; they all have special qualifications in the areas of exploration, gas reservoir evaluation, drilling and production. The team is also supported by E&P specialists from VNG AG.

In 2009, VNG Norge carried out an extensive exploration programme and took part in seven drillings, two of which discovered resources. In August 2009, the company acted as operator in licence PL 270 in its first exploration well in the Norwegian North Sea. The well proved to contain some 3–8 billion m<sup>3</sup> of gas. Previously, i.e. in the second quarter of 2009, VNG Norge had already taken part in the discovery of oil in PL 348.

VNG Norge's planned target is to produce 1.5 billion m<sup>3</sup> of natural gas annually from its own sources by 2017. To achieve this aim, around 15 billion m<sup>3</sup> in gas reserves will be needed. VNG Norge plans to cover around two-thirds of the reserves through ongoing and future exploration projects. In addition to the acquisition of shares in 4–7 new licences, participation in 4–6 exploration wells a year is planned; VNG Norge will be the operator in at least one of them.

With regard to portfolio optimisation, a further third of the required gas reserves is to be secured by acquiring licence shares in existing gas discoveries, where field development is planned. Possible stakes in E&P projects outside the Norwegian continental shelf are not ruled out.

### Gas trading

### Gas purchase

#### Optimising natural gas procurement

Long-term delivery relations and particularly import agreements with efficient producers form the basis of a dependable gas supply that is in line with demand. The VNG Group derives most of its required gas volume from these agreements and

also sees them as the best way of maintaining its position in the European and worldwide competition for fuels. In addition, the short-term acquisition in the spot and forward markets has become established as a further pillar of flexible, customer-oriented gas procurement. This improvement in the purchasing portfolio made no minor contribution to the competitiveness of the VNG Group.

In the financial year 2009, VNG AG took 188.5 billion kWh (2008: 169.5 billion kWh) from many producers or suppliers. Of this volume, 35% came from Russian sources, 22% from Norway, 21% from German suppliers and 22% from trading activities (European spot and forward trading).

In early 2009, gas supplies from Russia were restricted and, at times, even halted completely at the transfer point Velke Kapusany. Together with the contracting partner Wintershall Erdgas Handelshaus GmbH & Co. KG (WIEH), an agreement was reached to transfer the import volume from the Velke Kapusany station on the border between the Ukraine and Slovakia to the transfer station Mallnow/Gross Körös on the border between Poland and Germany. This meant that the reduction

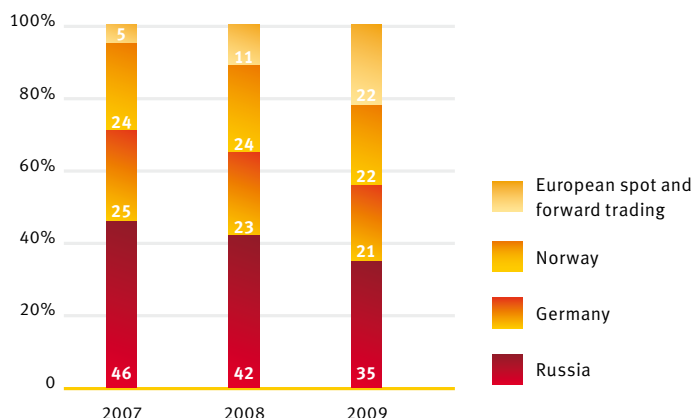
in the volume of Russian gas had only a minor impact on the VNG Group. In addition, the deliveries by Norwegian and other West European suppliers and by storage capacities booked by VNG AG in Germany were available without restriction at all times. Supply security was thus guaranteed for customers at all times. In the remainder of 2009, the deliveries of Russian gas volumes were carried out via the Russo-German joint venture WIEH consistently in accordance with the long-term gas supply contract.

VNG took gas from Norwegian sources on the basis of long-term gas delivery contracts with Statoil ASA, TOTAL E&P NORGE AS, Eni Norge AS and ExxonMobil Exploration and Production Norway AS.

The longstanding German H-gas supplier ExxonMobil Gas Marketing Deutschland GmbH & Co. KG, ExxonMobil Gas Marketing Deutschland GmbH and Shell Erdgas Marketing GmbH & Co. KG were reliable contract partners in the financial year 2009.

Contractually regulated, long-term transport capacities in Slovakia and in the Czech Republic as well as from Emden to the VNG Group's sales market were used to ensure gas supplies.

● Diversification of natural gas procurement at VNG AG compared with previous years

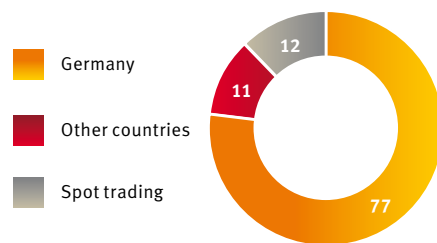


### Gas sales

#### Record sales in a difficult environment

In 2009, VNG AG supplied around 183.0 billion kWh of natural gas to customers in Germany and elsewhere. Gas sales were thus 6.8% up on the previous year (171.4 billion kWh). With this record sales figure, VNG AG confirmed its position in the Germany energy market despite the macroeconomically difficult environment. At the same time, supplies to other European countries increased. Lower sales figures in eastern Germany, caused by economic and competition factors, were more than made up for by gains in other German market areas, in other countries and in OTC stock exchange trading.

● **VNG AG sales markets 2009** in %



#### Gas sales, Germany

##### The Group maintains a strong market position

Competition in the wholesale market intensified again in 2009. Supply and industrial companies used tenders to exploit competitive openings. Since mid-2009, market prices have been geared very strongly to prices in the spot and forward markets. The substantial crisis-generated decline in sales in the European industry, coupled with an increase in LNG imports, led to an excess sup-

ply of gas and hence put considerable pressure on prices. Liquidity also increased by market areas being merged. One sign of this is the large number of supplies at attractive prices from suppliers in Germany and elsewhere.

Despite the difficult environment, the VNG Group maintained its position in all relevant market areas. The customers not only placed value on mark-to-market pricing but also showed considerable interest in partnership-based cooperation and in services related to natural gas. In this respect, VNG AG made successful use of the brand and product family VNG.gasmarkt first developed in 2008, and developed it further.

Moreover, VNG AG gave importance to customer relations and further expanded the concept of regional presence. In spring 2009, the South-West Sales Management moved to Frankfurt am Main. Other sales offices are located in Stuttgart, Munich, Düsseldorf, Berlin and Hamburg. Adding to the longer-standing sales locations in Lauchhammer and Neustrelitz, local customer management offices have thus been set up throughout Germany.

In the industrial customer market, 2009 was marked both by the economic crisis and by ongoing intensive competition. Partnership-based cooperation made it possible to develop individual products and solutions with the customers, safeguarding their competitiveness even in the changed market circumstances. The crisis and increased competition led to a decrease in gas sales in this customer segment.

The new product “VNG.Gas market.Biomethane” was added to VNG AG’s product family in 2009. This actively addressed the growing demand for renewable energy sources. On this basis, initial deliveries with intermediary customers were

agreed. Given the current debate about the climate, the latter generally use biomethane to offer customers using gas for heating particularly environmentally friendly products. VNG AG takes biomethane from the operator of the largest biomethane plant in the world which is located in Mecklenburg-West Pomerania.

### Gas sales, other countries

The Group strengthens its activities in other countries

In the past financial year, business outside Germany was expanded further. Sales increased by 34.7% compared with the previous year. In addition to the volumes established in long-term agreements, a large number of short-term supplies were organised. In 2009, Poland and Italy were still the main sales areas outside Germany. Deliveries to both markets were expanded further.

There was a further increase in deliveries to Poland. The conclusion of a standard framework agreement between the Polish market leader, Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), made it possible to effect short-term trading in addition to the long-term agreements. The VNG Group is the main supplier of PGNiG in western Europe.

The activities of the gas-trading company HANDEN Sp. z o.o. and the heat-generating company NYSA-GAZ Sp. z o.o. were merged in the newly founded, wholly owned subsidiary VNG Polska Sp. z o.o. Shares in the gas-supply company G.EN. Gaz Energie Spółka Akcyjna were transferred to VNG Polska Sp. z o.o.

In 2009, deliveries to Italy achieved a new level in quality. The VNG Group is involved in the entire value-added chain from import through the wholly owned subsidiary SPIGAS S.r.l., La Spezia, to end-customer deliveries through the BLUENERGY Group S.p.A. VNG Italia S.r.l., a subsidiary located in Bologna, holds the VNG Group's Italian participating interests. There were further pleasing developments in deliveries to the leading Italian regional supplier HERA S.p.A.

To intensify deliveries to the Italian market and to enable trading options between the European trading points, the VNG Group is also using supply possibilities via the Transitgas pipeline through Switzerland and the Trans-Austria Gas Pipeline. The VNG Group also acquired transport capacities in the West Austria Gas Pipeline and takes part in capacity allocation procedures, currently in the Tauern Gas Pipeline.

A 15-year supply contract was concluded with the leading Luxembourg energy supplier Enovos Luxembourg S.A. The VNG Group thus made a major contribution to supplying Luxembourg.

VNG AG concluded supply contracts with its subsidiary VNG Slovakia, spol. s r.o., and has made the first deliveries of gas to Slovakia since the start of 2009.

Apart from its importance as a key transit country, the Czech Republic also plays an important role as a sales market. VNG AG has been supplying the Czech market since 2007. Through its subsidiary Energie Bohemia a.s., gas is sold to regional suppliers and industrial customers.

Supply relations with French customers were also strengthened in 2009. The VNG Group has been supplying both industrial customers and intermediaries in France since 2008.

In conjunction with SWISSGAS, Schweizerische Aktiengesellschaft, formed by the merger of four Swiss regional suppliers, VNG AG established SET Swiss Energy Trading AG (SET) with its head office in Zurich. Through SET, it will be easier for companies trading in the Swiss energy market to trade spot and forward market products. The development of the Swiss gas market, which is characterised by growing openness and liberalisation, is thus also taken into account.

### Spot and forward trading

Short-term market opportunities have been exploited

In the financial year 2009, trading activities were carried out at all the virtual trading hubs in Germany, France, Belgium, Austria and the Netherlands and at important physical import and export points.

In 2009, the European gas-trading markets were affected by excess supplies of gas. This put increased pressure on prices in the trading markets and led to a further increase in liquidity, particularly at the virtual trading hubs in the German market areas. In this market environment, the VNG Group succeeded in expanding short-term trading activities so that it constituted active management of the physical gas portfolio. In addition to bilateral transactions with a number of European trading partners, the VNG Group used various brokers and the Leipzig-based European Energy Exchange AG (EEX) as trading platforms.

## Gas storage

### Expanding storage capacity

The four underground storage facilities at Lauchstädt, Bernburg, Buchholz and Kirchheilingen have a working gas volume of 2.56 billion m<sup>3</sup>. The VNG Group is investing continuously in the development and modernisation of its underground storage facilities. In 2009, the working gas volume was increased by approximately 0.2 billion m<sup>3</sup> by opening up further caverns and optimising operation of the available storage capacity.

Given the growing importance of gas storage in the European energy market, the VNG Group's objective is to further increase marketable storage capacities over the next ten years.

At Bad Lauchstädt, work has already begun on expanding working gas storage capacities progressively by approximately 260 billion m<sup>3</sup>. Opportunities to participate in further projects to establish storage capacities in Germany and elsewhere are being studied. In 2009, intensive negotiations were conducted with potential project partners. The target is for a decision to be reached regarding this project in 2010. The planned diversification of the storage portfolio will make it possible to respond to the changing patterns of demand in the European gas market.

### Marketing storage capacity

The underground storage facilities were fully booked in 2009. Free storage capacities are marketed solely to third parties. In this respect, a total of 18 short-term and two long-term contracts were concluded.

By optimising the storage operation, additional short-term storage capacities were created which were marketed by store-x Storage Capacity Exchange GmbH via the secondary trading platform store-x.

In addition, VNG AG developed a new flexible storage product for the optimal utilisation of storage capacities. A pilot project was launched so that practical tests could be run on the new product "Micro-storage package". Market launch is scheduled for the first half of 2010.

To optimise the processing of storage contracts, the VNG Group is working intensively on the further development of the appropriate software and is thus adapting to the more stringent requirements of a flexible gas market. Further improvements in customer service were achieved through numerous innovations in VNG AG's storage portal [www.speicherportal.vng](http://www.speicherportal.vng).

As part of a transparency project launched by Gas Storage Europe (GSE) in connection with the tighter transparency requirements of the Third Single Energy Market Package, since 1 October 2009 the VNG Group, as a storage operator, has been taking part on a daily basis in a pilot project on the publication of cumulated storage filling levels. In early 2010, the plan is to implement this on its own storage portal.

## Gas transport

### ONTRAS – grid operator

VNG AG owns more than 7,000 km of gas transmission pipelines with compressor stations and

pressure regulating and measuring stations. ONTRAS markets the transport capacities of the pipeline system and operates the system independently on the basis of a leasing agreement.

### ONTRAS – helping to structure the GASPOOL marketing area cooperation

On 1 October 2009, the new market area GASPOOL was launched, comprising the former market areas of H-gas North Germany, ONTRAS and WINGAS TRANSPORT. Through the integration of the market area of H-gas North Germany, Statoil Deutschland GmbH and DONG Energy Pipelines GmbH are also involved in the market area cooperation. The new market area consists of some 300 downstream gas transport networks and links six European countries. The market area is operated by GASPOOL Balancing Services GmbH, Berlin. The shareholders are the long-distance network operators ONTRAS, DONG Energy Pipelines GmbH, Gasunie Deutschland Transport Services GmbH and WINGAS TRANSPORT GmbH & Co. KG. The company provides the services of the balancing group network operator for the five cooperation partners and the new large market area GASPOOL.

### ONTRAS – the European-level activities

At the European level, ONTRAS is involved in committees of various organisations. For instance, ONTRAS is a member of the Board of ENTSOG (European Network of Transmission System Operators for Gas). Within ENTSOG, ONTRAS is significantly involved in restructuring capacity management. ONTRAS is also the only member of a German long-distance network operator on the Programme Board of the Gas Regional Initiative North-West.

### **ONTRAS – subject to cost regulation**

Since it received notice on 20 October 2008 of the Federal Network Agency's negative decision regarding pipe-to-pipe competition, ONTRAS has been subject to cost regulation and, from 1 January 2010, to incentive regulation. By the deadline, ONTRAS therefore presented a cost-based remuneration application in December 2008. The Federal Network Agency made substantial cuts in the application. ONTRAS lodged an appeal against the remuneration decision with the high court in Düsseldorf. As this did not allow it to postpone matters, the capacity fees approved by the Federal Network Agency have applied initially since 1 October 2009 for the network operated by ONTRAS. ONTRAS is obliged to adjust these fees again on 1 January 2010, in line with their efficiency value and the resulting proceeds ceiling given by the Federal Network Agency. However, as the Federal Network Agency announced that it would not be able to determine these values on time, this adjustment will probably be delayed by several months.

### **VNG Group investment portfolio**

On 31 December 2009, VNG AG had 63 participating interests in Germany and abroad, these being held directly and via holding companies. The non-German companies operate in Poland, the Czech Republic, Slovakia, Italy, Austria, Switzerland and Norway.

The financial year 2009 was primarily marked by the establishment of the holding companies in Poland, the Czech Republic, Slovakia and Italy. An important further step was to acquire Endeavour Energy Norge AS, Oslo, and the subsequent merger of VNG Norge, Stavanger, with this company. After a change of name and the relocation of its head office, the merged company VNG Norge also has its head office in Stavanger.

The VNG Group's investment portfolio at the end of 2009 was as follows:

● **Fully consolidated companies in Germany within the VNG Group**

**Stake**

100.00%	BALANCE VNG Bioenergie GmbH, Leipzig
100.00%	CCM Communication-Center Mitteldeutschland GmbH, Leipzig
100.00%	ECG Erdgas-Consult GmbH, Leipzig
100.00%	GDMcom Gesellschaft für Dokumentation und Telekommunikation mbH, Leipzig
100.00%	GEOMAGIC GmbH, Leipzig
100.00%	ONTRAS – VNG Gastransport GmbH, Leipzig
100.00%	VNG-Beteiligungs-GmbH, Leipzig
100.00%	VNG-Direkt GmbH, Leipzig
100.00%	VNG-Erdgascommerz GmbH, Leipzig
100.00%	VNG-Erdgastankstellen GmbH, Leipzig
92.22%	ENERGIEUNION Aktiengesellschaft, Schwerin
50.92%	Havelländische Stadtwerke GmbH, Werder (Havel)

● **Fully consolidated companies outside Germany within the VNG Group**

**Stake**

100.00%	Energie Bohemia a.s., Prague, Czech Republic
100.00%	G.EN. Gaz Energia Spółka Akcyjna, Tarnowo Podgórne, Poland
100.00%	Gaz Budowa Sp. z o.o., Karlino, Poland
100.00%	HANDEN Sp. z o.o., Warsaw, Poland
100.00%	SPIGAS S.r.l., La Spezia, Italy
100.00%	VNG Energie Czech a.s., Prague, Czech Republic
100.00%	VNG Italia S.r.l., Bologna, Italy
100.00%	VNG Norge AS, Stavanger, Norway
100.00%	VNG Polska Sp. z o.o., Tarnowo Podgórne, Poland
100.00%	VNG Slovakia, spol. s r.o., Bratislava, Slovakia

● **Affiliated companies in Germany within the VNG Group****Stake**

100.00%	Leipziger Biogasgesellschaft mbH, Leipzig
100.00%	MBG Mitteldeutsche Biogasgesellschaft, Leipzig
74.80%	BGA Bioenergie GmbH, Hof
50.00%	caplog-x GmbH, Leipzig
50.00%	Erdgasspeicher Peissen GmbH, Halle (Saale)
50.00%	Erdgasversorgungsgesellschaft Thüringen-Sachsen mbH (EVG), Erfurt
50.00%	InterGasTrade GmbH i.G., Potsdam
50.00%	InterTransGas GmbH, Leipzig
50.00%	lictor GmbH, Leipzig
40.00%	Untergrundspeicher- und Geotechnologie-Systeme Gesellschaft mit beschränkter Haftung, Mittenwalde
38.00%	store-x Storage Capacity Exchange GmbH, Leipzig
25.00%	GASPOOL Balancing Services GmbH, Berlin
24.90%	EMB Erdgas Mark Brandenburg GmbH, Potsdam
24.80%	SpreeGas Gesellschaft für Gasversorgung und Energiedienstleistung mbH, Cottbus
24.60%	MITGAS Mitteldeutsche Gasversorgung GmbH, Halle (Saale)
24.00%	trac-x Transport Capacity Exchange GmbH, Leipzig
23.38%	Stadt- und Überlandwerke GmbH Luckau-Lübbenau, Luckau
21.40%	Gas Service Freiberg GmbH, Freiberg
20.00%	GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. Kommanditgesellschaft, Straelen

● **Affiliated companies outside Germany within the VNG Group****Stake**

50.00%	FlameEnergy Trading GmbH, Vienna, Austria
50.00%	BLUEFIN S.r.l., Bologna, Italy
49.00%	Nitrianska teplárenská spoločnosť, a.s., Nitra, Slovakia
49.00%	Prievidzské tepelné hospodárstvo, a.s., Prievidza, Slovakia
35.00%	SET Swiss Energy Trading AG, Zurich, Switzerland

## ● Other holding companies within the VNG Group

### Stake

100.00%	Energiefinanz GmbH, Schwerin <sup>1)</sup>
100.00%	H – therma, a.s., Hrádek nad Nisou, Czech Republic
100.00%	S I Sachsenross Erste Beteiligungsgesellschaft mbH, Leipzig
100.00%	S II Sachsenross Zweite Beteiligungsgesellschaft mbH, Leipzig
49.00%	NYSAGAZ Sp. z o.o., Wrocław, Poland
49.00%	PROMETHEUS – Gesellschaft für Erdgasanwendungsanlagen mbH, Leipzig
30.07%	ZEC Sp. z o.o., Białogard, Poland
20.00%	GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen
15.20%	Biomethan Schöpstal GmbH & Co. KG, Schöpstal
15.20%	Biomethan Schöpstal Verwaltungs-GmbH, Schöpstal
15.10%	Versorgungsbetriebe Hoyerswerda GmbH, Hoyerswerda
12.55%	Stadtwerke Rostock Aktiengesellschaft, Rostock
10.00%	DFTG-Deutsche Flüssigerdgas Terminal Gesellschaft mit beschränkter Haftung, Wilhelmshaven
10.00%	Deutsche Flüssigerdgas Terminal offene Handelsgesellschaft, Essen
4.50%	erdgas mobil GmbH & Co. KG, Essen
4.50%	erdgas mobil Verwaltungs-GmbH, Essen
1.50%	NBB Netzgesellschaft Berlin-Brandenburg mbH & Co. KG, Berlin <sup>2)</sup>

<sup>1)</sup> Stake held by ENERGIEUNION AG, Schwerin. | <sup>2)</sup> Stake held by Havelländische Stadtwerke GmbH, Werder (Havel).

### VNG Group services

The VNG Group develops and markets various services for energy companies and market partners in trade and commerce. The key objective is to maintain the position of natural gas compared with other fossil fuels and its meaningful inter-linking with renewable energies. Group skills, the specialisation of the Group companies and applied research and development projects make the VNG Group a valued supplier of efficient, environmentally friendly technology and related consultancy services.

### Technical services

Again in 2009, the technical services business covered mainly the operational management and maintenance of gas plants. The VNG Group provides its services, inter alia, also as a pipeline service provider for EVG - Erdgasversorgungsgesellschaft Thüringen-Sachsen mbH (EVG) and Spreegas Gesellschaft für Gasversorgung und Energiedienstleistung mbH.

On the basis of a technical service agreement, VNG AG, as a service provider, is in charge of the operational management and maintenance of the transport system operated by ONTRAS. In agreement with and on behalf of ONTRAS, the upgrading and modernisation measures were continued steadily in 2009. The funds used for this ensure a high degree of reliability in customer supply.

In October 2009, the VNG Group took over the operation of the Güstrow biogas network connection plant from NAWARO Engineering GmbH. The biogas plant operator feeds the biogas into ONTRAS' pipeline system. A contract was concluded with ONTRAS for the provision of technical services in connection with the operation of biogas network connections.

The VNG Group was commissioned with the planning (planning permission and plan approval) for the scheduled building of the new German-Polish pipeline connection, approximately 160 km in length, operated by InterTransGas GmbH from Börnicke to Hintersee.

### Telecommunication and documentation

The services of GDMcom Gesellschaft für Dokumentation und Telekommunikation mbH extend from preparing to maintaining documentation on pipelines and technical plants, securing it and processing external planning applications. The development and management of individual software solutions for the supply sector and the planning and establishment of equipment and systems in the field of communication, security, object protection and information technology, as well as complete operational management and maintenance are also included in the range of services provided by this holding.

### IT and software

The Group subsidiary ECG Erdgas-Consult GmbH, an acknowledged software and consulting specialist, is a competent partner in the flexible implementation of dynamic energy market requirements. With its business model and competitive and regulatory gas market business areas, the company has become exceptionally well established.

### Natural gas as fuel

The marketing of natural gas as a fuel was further advanced further in 2009. This includes, in particular, the opening of six additional natural

gas filling stations by VNG-Erdgastankstellen GmbH, which, as the first operator in eastern Germany, has been adding biomethane since 2009. In addition, the VNG Group provides support for the activities of erdgas mobil e. V. to promote the alternative fuel.

### Marketing and sales communication

#### Commitment to the future use of natural gas

In addition to the two market programmes, Brennwert.plus and Kraftpaket.plus, which have already been established, various new developments in the heat market are being promoted.

#### Innovation initiative launched

The objective of the initiative is to push the market launch of gas heating pump, micro combined heat and power and fuel cell technologies and the development of appropriate plants in the small power range. The initiative is being carried out in cooperation with manufacturers and business partners and sets out to provide a wide selection of proven and politically and socially acceptable gas and biomethane technologies for the changing heating market in the near future.

#### Service business geared more intensively to sales

Vertrieb.Consult provides customers with a range of support in the form of seminars and workshops on sales-oriented topics in particular. In addition, the VNG Group provides support for its customers in numerous marketing activities such as trade fairs.

### Sustainable commitment

#### VNG sets up foundations

On 22 December 2009, VNG AG established the VNG Foundation. This foundation brings together VNG's non-profit commitment, particularly in the fields of art, cultural, social affairs, education and scholarship. In addition, the German-Russian Raw Materials Forum Foundation was set up, focusing on the scientific exchange between Germany and the Russian Federation in the field of raw materials. The research results will be published at annual conferences.

### Research and innovation

#### Scientific and technical cooperation with partners

The long-standing close scientific and technical cooperation with OAO Gazprom and its subsidiaries continued successfully in 2009. The focus is on the operation and assessment of high-pressure gas pipelines and underground storage facilities.

In 2009, work was carried out on projects to calculate hydraulic pressure loss at overground facilities, to diagnose production strings and well pipes and to establish geological storage models.

#### Numerous research and development projects

As part of its research and development programme, work continued in 2009 on innovative plans to upgrade gas plants and to further develop new gas-based technologies.

The VNG Group and partners have been taking part since 2004 in the EU research project “CO<sub>2</sub>-SINK” to study the storage of the greenhouse gas carbon dioxide in underground rock formations. VNG is responsible for the operational management and supervision of the injection process. The CO<sub>2</sub>-SINK project will be continued for a further three years from 2010 as part of the CO<sub>2</sub>-MAN project (CO<sub>2</sub> management).

In the field of CO<sub>2</sub> capture, transport and storage, the activities with Vattenfall AG were continued in 2009 and the project was given the support of expertise in gas transport and underground storage technology.

The aim being to save primary energy and CO<sub>2</sub> and to achieve a distinct improvement in the energy efficiency of one-family and two-family houses, in 2009 the VNG Group continued testing the world’s first micro-cogeneration plant using special condensed boiler technology. The completion of the first prototypes by the manufacturer and the practical tests on these plants are intended to meet the requirements for a market launch.

In addition, the VNG Group took part in various projects and initiatives to advance the development and subsequent use of improved and alternative technologies, e.g. fuel cell technology and gas heating pumps.

## Staff

### An attractive employer

As at 31 December 2009, the VNG Group employed 1,320 staff (2008: 1,194) at the parent company and fully consolidated companies in the financial year 2009.

With a staff of 697 as at 31 December 2009, VNG AG is still an attractive employer in central Germany and increasingly also in western Germany. The VNG Group employs 12 people at the sales offices in Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Munich and Stuttgart. Job creation and maintenance in Germany and elsewhere was, is and will remain a key task of the company’s employee-oriented commitment.

Of growing importance is the need to attract qualified young staff for specialist and management positions, not least given the demographic trend. In this respect, the VNG Group supervises interns, undergraduates and post-graduates and maintains various forms of contact with a number of universities in Saxony. Long-standing cooperation arrangements exist, in particular, with Leipzig University, Hochschule für Technik, Wirtschaft und Kultur Leipzig and Technische Universität Bergakademie Freiberg. These relations are the basis of a closely knit network of research and educational projects. In this connection, initial vocational training also retains its significance for the future. Within the VNG Group, 53 trainees receive a thorough vocational training that is geared to the needs of the market.

Through the VNG Campus initiative, VNG promotes and supports international cooperation between universities in Leipzig, Freiberg, Trondheim, Saint Petersburg, Prague and Krakow. Part of the project is to make scholarships available for students and scientists, and financing is also provided for research projects.

A comprehensive personnel policy also takes account of the various needs of the workforce. The family orientation of VNG AG and ONTRAS has been acknowledged by the certificate “audit berufundfamilie”, an initiative of the Hertie Stiftung. Evidence of this family orientation are

flexible working hours and active health management. Further measures that will also emphasise the company's family-friendly orientation in the future are being implemented progressively by 2012 on the basis of an agreement which has already been concluded.

New core business fields such as the exploration and production of the company's own gas in the North Sea off Norway, obtaining and marketing renewable energies or spot and forward trading in gas necessarily lead to an increase in staff numbers, even with the required measures to enhance efficiency and processes.

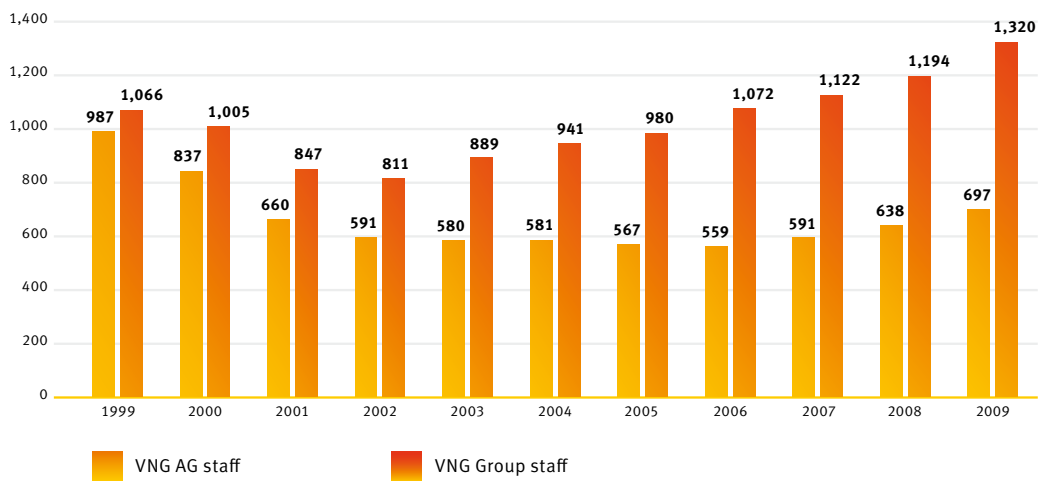
## VNG AG annual financial statements

### Earnings situation

With net income of €169.9 million for the financial year 2009, VNG AG achieved its best result to date, which was an increase of more than 20% on the year. The earnings situation made a particularly significant improvement in gas sales and gas purchasing.

A new sales record of around 183.0 billion kWh (2008: around 171.4 billion) made a major contribution to the positive development. Despite

### VNG AG and VNG Group workforce



the increase in sales volume, the sales figures decreased to around €4.8 billion (2008: around €5.5 billion) as, following the adjustment to the development of oil prices, selling prices were lower than in 2008. To achieve a further improvement in the result, VNG AG took advantage of short-term market opportunities purchasing more gas on spot and forward markets.

The positive impact on the result, which was also positively influenced by the continued strict cost management approach and successful financial management, was reduced considerably by the decline in earnings from holding companies. Although VNG AG's subsidiaries also achieved mainly positive results in the financial year 2009, there was a significant decline in earnings at ONTRAS as the Federal Network Agency made substantial reductions in the level of approved fees as part of its cost regulation activities. In addition, the valuation of a holding company outside Germany had to be adjusted.

### Financial situation

	2009	2008
Cash and cash equivalents at beginning of year	3.1	1.3
Cash flow from operating activities	203.0	140.8
from investing activities	-360.7	-64.2
from financing activities	154.6	-74.8
Cash and cash equivalents at end of year	0.0	3.1

In € million

In line with the positive development in earnings, particularly in gas sales and purchasing, the operational cash flow rose by some €62 million compared with 2008 to around €203 million.

There was a clear increase in payment outflows for investment compared with the previous year.

In addition to the expansion of underground storage facilities, these were connected primarily with the acquisition of participating interests in Germany and abroad which were partly the result of Group restructuring measures. Furthermore, capital increases and loans were used to provide VNG Norge, in particular, with additional funds.

As part of the financing activities, the cash flow showed a positive balance compared with 2008. To strengthen its financing base, VNG AG placed a borrower's note loan with a volume of €200 million in the financial year 2009. Further financial resources were made available by VNG AG through the Group's cash pool. By contrast, the level of other credit declined on balance as a result of the increase in the operational cash flow. As in the previous year, a dividend of €96 million was paid in 2009.

### Assets and liabilities

The balance sheet structure changed as follows compared with 2008:

Assets	2009	2008
Intangible assets	21	23
Financial assets	31	19
Inventories	17	19
Receivables and other assets	29	38
Other assets	2	1
	<b>100</b>	<b>100</b>

Liabilities	2009	2008
Equity*	35	35
Debt capital	65	65
	<b>100</b>	<b>100</b>

In %, rounded

\* Equity includes special items.

The acquisition of holding companies increased the balance sheet total by 10% on the year. Unlike other assets, there was an absolute and relatively distinct increase in financial assets. In absolute terms, there was virtually no change in other assets as investments roughly matched the write-downs and disinvestment. Compared with 2008, there was only a slight increase in the book value of gas inventories, as increase in the volume of gas inventories was almost entirely offset by the decline in purchase prices. There was an absolute and relative decrease in receivables as a result of the decline in sales prices. The net income for 2009 was again higher than the dividend paid for 2008, resulting in a further increase in equity. As debt capital also increased, in particular through the take-up of a borrower's note loan, there was no change in the capital structure compared with the previous year. At 35%, the equity ratio remains very sound and stable.

### Opportunities and risks

The entrepreneurial framework is subject to ongoing change which generates business opportunities and risks for the company. This is the result not only of the dynamic developments in the market environment from the competitive and regulatory viewpoint, but also from the expansion of existing business areas and the development of new ones. In this respect, the systematic identification, evaluation and monitoring of risk are of major importance, enabling risk to be detected early on and managed efficiently and opportunities to be exploited. It is crucial to maintain a balance between opportunities and risks.

In this connection, the VNG Group has a comprehensive risk-management system which is a key part of the planning and controlling processes.

A comprehensive risk audit is conducted twice a year to systematically record and assess all risks. In addition, a risk warning is immediately triggered if pre-determined thresholds are crossed.

A risk committee, in which both the general risk situation and the key individual risks are discussed and monitored, forms part of the organisational integration of the risk-management process. With the establishment of the risk controlling department in spring 2009, the organisational basis for the centralisation and efficient further development of risk management and controlling, which was previously organised decentrally, was created.

The risk-management system is subject to regular scrutiny by the auditors. It was again evaluated as appropriate for the early recognition of developments that may jeopardise the company's existence.

### Opportunities and risks in VNG's core business

The financial year 2009 was marked by a further intensification of competition in the gas market and by the impact of the global economic crisis. The European trading markets recorded a decline in demand throughout Europe and excess supply of grid-based gas. This put considerable pressure on gas prices, at times leading to gas prices being decoupled from European importers' procurement portfolios that are tied to oil prices.

With regard to purchasing, VNG diversified its own gas-procurement portfolio at an early date and is currently further pursuing these diversification activities. In addition, the partly geographical transfer of volumes together with the binding of transport and storage capacities – for instance, as part of the open season procedure – is an im-

portant support basis for sales activities. The possibility of accessing the company's own gas reserves by the progressive expansion of E&P activities also helps to diversify the purchasing activities.

Owing to the increase in competition and the present difficult economic situation, the sales market is presenting the sales departments with major challenges. Early measures to broaden the sales basis have already had an impact. It proved possible to gain further volume positions both within Germany and in other European countries as well as to more than offset losses in the home market.

The VNG Group reacted flexibly and adaptably to the changes in the underlying economic and legal conditions and to the growing trend toward short-term gas business and tougher competition. This was possible because of close customer relations and intensive market surveillance. The interplay of development and the introduction of new innovative products and price structures, the growing use of trading activities in the markets with expanding liquidity, and the even more active management of the long-term procurement portfolio as part of the ongoing flexible approach enabled the VNG Group to hold its own against competitors.

The main risks in the gas trade still relate to price and volume. However, there are structural changes in price risks, as prices in the gas trading markets are gaining in importance. In this respect, the assessment and evaluation of risks was expanded accordingly and the procurement strategy was adapted – for instance, by adjusting the long-term delivery contracts as far as possible to the new market conditions. Oil price risks, which arise from the divergence from the set prices in the purchasing and sales agreements, are evaluated continuously and managed

by ensuring partial financial covering for the net oil position in the portfolio. Precisely because of the high volatility of oil prices in 2009, in addition to the physical gas-trading activities intended to optimise the portfolio, the importance of trading in financial instruments as a means of hedging oil prices increased further. In addition, internal financial coverage for individual elements was effected, as requested by customers, in connection with sales transactions.

By consistently expanding the long-term biomethane portfolio, the VNG Group met the rising need for biomethane products or their inclusion in conventional gas-supply agreements. Trade with biomethane is not only a further element in strategic and trade diversification, but also takes account of the increase in the share of renewable energies in energy consumption promoted by the government. Price and sales risks in the case of biomethane products are kept at a minimum by negotiating flexible pricing mechanisms in the delivery contracts and by constantly monitoring the market.

In addition to the core business risks, the expansion of business and the ongoing change in the framework conditions in the German market, in particular, also make high demands in terms of the stability and dependability of the underlying business processes. By making early adjustments in the structural and management procedures and by the introduction of efficient IT systems, coupled with staff training, VNG ensures a high degree of process security. As an example, the introduction of the new accounting rules in the German gas market (GABI gas) took full effect in 2008/2009 and made substantial changes to the profile of accounting risks. The VNG Group reduced the ensuing risks to a minimum by adjusting the business processes and systems at an early date.

### Opportunities and risks of gas transportation

In the field of gas transport, regulatory risk is of particular importance. Against the background of the negative decision of the Federal Network Agency regarding pipe-to-pipe competition in autumn 2008, ONTRAS applied for fee approval in December 2008. A decision involving cuts was taken on 1 October 2009. An appeal against the remuneration decision was lodged with the high court in Düsseldorf.

With the start of the incentives regulation on 1 January 2010, ONTRAS' income will be decoupled from its costs. In this connection, the grid operator has to fulfil annual efficiency rules in the form of income reduction factors. The ensuing establishment of the so-called proceeds threshold is expected in the first quarter of 2010 and is to apply retrospectively from 1 January 2010. As a result, the income approved within the cost decision may be reduced further by the regulatory authority. ONTRAS is obliged to disburse the additional proceeds occurring between 20 October 2008 and 1 October 2009 to the market from 2011 to 2013 with a reduction in fees.

The approval of the Third EU Single Market Package on 3 September 2009 leads to further changes in the framework conditions for gas transport. The consequences of the implementation in national law cannot yet be conclusively assessed. In 2010, a change will be made to the Gas Network Access Ordinance. This could lead to not inconsiderable risks for ONTRAS. On the one hand, it cannot be ruled out that pressure will be on to form a uniform German H-gas market area within a specific period. On the other hand, the Federal Network Agency can be expected to be given a considerable determinative competence which can be used, inter alia, to redraft the rules governing shortage management and capacity allocation.

ONTRAS continues to take advantage of the opportunities afforded by the transport market and, with the development of new IT-supported products and services, is endeavouring to take the lead in the field of innovation. In competition with other transport companies, ONTRAS makes its customers comprehensive, reasonably priced and flexible offers. There are also opportunities to expand market-area cooperation with other grid operators.

### Technical risks

VNG AG owns a complex system of long-distance pipelines and efficient underground storage facilities. Extensive security measures have been introduced to effectively prevent technical risks in operation or breakdowns and to ensure a high degree of supply security.

On the basis of an integrated quality and security management system, regular external and internal qualification measures and training courses are arranged for staff and service providers. The process flows and the technical security management at plants and operational locations are subject to ongoing certification.

Continuous maintenance and monitoring in accordance with external regulations and internal concepts as well as regular refurbishment and upgrading of the technical equipment ensure a high technical standard of security and considerably reduces the probability of breakdowns.

Renewed confirmation of the reliability of the working processes and the orderly implementation of all standards at a high level at VNG AG was provided by the TÜV SÜD Management Service GmbH, Munich, with TSM auditing in accordance with DVGW G1000 in July 2008 as well as with the

certificate for a sound integrated management system including quality, security and environmental management in April 2009.

### Financial risks

With its internationally active companies, the VNG Group incurs risk arising from changes in raw-material prices, exchange rates, interest rates and credit risk. Its basically conservative orientation is reflected in a systematic financial risk-management structure. Appropriate management and control systems for measuring, managing and monitoring risks are implemented and continuously further developed. The security strategies for the key raw-materials price risks are discussed regularly in the risk committee. The functions of trade, processing and financial risk controlling are strictly separated within the organisational structure.

The derivative financial instruments employed are used solely to hedge against existing risks from fundamental business. Financial transactions are concluded only with business partners that can demonstrate first-class creditworthiness.

### Liquidity risk

Solvency is constantly ensured through broadly diversified binding credit lines for sufficient amounts. Internal financing principles establish room for manoeuvre. Financing security was enhanced by further diversification of the credit portfolio and, in particular, by placing a borrower's note loan. Revolving credit facilities with medium- and long-term maturities ensure that corporate financing enjoys a high level of security and flexibility. Rolling and scenario-based liquidity planning over several years, coupled with medium-term corporate planning, permits a rapid response to changes in financing requirements.

### Credit risk

The main credit risks arise from the consistently growing number of gas supply and trading agreements with national and international business partners. In addition, credit risks arise from agreed financial instruments used to cover exchange-rate, raw-materials price and interest-rate risk positions. The business partners' assessment of creditworthiness is monitored on an ongoing basis as part of the established management system, using publicly available information, and it is updated completely at least once a year. On the basis of a directive and the competencies determined therein, a credit-risk limit is established in accordance with the business partner's credit rating and financial size and is monitored daily. The IT systems used to assess the credit risk exposure on a daily basis are continuously being improved. In addition to the bilateral collateralisation of individual credit risks by standard hedging instruments, selective insurance policies or real receivables sales are used.

### Currency risk

Within the framework of the expansion of the company's international activities, exchange-rate risks have assumed greater importance. Exchange-rate exposures arising from financing, trading or capacity agreements and other transactions in foreign currency are concentrated as far as possible within VNG AG. As a rule, contracts with Group companies outside the euro area are concluded in the currency of the country in question. The details are recorded centrally and evaluated daily, and the opportunities and risks are managed on the basis of pre-established strategies. As far as possible, the impact of natural hedging from offsetting positions or portfolio effects is used. Group-wide management of exchange-rate risks is constantly being improved and standardised.

### Interest-rate risk

Interest-rate risks still also tend to be of secondary importance. The seasonal fluctuations in liquidity, with balanced periods with and without credit obligations during the year, allow, for the most part, natural hedging against interest-rate changes. For this reason, long-term interest-rate positions are avoided. Financial instruments enable fixed-rate agreements in connection with the borrower's note loans to be fully converted into variable interest-rate structures.

### Opportunities and risks in the investment portfolio

Within the investment portfolio, opportunities and risks arise from the underlying economic and legal conditions.

As part of the risk-management system, the risks arising from the individual holding companies are monitored and evaluated continuously. The earnings forecasts regularly updated by the affiliated companies are included in the reporting process. The opportunities and risks concerning the intrinsic value of the holding companies are checked on an ongoing basis. Furthermore, each subsidiary in Germany and abroad is integrated into the risk-management system with its own risk manual and regularly updated risk reports. The VNG Group monitors all relevant markets for the holding companies and its presence on the companies' boards enables it to respond promptly to identified risks where necessary.

### Outlook

The year 2009 was marked by an economic downturn which also had an impact on the energy industry. Despite the decline in the demand for gas in Europe, coupled with increasing competition, the VNG Group was able to maintain its strong position as well as successfully expand its business.

The core business essentially depends on the reliable demand-oriented procurement of gas and access to the required transport and storage capacities. With long-term import contracts and as an established purchaser in the spot and forward markets, the VNG Group is in an excellent position. In 2009, upstream activities through its subsidiary VNG Norge in Norway were expanded considerably; the company is already pursuing its own gas- and oil-extraction activities.

The VNG Group plans to continue to diversify its international sources and to pursue the goal of Europe-wide sales. This includes the further expansion of related structures and activities in Germany and abroad. To ensure supplies, in addition to importing gas, the VNG Group will be extracting gas from its own sources and purchasing on the European spot and forward markets. Attention will also be given to diversifying the delivery channels. A further key concern is to maintain and expand a secure demand-oriented infrastructure.

The VNG Group will continue to pursue its strategic objectives consistently and is sure, despite uncertain political framework conditions and the gloomy economic outlook, that it will be able to continue to develop its business in a positive direction.

## VNG AG balance sheet as at 31 December 2009

### Assets

	Notes	31.12.2009 € k	31.12.2008 € k
<b>A. Fixed assets</b>			
1. Intangible assets	1	12,325	10,277
2. Tangible assets	2	461,032	460,292
3. Financial assets	3	697,736	387,573
		<b>1,171,093</b>	<b>858,142</b>
<b>B. Current assets</b>			
1. Inventories	4	390,978	378,296
2. Receivables and other assets	5	659,294	794,382
3. Cash and cash equivalents		45	3,135
		<b>1,050,317</b>	<b>1,175,813</b>
<b>C. Special loss item from provisions formed pursuant to Article 17(4), Act on the Preparation of Deutschmark Financial Statements</b>		<b>2,769</b>	<b>2,769</b>
<b>D. Prepaid expenses</b>		<b>45,481</b>	<b>2,454</b>
		<b>2,269,660</b>	<b>2,039,178</b>

### Liabilities

	Notes	31.12.2009 € k	31.12.2008 € k
<b>A. Equity</b>			
1. Subscribed capital	6	328,000	328,000
2. Retained earnings	7	347,067	282,208
3. Balance sheet profit		105,000	96,000
		<b>780,067</b>	<b>706,208</b>
<b>B. Special items</b>	8	<b>9,136</b>	<b>10,350</b>
<b>C. Provisions</b>	9	<b>415,963</b>	<b>332,237</b>
<b>D. Liabilities</b>	10	<b>1,063,447</b>	<b>990,005</b>
<b>E. Prepaid income</b>		<b>1,047</b>	<b>378</b>
		<b>2,269,660</b>	<b>2,039,178</b>

## VNG consolidated balance sheet as at 31 December 2009

### Assets

	31.12.2009 € k	31.12.2008 € k
<b>A. Fixed assets</b>		
1. Intangible assets	46,903	7,512
2. Tangible assets	559,029	532,946
3. Financial assets	288,846	283,661
	<b>894,778</b>	<b>824,119</b>
<b>B. Current assets</b>		
1. Inventories	411,976	379,983
2. Receivables and other assets	814,381	783,560
3. Cash and cash equivalents	30,621	31,583
	<b>1,256,978</b>	<b>1,195,126</b>
<b>C. Special loss item from provisions formed pursuant to Article 17(4), Act on the Preparation of Deutschmark Financial Statements</b>	<b>2,769</b>	<b>2,769</b>
<b>D. Prepaid expenses</b>	<b>117,111</b>	<b>45,391</b>
	<b>2,271,636</b>	<b>2,067,405</b>

### Liabilities

	31.12.2009 € k	31.12.2008 € k
<b>A. Equity</b>		
1. Subscribed capital	328,000	328,000
2. Retained earnings	293,862	331,603
3. Equity difference from currency conversion	1,189	-6,202
4. Balance sheet profit	105,000	96,000
5. Adjustment item for share of other shareholders	10,447	9,771
	<b>738,498</b>	<b>759,172</b>
<b>B. Special items</b>	<b>9,867</b>	<b>11,255</b>
<b>C. Provisions</b>	<b>628,498</b>	<b>357,540</b>
<b>D. Liabilities</b>	<b>893,154</b>	<b>938,538</b>
<b>E. Prepaid income</b>	<b>1,619</b>	<b>900</b>
	<b>2,271,636</b>	<b>2,067,405</b>

## VNG AG income statement for the period from 1 January to 31 December 2009

	Notes	01.01–31.12.2009 €k	01.01–31.12. 2008 €k
1. Sales	11	4,762,854	5,528,539
2. Inventory changes in work in progress		-191	-861
3. Work performed by the company and capitalised		1,106	1,020
4. Other operating income	12	32,556	136,117
		4,796,325	5,664,815
5. Cost of materials	13	4,318,971	5,265,933
6. Personnel expenses	14	54,566	48,593
7. Depreciation and amortisation expenses		57,841	55,752
8. Other operating expenses	15	94,776	73,359
9. Financial result	16	-21,472	2,406
<b>10. Profit on ordinary activities</b>		<b>248,699</b>	<b>223,584</b>
11. Income tax expense	17	78,687	82,649
12. Other taxes	18	153	158
<b>13. Net income for the year</b>		<b>169,859</b>	<b>140,777</b>
14. Appropriation to retained earnings		64,859	44,777
<b>15. Balance sheet profit</b>		<b>105,000</b>	<b>96,000</b>

## VNG consolidated income statement for the period from 1 January to 31 December 2009

	01.01–31.12.2009 €k	01.01–31.12.2008 €k
1. Sales	5,357,440	5,863,155
2. Inventory changes	768	-1,454
3. Work performed by the company and capitalised	2,169	3,242
4. Other operating income	42,269	117,977
	<b>5,402,646</b>	<b>5,982,920</b>
5. Cost of materials	5,018,944	5,551,387
6. Personnel expenses	86,741	73,467
7. Depreciation and amortisation expenses	72,236	60,456
8. Other operating expenses	110,510	83,111
9. Financial result	32,637	33,968
<b>10. Profit on ordinary activities</b>	<b>146,852</b>	<b>248,467</b>
11. Tax income (2008: tax expenses)	-22,033	54,780
12. Other taxes	979	1,124
<b>13. Consolidated net income for the year</b>	<b>167,906</b>	<b>192,563</b>
14. Result attributable to other shareholders	1,049	149
15. Appropriation to retained earnings	61,857	96,414
<b>16. Consolidated balance sheet profit</b>	<b>105,000</b>	<b>96,000</b>

## Notes on the VNG AG balance sheet

### Basic premises

The annual accounts for the financial year 2009 have been drawn up in accordance with all relevant provisions of the German Commercial Code, the Stock Corporation Act, the Energy Industry Act and the Act on the Preparation of Deutschmark Financial Statements. The balance sheet as at 31 December 2009 recognises the partial appropriation of net income for the year.

Composite items in the balance sheet and the income statement are broken down and explained in these notes.

### Accounting and valuation principles

#### Fixed assets

Intangible assets are valued at their procurement cost less straight-line depreciation. Tangible fixed assets are carried at their procurement or production cost, with account being taken of appropriate overheads in accordance with Article 255(2) of the German Commercial Code. Buildings and structures are valued at procurement or production cost with straight-line depreciation. Technical plants and machinery, other equipment, fixtures, furniture and office equipment are generally depreciated following the declining-balance method; assets acquired in 2008 are depreciated following the straight-line method in accordance with the applicable tax regulations. Owing to a change in tax law, tangible fixed assets acquired in 2009 were depreciated according to the declining-balance method. Investment subsidies from previous years are shown as a special item and released on a pro rata basis.

Building subsidies are deducted from assets. Low-value tangible fixed assets are shown as a composite item. This composite item is written off over a period of five years on a straight-line basis.

Financial assets are shown at their procurement cost or lower attributable value.

#### Current assets

All current assets were valued by strict application of the lower of cost or market value principle.

Raw materials, supplies and consumables were valued at their average procurement cost. The last in, first out (LIFO) method, using the monthly inventory layer principle and taking into consideration the strict lower of cost or market principle in accordance with the first sentence of Article 253(3) of the German Commercial Code, was applied to gas inventories stated as merchandise. Work in progress was valued at the manufacturing cost capitalised pursuant to tax requirements. Pollutant emission rights allocated free of charge (present value €943,000) are shown at their pro memoria value. They will be used for scheduled emissions until 2012. Receivables and other assets are shown at principal. Reasonable allowance was made for uncollectable individual accounts. A percentage of outstanding accounts was deducted to cover general credit risk.

Receivables denominated in foreign currency were valued at the exchange rate (euro to foreign currency) as of the date when the claim arose or as of the balance sheet date where this was higher. Payables denominated in foreign currency were valued at the exchange rate (euro to foreign currency) at the higher rate on the balance sheet date as of the date when the claim arose or as of the balance sheet date where this was lower.

Cash and cash equivalents denominated in foreign currency were valued at the official offered rate at the balance sheet date.

The prepaid expenses are shown at their prepayment value.

### **Provisions**

The provisions for pensions were determined pursuant to Article 6a of the Income Tax Act on the basis of actuarial principles and according to their present value, with application of a discount rate of 5.4%. Liabilities in connection with partial retirement arrangements were also calculated using a discount rate of 5.4%. Other provisions adequately cover all foreseeable risks.

### **Liabilities**

Liabilities are stated at the amounts repayable.

## **Balance sheet**

### **Fixed assets**

Details of the fixed assets and changes in the fixed assets shown as a composite item in the balance sheet are given in the statement of changes in fixed assets (pages 52–53). The disclosures required by the first sentence of Article 285, No. 11, of the German Commercial Code are made in the list of participating interests\*.

#### **(1) Intangible assets**

Intangible assets consist mainly of software.

\* The disclosures required by the first sentence of Article 285, No. 11, of the German Commercial Code are not part of the Annual Report and are available from the electronic company register.

**(2) Tangible assets**

	31.12.2009 € k	31.12.2008 € k
Land, land rights and buildings	48,778	50,996
Technical plant and machinery	348,543	353,549
Other equipment, fixtures, furniture and office equipment	8,693	6,805
Advance payments made and assets under construction	55,018	48,942
	<b>461,032</b>	<b>460,292</b>

**(3) Financial assets**

	31.12.2009 € k	31.12.2008 € k
Shares in affiliated companies	616,716	378,580
Loans to affiliated companies	67,593	0
Participating interests	12,909	8,355
Other loans	518	638
	<b>697,736</b>	<b>387,573</b>

**Current assets****(4) Inventories**

	31.12.2009 € k	31.12.2008 € k
Raw materials, consumables and supplies	5,614	5,678
Work in progress	371	562
Merchandise	384,993	372,056
	<b>390,978</b>	<b>378,296</b>

Raw materials, supplies and consumables comprise, inter alia, materials for general operating activities. Work in progress concerns work undertaken for third parties in connection with the re-routing of gas transmission pipelines. Merchandise relates primarily to high-CV natural gas.

The application of the LIFO method resulted in a difference in the sense of Article 284(2), No. 4, of the German Commercial Code of €47,016,000 as at 31 December 2009 (2008: €209,265,000). Depreciation of €35,704,000 (2008: €0) was effected in accordance with the first sentence of Article 253(3) of the German Commercial Code.

**(5) Receivables and other assets**

	31.12.2009 € k	31.12.2008 € k
Trade receivables	440,864	554,210
Accounts receivable from affiliated companies	72,664	76,444
Accounts receivable from companies with which the company is connected by a participating interest	121,022	147,937
Other assets	24,744	15,791
	<b>659,294</b>	<b>794,382</b>

Trade receivables relate principally to gas supplies.

Accounts receivable from affiliated companies include accounts receivable in connection with profit transfer totalling €54,814,000 (31 December 2008: €45,319,000), tax levies for 2008 totalling €3,063,000 (31 December 2008: €19,613,000), turnover tax totalling €2,820,000 (31 December 2008: €4,543,000) and trade receivables totalling €11,967,000 (31 December 2008: €6,969,000).

Trade receivables from companies with which VNG is connected by a participating interest amounted to €121,022,000 (31 December 2008: €145,743,000). In the previous year, moreover, receivables arose from loans amounting to €2,194,000).

Receivables amounting to €109,000 had a remaining term of more than one year; all other receivables had, as in the previous year, a remaining term of up to one year.

**Equity****(6) Subscribed capital**

The company has a share capital of €328 million, which consists of 128,000,000 no par value shares.

**(7) Retained earnings**

	31.12.2009 € k	31.12.2008 € k
Statutory reserve pursuant to Article 150(2), Stock Corporation Act	32,800	32,800
Statutory reserve pursuant to Article 27(2), Act on the Preparation of Deutschmark Financial Statements	7,096	7,096
Other retained earnings formed pursuant to Article 272(3), German Commercial Code	307,171	242,312
	<b>347,067</b>	<b>282,208</b>

**(8) Special items**

Funds allocated to the special item for investment subsidies were released in line with depreciation in accordance with the German Commercial Code with an effect on profit.

**Debt capital****(9) Provisions**

	31.12.2009 € k	31.12.2008 € k
Provisions for pensions and similar obligations	15,799	15,986
Provisions for taxes	64,951	69,564
Other provisions	335,213	246,687
	<b>415,963</b>	<b>332,237</b>

Other provisions consist of liabilities associated with the decommissioning of pipelines and underground storage facilities. Provision has also been made for deferred maintenance, accounts outstanding, gas business risks, personnel-related costs and other uncertain liabilities.

Provisions for taxes include provisions totalling €46,037,000 for corporation tax and €27,456,000 for trade tax.

In accordance with the second sentence of Article 28(1) of the Act Introducing the German Commercial Code, provisions for the pension obligations of an assistance fund are not shown on the balance sheet. The difference between the present values of the pension obligations of the assistance fund and the cash and cash equivalents held by the assistance fund as at 31 December 2009 was €890,000.

**(10) Liabilities**

	31.12.2009 € k	Residual term Up to 1 year (2008) € k	Residual term More than 5 years (2009) € k	31.12.2008 € k
Liabilities to banks	332,382	35,722 (58,959)	49,000 (50,000)	134,457
Advance payments	43	43 (719)	0	719
Trade payables	348,805	347,951 (536,911)	0	537,476
Liabilities to affiliated companies	302,154	302,154 (92,394)	0	92,394

Liabilities to companies with which the company is connected by a participating interest	11,970	11,970 (119,572)	0	119,572
Other liabilities	68,093	62,646 (101,264)	1,642 (684)	105,387
(of which from taxes)	54,593	54,593 (89,882)	0	89,882
	<b>1,063,447</b>	<b>760,486</b> <b>(909,819)</b>	<b>50,642</b> <b>(50,684)</b>	<b>990,005</b>

VNG has given the creditor banks a negative pledge undertaking.

Liabilities to affiliated companies concern investment transactions made by these companies as part of cash management (€208,942,000; 31 December 2008: €53,540,000), the absorption of losses (€67,105,000; 31 December 2008: €293,000), trade payables (€4,890,000; 31 December 2008: €24,864,000) turnover tax and taxes which can be offset (€21,217,000; 31 December 2008: €13,697,000).

Liabilities to companies with which VNG is connected by a participating interest concern outstanding contributions not called up (€8,200,000; 31 December 2008: €8,200,000), trade transactions (€3,768,000; 31 December 2008: €10,534,000) and security deposits (€2,000; 31 December 2008: €0). In the previous year, moreover, short-term loan liabilities amounted to €100,838,000).

Other liabilities also include loan liabilities to staff arising under the staff participatory loan scheme.

### Contingent liabilities

Contingent liabilities to be reported pursuant to Article 251 of the German Commercial Code amount to €11,041,000. These include guarantees amounting to €2,000,000 given by VNG in favour of trading partners of an affiliated company. Furthermore, VNG gave binding parent company guarantees for a company with a participating interest (€5,000,000) and two affiliated companies (€4,022,000). The company also provided a rent guarantee amounting to €19,000 for an affiliated company. In addition, VNG has given an unlimited abstract guarantee to Norwegian state institutions with regard to natural gas exploration and production activities.

### Other financial obligations

Other financial obligations pursuant to the first sentence of Article 285, No. 3, of the German Commercial Code amount to €218 million, including €92 million in obligations to affiliated companies. These mainly concern commitments for investments, financial obligations arising out of leasing and rental contracts and payment obligations for the use of gas transmission capacity in 2010. To cover gas demand, VNG has entered into long-term purchase commitments with gas suppliers.

## Income statement

### (11) Sales

Sales are accounted for primarily from the gas business, with 89% being realised in Germany and 11% in other European countries. Sales realised on the European spot and forward market are assigned to sales in Germany. Sales include income for other periods (€10,165,000), mainly resulting from gas deliveries.

### (12) Other operating income

Other operating income comprises, in particular, income from rent and leases, commercial services and amounts released from the special item for investment subsidies. Other operating income also includes income from other periods (€5,491,000), mainly resulting from credit notes received in respect of previous years.

### (13) Cost of materials

	2009 € k	2008 € k
Cost of raw materials, consumables and supplies and of purchased merchandise	4,225,469	5,180,187
Cost of purchased services	93,502	85,746
	<b>4,318,971</b>	<b>5,265,933</b>

The cost of materials includes the cost of gas purchased, gas transportation charges, energy tax (€30,994,000; 2008: €28,408,000), expenditure for materials and repairs and other acquisition costs. The cost of materials also includes expenditure for other periods (€14,326,000), resulting from gas acquisition costs.

### (14) Personnel expenses

	2009 € k	2008 € k
Wages and salaries	46,596	40,414
Social security costs, pensions and assistance expenses	7,970	8,179
	<b>54,566</b>	<b>48,593</b>

Personnel expenses include expenditure for pension provisions amounting to €645,000 (2008: €1,655,000).

**(15) Other operating expenses**

Other operating expenses include, in particular, additions to provisions, expenditure for foundation capital, advertising, professional fees, market development costs and other administrative expenses (travel expenses, insurance, office expenditure and similar items).

**(16) Financial result**

	2009 € k	2008 € k
Income from participating interests (including income from affiliated companies of €0; 2008: €0)	8,684	8,320
Income from profit transfer agreements (including income from affiliated companies of €54,814,000; 2008: €54,319,000)	54,814	54,319
Income from loans carried as fixed assets (including income from affiliated companies of €880,000; 2008: €371,000)	901	388
Interest receivable and similar income (including interest from affiliated companies of €1,550,000; 2008: €1,000)	6,533	8,468
Amortisation of financial assets (including amortisation of €15,425,000 on interests in affiliated companies; 2008: €48,205,000)	15,425	48,205
Expenses from absorption of losses (including losses of €67,105,000 absorbed from affiliated companies; 2008: €293,000)	67,105	1,633
Interest payable and similar charges (including interest of €868,000 payable to affiliated companies; 2008: €3,279,000)	9,874	19,251
	<b>-21,472</b>	<b>2,406</b>

**(17) Income tax expense**

This item includes trade tax and corporation tax. Of this amount, €2,239,000 is attributable to tax rebates for previous years.

**(18) Other taxes**

Other taxes totalling €153,000,000 were deducted from profit (2008: €158,000,000).

**Balance sheet profit**

At the shareholders' meeting, the Executive Board proposed that the balance sheet profit of €105,000,000 be applied as follows:

Distribution of a dividend of €0.8203125 per share on the 128,000,000 no par value shares with dividend rights, with the result that a total of €105,000,000 is made available for distribution to shareholders.

### Data pursuant to Article 10(2), Energy Industry Act

VNG performed commercial, technical and energy industry services for affiliated companies on the basis of individual service contracts. A cash pooling system using normal market interest rates is operated within the VNG Group.

### Derivative financial instruments

At VNG, derivative financial instruments are used solely for hedging risk items connected with underlying transactions. The use of derivative financial instruments for speculative purposes is not permitted.

As of the balance sheet date, VNG had derivative financial instruments to hedge against exchange rate, raw material and interest-rate risks. The derivatives are all OTC transactions with contract partners of sound financial standing in the banking sector.

	31.12.2009 Nominal values € k	31.12.2009 Positive market values € k	31.12.2009 Negative market values € k
<b>Foreign exchange derivatives</b>			
Currency futures	5,604	56	-2
<b>Interest rate derivatives</b>			
Interest rate swaps	112,000	77	-49
<b>Commodity derivatives</b>			
Oil price swaps	295,207	6,421	-9,256
	<b>412,811</b>	<b>6,554</b>	<b>-9,307</b>

Currency futures were used to eliminate the exchange rate risks associated with receivables and liabilities denominated in foreign currencies arising from business operations.

Oil price swaps were used to hedge fixed prices laid down in gas supply contracts against rising oil prices.

Interest rate swaps were concluded to hedge against interest-rate risks arising from long-term loan agreements.

The market values of the derivative financial instruments depend on the development of the underlying market factors. Each derivative transaction is valued individually on the basis of the market factors as of the balance sheet date using methods in line with standard market practice. Currency futures are valued at the future exchange rate as at the balance sheet date. Oil swaps are valued by discounting future cash flows. Future exchange rates are determined from current exchange rates using the premiums and discounts for futures. Interest rate swaps are valued using conventional analytical methods, with account being taken of the yield curve on the balance sheet date and accrued interest.

## Staff

The average number of staff employed at VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, in 2009 was 675, consisting of 52 blue-collar workers, 569 white-collar workers and three assistants/student trainees. In addition, the company employed an average of 47 persons in the pre-retirement passive phase and 36 vocational trainees.

## Management body remuneration

The total remuneration of the board at VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, for the financial year 2009 was €2,844,020.47. The total remuneration for former Executive Board members as well as their dependants amounted to €255,520.32 for the financial year 2009. Provisions for ongoing pensions paid to former Executive Board members and their surviving dependants amount to €5,294,193. An Executive Board loan with a residual term until 2013 amounted to €52,000 as at 31 December 2009. The interest rate is 5% per annum. Provisions of €241,600 were made in the financial year 2009 for the remuneration of the Supervisory Board.

## Investment pursuant to Article 20, Stock Corporation Act

On the balance sheet date, EWE Aktiengesellschaft, Oldenburg, and VNG Verbundnetz Gas Verwaltungs- und Beteiligungsgesellschaft mbH, Halle (Saale), Germany, each held a share of more than 25% in VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig.

## Consolidated financial statements

VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, has prepared consolidated financial statements for the year to 31 December 2009. Pursuant to Article 285, No. 17, of the German Commercial Code (entry of data in consolidated financial statements including the company), details of the auditor's fee are not included.

Leipzig, 15 March 2010

VNG – Verbundnetz Gas Aktiengesellschaft


The Executive Board



Holst



Barbknecht



Barthel



Ludwig

## Details of and changes in the fixed assets

	Procurement/production cost		
	01.01.2009 €k	Additions €k	Disposals €k
<b>I. Intangible assets</b>			
1. Concessions, industrial and similar rights, and licences in such rights and assets	35,344	6,089	14
2. Advance payments made	5,494	853	83
	40,838	6,942	97
<b>II. Tangible assets</b>			
1. Land, land rights and buildings, including buildings on third-party land	105,418	630	708
2. Technical plant and machinery	1,758,546	11,842	15,573
3. Other equipment, fixtures, furniture and office equipment	36,052	4,086	3,898
4. Advance payments made and assets under construction	48,942	43,796	234
	1,948,958	60,354	20,413
<b>III. Financial assets</b>			
1. Shares in affiliated companies	483,785	253,561	0
2. Loans to affiliated companies	0	67,593	0
3. Participating interests	8,509	4,554	0
4. Other loans	638	129	249
	492,932	325,837	249
	<b>2,482,728</b>	<b>393,133</b>	<b>20,759</b>

Transfers € k	Procurement/production cost		Accumulated depreciation		Book value as at		Depreciation in financial year 2009 € k
	31.12.2009 € k	31.12.2009 € k	31.12.2009 € k	31.12.2009 € k	31.12.2009 € k	31.12.2008 € k	
4,647	46,066	35,256	10,810	4,783	4,708		
-4,749	1,515	0	1,515	5,494	0		
-102	47,581	35,256	12,325	10,277	4,708		
1,254	106,594	57,816	48,778	50,996	4,061		
34,973	1,789,788	1,441,245	348,543	353,549	45,606		
1,361	37,601	28,908	8,693	6,805	3,466		
-37,486	55,018	0	55,018	48,942	0		
102	1,989,001	1,527,969	461,032	460,292	53,133		
0	737,346	120,630	616,716	378,580	15,425		
0	67,593	0	67,593	0	0		
0	13,063	154	12,909	8,355	0		
0	518	0	518	638	0		
0	818,520	120,784	697,736	387,573	15,425		
0	2,855,102	1,684,009	1,171,093	858,142	73,266		

## Auditor's report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the VNG – Verbundnetz Gas Aktiengesellschaft, Leipzig, for the business year from January 1 to December 31 2009. As required by Article 10(4) EnWG (“Energiewirtschaftsgesetz”, “German Energy Industry Law”), the audit also included the company’s observance of obligations for the unbundling of internal accounting pursuant to Article 10(3) EnWG. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation as well as the observance of the obligations pursuant to Article 10(3) EnWG are the responsibility of the company’s Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report, and on the internal accounting pursuant to Article 10(3) EnWG based on our audit.

We conducted our audit of the annual financial statements in accordance with Article 317 HGB (“Handelsgesetzbuch”, “German Commercial Code”) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance, and to obtain reasonable assurance about whether, in all material respects, the obligations pursuant to Article 10(3) EnWG have been observed.

Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report, as well as in the internal accounting pursuant to Article 10(3) EnWG are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the company’s Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and management report, and assessing whether the amounts stated and the classification of accounts in the internal accounting pursuant to

Article 10(3) EnWG are appropriate and comprehensible and whether the principle of consistency has been observed. We believe that our audit provides a reasonable basis for our opinion.

Our audit of the annual financial statements, together with the bookkeeping system, and of the management report has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

The audit of the observance of obligations for the unbundling of internal accounting pursuant to Article 10(3) EnWG has not led to any reservations.

Leipzig, 16 March 2010

**PricewaterhouseCoopers**  
Public limited company  
Auditing firm



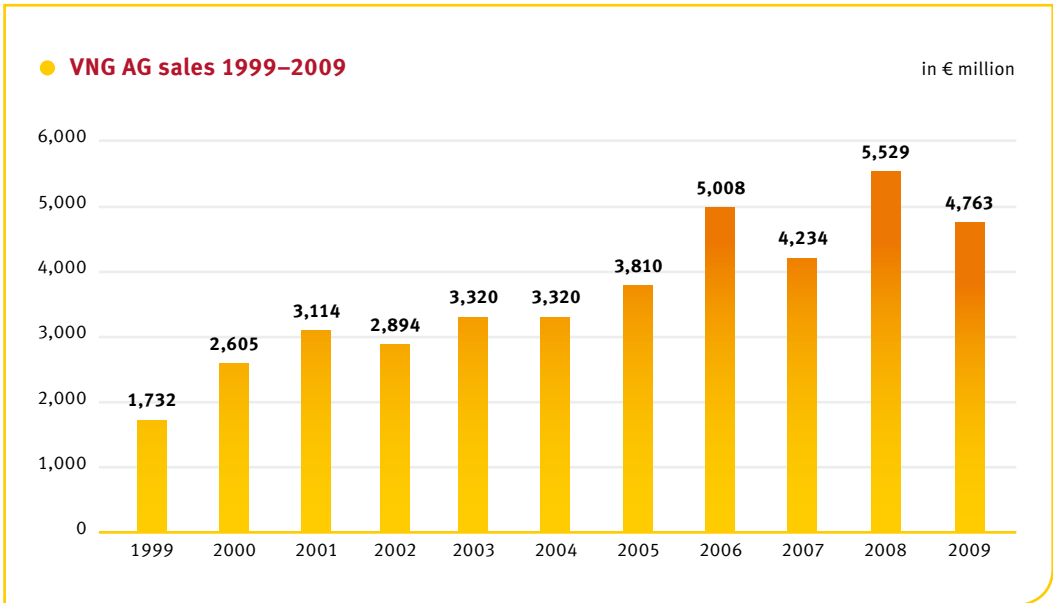
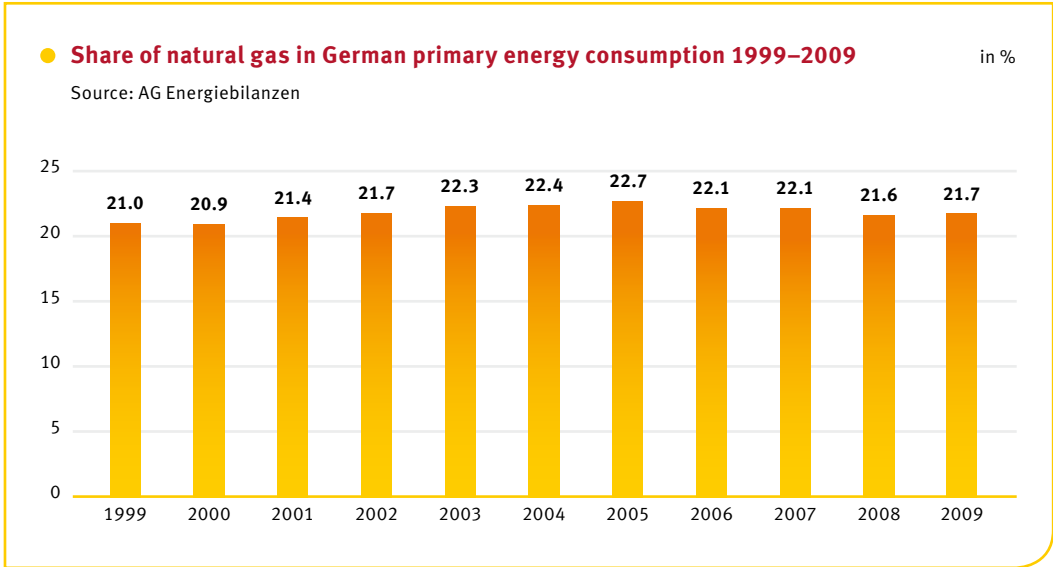
Rainer Altvater  
Auditor

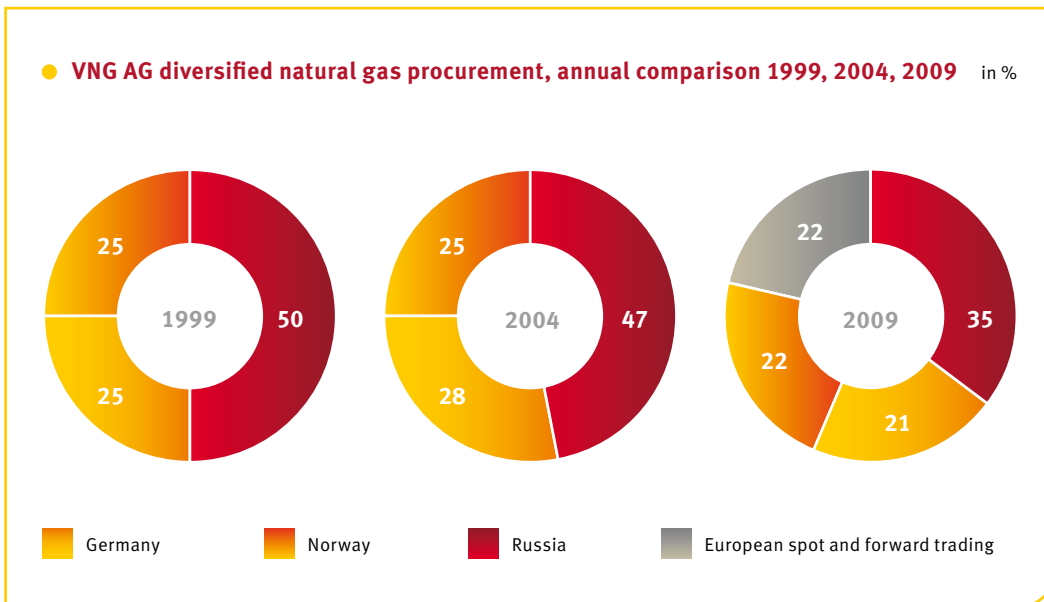
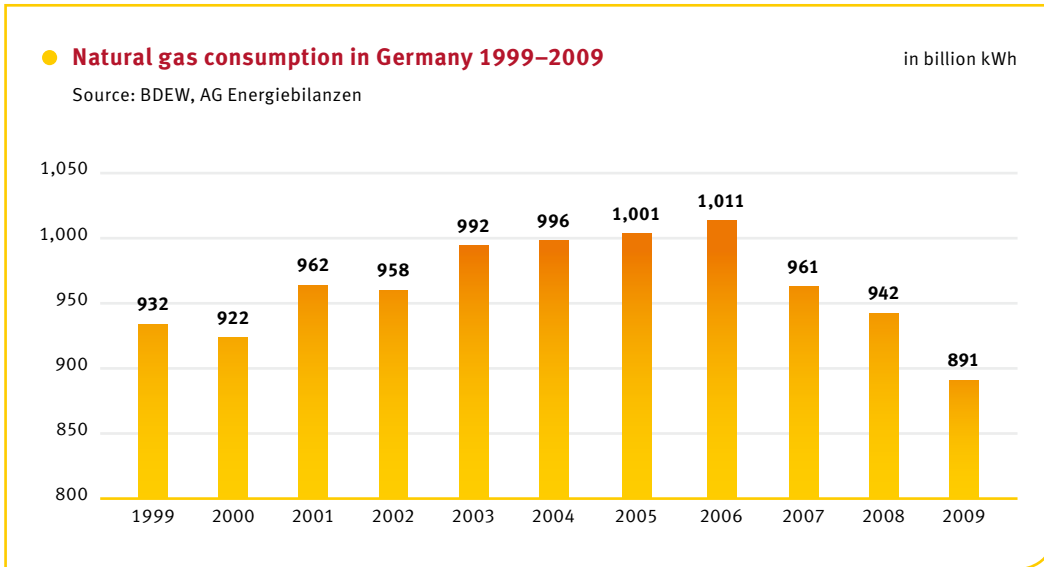


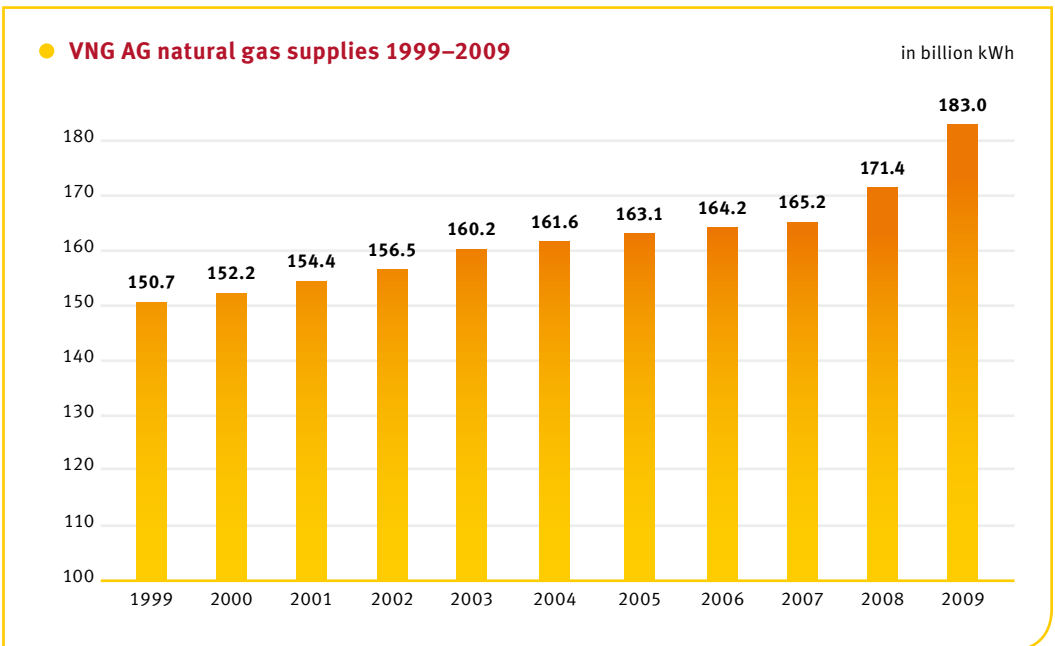
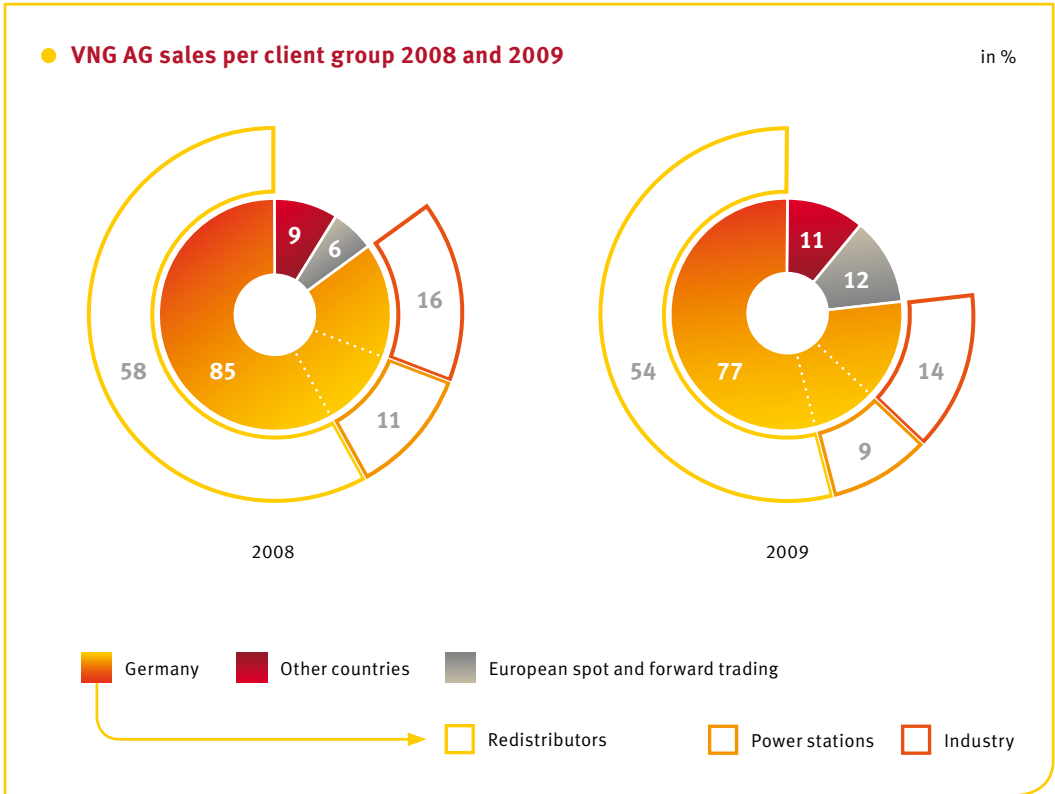
p.p. Petra Schmidt  
Auditor

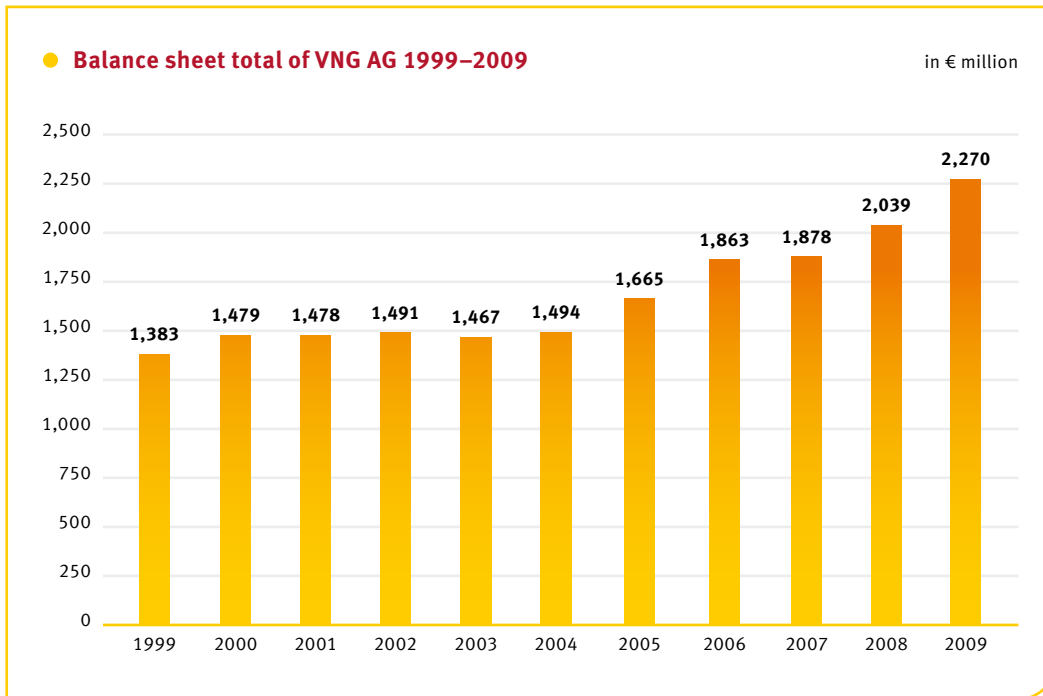


## Key data





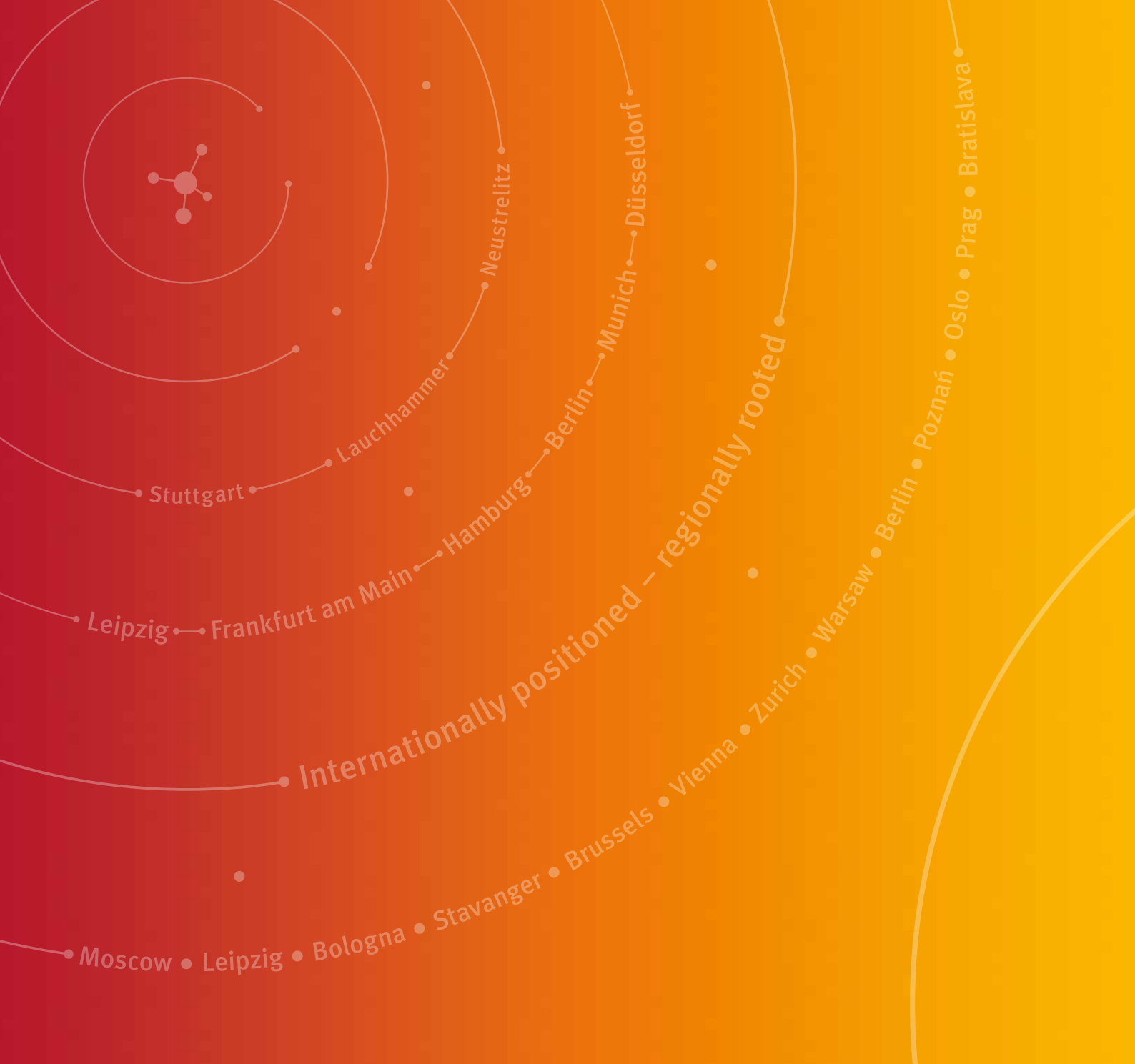




This version of the Annual Report is a translation of the German original. The German takes precedence.

● **Editorial information**

**Published by** VNG – Verbundnetz Gas Aktiengesellschaft | **Corporate communications** Bernhard Kaltefleiter | Phone +49 (0)341 443 2058 | **Editorial deadline** 1 April 2010 | **Design and production** Miltzer & Kollegen GmbH | **Reproduction and printed by** SCAN COLOR Reprostudio GmbH Leipzig | **Photos** VNG, Dirk Brzoska, Christoph Busse



**Annual Report 2009**

VNG – Verbundnetz Gas Aktiengesellschaft  
 Braunstrasse 7 | 04347 Leipzig | Germany  
 Postfach 24 12 63 | 04332 Leipzig | Germany  
 Phone +49 (0)341 4430 | Fax +49 (0)341 443 1500  
 info@vng.de | www.vng.de

