

I Scope and basic principles of the methodology

Baumgarten-Oberkappel Gasleitungsgesellschaft m.b.H. (in the following „BOG“), is calculating the tariffs for cross-border transportation in a cost-oriented harmonised manner, pursuant to this methodology.

The methodology comprises the tariffs for the pipelines:

- West-Austria-Gasleitung (WAG)

The methodology is fully compliant with Section 31h of the Austrian Gas Act amended by BGBl I Nr. 106/2006.

The method provides a steady tariff, which is predictable in a long-term perspective and can be offered to Shippers thereto. In order to reach this objective the methodology does not take into account the application of single year's view and – as a consequence – the potential relatively significant hikes of tariffs from year to year, but is based on a levelled tariff model. The tariff model uses streams of data (streams of revenues, streams of operating costs, streams of dividends etc) over a period of 20 years and calculates tariff generating cash flow streams which have result in the defined target (WACC). It is emphasized that the model does not favour the target in one respective year but reflects the long-term perspective of the gas transportation business.

The methodology shall ensure the long-term sustainment of the pipeline systems by encouraging the necessary investments thereto. The methodology will determine that the companies have to invest a certain amount of money over an ongoing period.

The tariffs are levelled for a period of 20 years, which cover a considerable amount of assets' depreciation period and correspond to contractual periods applied to natural gas supply contracts.

The model uses a “rolled-in” tariff calculation on the basis of a “rolled-in” approach. Instead of an incremental calculation method, where the costs of new investments for a capacity extension have to be covered by this respective tariff, while the tariff for existing capacity is not affected by the capacity extension. The tariff calculated

according to the “rolled-in” approach is applied to the entire pipeline capacity on a non-discriminatory basis, whereby all costs are taken into account.

II Approach to cost-oriented calculation of tariffs

The tariffs take into account the need for the system integrity and its improvement and reflect actual costs incurred, insofar as such costs correspond to those of an efficient and structurally comparable network operator and are transparent, whilst including appropriate return on investments.

The cost base is defined, pursuant to the Austrian Gas Act, by full costs for operating, fuel gas, linepack management, maintenance, extension, administration and marketing.

III Elements of the tariff method

III.1 Investments, reinvestments and depreciation

Basis for the calculation of transportation tariffs are the existing pipeline systems with all linked installations and technical equipment. A lifetime of 50 years for pipe-relevant assets and 30 years for all non-pipe-relevant assets is assumed.

The method also incorporates planned future investments for capacity extensions and the corresponding capacity increase for the tariff calculation - which shall be communicated to E-Control - and replacement investments for a period of 20 years. Every 4 years, E-Control shall check if the planned replacement investments were actually performed. If there is a deviation between the actual investments made and the planned investments for the previous period, this difference (positive or negative) has to be included in the tariff model by adjusting the initial value of the asset base for the ensuing tariff recalculation. Also for extension investments, the same comparison and tariff modification as described above has to be made, but taking into account the corresponding capacity increases actually achieved as per section III.8.

Each year 5 % of the total revenues subject to the method, but excluding revenues from capacity auctions, overrun fees and revenues deriving from transportation contracts on interruptible basis are withheld (not distributed) by the company. Every 4 years the accumulated reserve will be totally distributed, whereas an amount of the

same size will be used to fund an equivalent reduction of the asset base being spread equally over 12 years. This automatism of withholding earnings and subsequent tariff deduction ends after the first two 4-year-periods.

The reduction of the asset base ends 20 years after the tariff-method comes into force (the accumulated reserve of the first 4-years-period will be spread from 2011 to 2023 and the accumulated reserve of the second 4-years-period will be spread from 2015 to 2027).

Commitments for new investments (capacity extensions) are integrated in the “rolled-in” calculation method as soon as they are supported by binding agreements (like LOI, MoU, ...) and the necessary independent investment decision has been made by investor(s).

III.2 Operating costs

Operating costs for WAG pipeline represent the average costs of the last four years, prior to the first year of the 20 years-period, excluding depreciations. In case of investments resulting in capacity extensions the respective additional operating costs are included.

The average operating costs of the last four years are escalated with an appropriate public index to the date of calculation and shall be checked by E-Control every four years. If the development of the used public index is different than the appropriate development of the actual operating costs, than this accumulated amount will be included in the recalculation of the transportation charges.

III.3 Fuel gas

Pursuant to the Austrian Gas Act fuel gas costs are to be included in the cost basis. BOG has decided to charge the fuel gas separately to the Shippers, respectively is the fuel gas to be provided by Shippers in kind. This procedure ensures a transparent, customer-friendly approach because the costs of fuel gas are passed through to the Shippers on an actual cost level.

III.4 Taxes

Taxes are represented as corporate tax, assuming the current rate of 25% p.a.. In case the tax environment changes, rates will be changed accordingly in any re-calculation or 4-yearly calculation, also allowing for tax expenditure already incurred on top of or below the said 25%.

III.5 Interests

Interest Income

The annual interest rate on bank receivables, if any, is set on a level not lower than 3.5% p.a., based on the short-term interest rate level in January 2007.

Interest Expenses

The annual interest rate on debt is set on a level not higher than 6.5% p.a., based on the long-term interest rate level in January 2007.

Interest expenses are based on debts which are in turn depending on the extent of assets and the amortization.

III.6 Capital structure

Cash Flow calculation of BOG

The cash flow is based on the result before interests, tax and depreciation (EBITD). It takes into consideration interest income, interest expenses, investments, tax, changes in working capital if relevant, equity capital contributions, if any, and dividends.

The sustainable long term capital structure has a debt to equity ratio of 60/40.

The profit after tax is fully distributed (excluding that part, which is withheld as per section III.1 and that part, which has been generated out of capacity auctions, overrun fees and 50% of the revenues deriving from transportation contracts on interruptible basis). The part of the cash flow of BOG, which remains after dividends and after investments, is used for the amortisation of the debt. All reinvestments, undertaken after the first year of the 20 years-period are financed through the accumulated cash out of the reserve as per section III.1 and the rest is debt-financed. Major extension investments, when "rolled-in" to this calculation method, will be financed either

according to the above mentioned debt to equity ratio of 60/40 or by debt solely, if feasible by BOG.

Debt

The extent of debts of the corresponding year is the result of liabilities of the prior year minus free cash flow of BOG.

III.7 Tariffs

The calculation of tariff has to meet the predetermined rate of return. The calculation period is 20 years.

The tariff is iteratively (in terms of calculating the tariff on a stream of cash flow over a future 20 years-period) calculated by means of target value interpolation in a way that BOG is able to cover arising costs from cross border transportation with the gained revenues. Furthermore the tariff has to consider the rate of return defined.

The tariff will be calculated for all existing and planned capacities committed by Shippers for cross border transportation.

The tariff is applicable for 20 years contracts and the new calculated tariff shall be applied for all new contracts from the point in time when the General Terms and Conditions have come into force. Existing contracts – signed before the point in time when the General Terms and Conditions have come into force - remain unchanged.

For WAG pipeline a distance-related and non-distance-related tariff-element is calculated, one term depending on the flow-rate and distance and the other depending on flow-rate only.

III.8 Capacity Utilization

The load factor in terms of contractually committed capacity is determined as per the Austrian Gas Act (GWG) based on valid transportation contracts. It may be amended by planning assumptions, which shall be approved by E-Control.

III.9 Revenues

Revenues are calculated on a yearly basis, as the result of tariff of the respective year multiplied by the capacities of the respective year.

III.10 Revenues from auctions, overrun fees and revenues deriving from transportation contracts on interruptible basis

Revenues deriving from auctions, overrun fees and revenues deriving from transportation contracts on interruptible basis are not taken into account in the tariff calculation. However these revenues resulting from auctions, overrun fees and 50% of the revenues deriving from transportation contracts on interruptible basis shall be checked by E-Control every four years and redistributed to all users in the following period, net of any extraordinary maintenance cost if so, with a consequent decrease of the relevant transportation charges for the following four years.

III.11 Rate of return/WACC

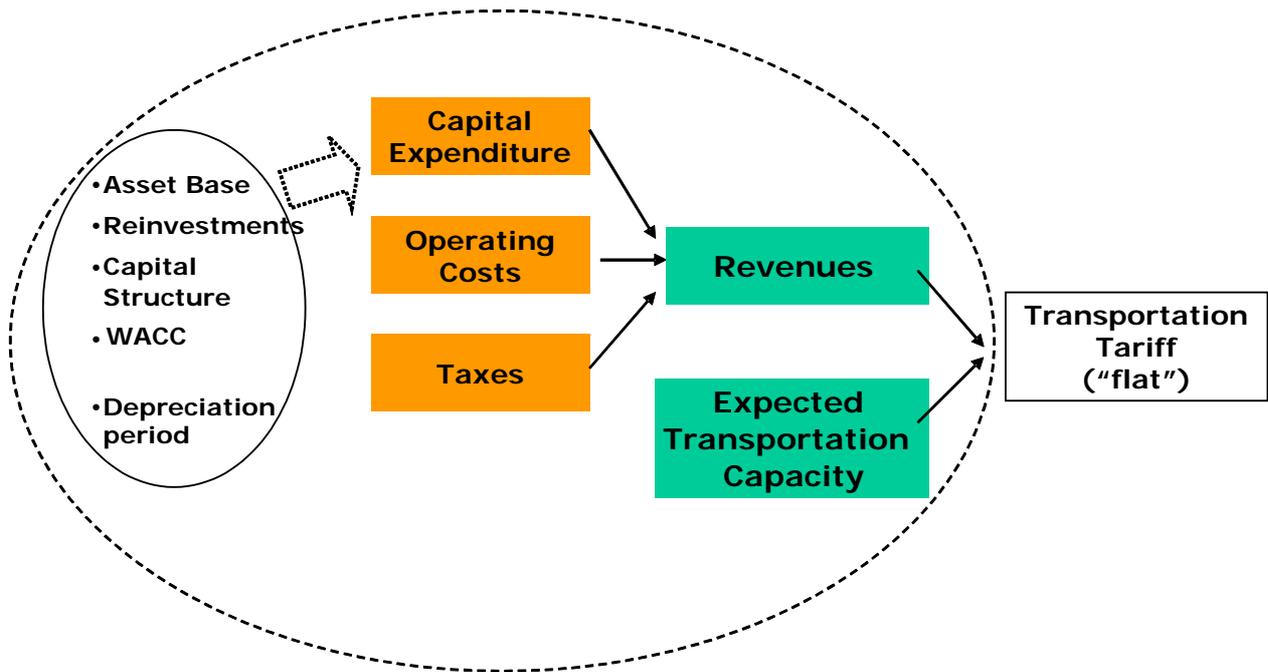
For the resulting stream of cash inflows the period is 20 years. By means of target value interpolation an average value is calculated for this period that delivers sufficient cash inflows covering an after-tax WACC-rate, which is not higher than 8.3% for the first four-year period based on a long term risk free rate (which will be adjusted every four years) and an approved risk premium.

IV. Set-up of the calculation method

For WAG pipeline the method is set up the following way:

A profit and loss statement, a balance sheet, an operating cash flow statement and an equity cash flow statement are calculated for each year of the 20 years-period.

The following graph shows the schematic set-up:



Definition Expected Transportation Capacity

Capacity which is binding by transportation contracts and/or ordered by booking agreements during an public process procedure.

V. Results of the Methodology

The tariffs are applied for contracts for 20 years duration.

For contract duration starting from 19 years up to 1 year BOG applies a time factor increasing by 0.5% per year to the 20 years tariff (i.e. the tariff for 1 year contract is 10% higher then the 20 year contract tariff).

For contract duration less than 1 year, the tariffs are proportionally increased up to reach 200 % for transportation contracts having a duration of one month (in comparison to the monthly fee invoiced for a one-year contract).

For contract duration less than one month, the tariffs are equal for transportation contracts having a duration of one month.

The methodology according to the “rolled-in” approach (see section I) shall be applied to contracts concluded from the point in time when the General Terms and Conditions for Cross-border Transportation have come into force. Existing contracts remain unchanged.

For WAG-pipeline the tariff comprises a distance-dependent and a distance-independent component,

- distance-dependent component: EUR/(Nm³/hour)/km)
- distance-independent component: EUR/(Nm³/hour)

whereas m³ are calculated as Nm³ at 0°C.

After approval the harmonised tariff methodology will be published on the internet, referred to: www.bog-gmbh.at

VI. Description of special items

VI.1 Harmonization of time factors

Time factors reflect opportunity costs that occur, for the transmission system operator (TSO) or the owner of transportation rights, because of the provided short term transportation services. Due to the sale of short term transportation services the disposal of stable long term transportation services is limited. Thereby the TSO or the owner of transportation rights can not gain the steady turnover of high voluminous long term contracts due to the longer-term transportation contract term.

For the evaluation of a tariff that is valid for a long period and thereby predictable from the TSO's, the owner's of transportation rights and the Shippers' point of view it is certainly necessary to be able to underlay a high degree of possibly constant capacity utilization in the long term. In case of short term transportation the risk of discontinued income (also by booking only for one month in winter time) has to be compensated by a higher tariff according to application of time factors.

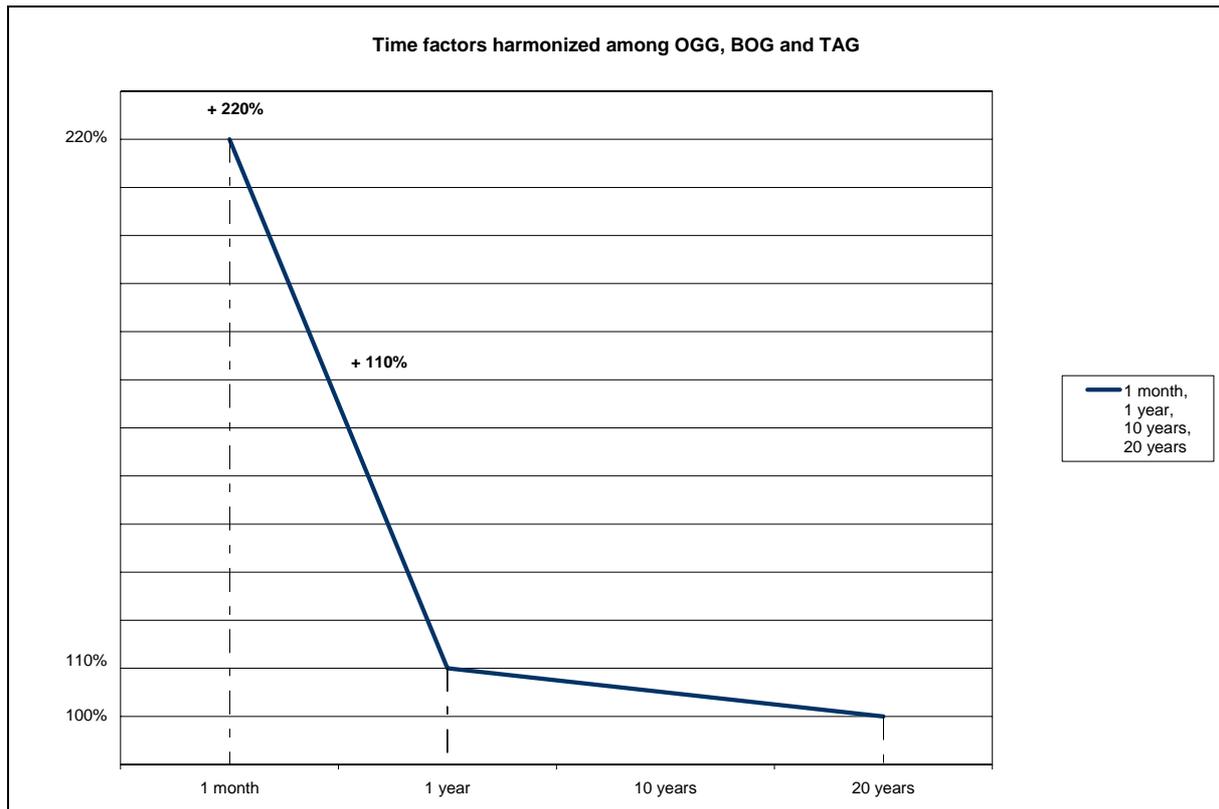


Figure 1: Time factors

VI.2 Transportation on firm basis

Transportations on firm basis combined with the expected capacity utilization represent the main input factor on the income side when calculating the tariffs, due to their high degree of predictability and stability. The “ship or pay agreement” for transportation contracts on firm basis demonstrates a quite realistic outlook concerning commercialization of transportation services. This fact guarantees a cost orientated, customer-friendly tariff which is also in line with the market requirements.

Physical transportations are considered in the tariff calculation in the original flow direction as well as in the reverse flow direction.

VI.3 Reverse Flows

For reverse flow two categories following technical possibilities of the system have to be distinguished:

- physical reverse flow transports (firm and/or interruptible)
- non-physical reverse flow transports (only interruptible available)

From a technical point of view physical reverse flow transportation on WAG is presently feasible.

a) Physical reverse flow transports (firm and/or interruptible)

Physical reverse flows transports are generally committed in two different ways:

A: In case Shipper signed a transportation contract in original flow direction, it is possible (under consideration of operational possibilities) to commit at the maximum the congruent hourly flow rate in reverse flow direction for this period over the same distance.

The tariff for these congruent transports in reverse direction amounts to 35 percent of the tariff in original flow direction.

B: In case Shipper wants to commit capacity in reverse flow direction and has not concluded a transportation contract for original flow direction, the applicable tariff is equal to the tariff in the original flow direction.

b) Non-physical reverse flow transports (only interruptible available)

For the systems in which transport in reverse flow is not possible from a physical point of view such transport is offered in reverse flow on an interruptible basis. In this case the tariff amounts to 50 percent of the tariff in the original flow direction.

VI.4 Transportation on interruptible basis

Transportation contracts on an interruptible basis are offered for a maximum term of up to one year, according to the current market requirements. Consequently, this kind of contracts is not represented in the tariff calculation.

The following stipulation is set:

The tariff to be applied is identical with the tariff which has to be applied for the same transportation service on non-interruptible basis (= on a firm basis)

In case of interruptions (to be distinguished from reductions) the transmission system operator (TSO) or the owner of transportation rights will make refunds to the Shipper on an hourly basis. The following calculation will be valid:

Transmission system operator (TSO) or the owner of transportation rights shall have the right to interrupt partly or totally the Capacity. In case of such interruption an amount **R_m**, as sum of **R_i**, shall be refunded by transmission system operator (TSO) or the owner of transportation rights to Shipper. This amount **R_m**, to be calculated for the Month in which such interruption is effected, shall be deducted from the amount **E_m** as per the invoice issued by transmission system operator (TSO) or the owner of transportation rights to Shipper for the following Month.

R_i and **R_m** shall be calculated as follows:

$$R_i = \frac{E_m * 1,5 * IRS}{RS}$$

$$R_m = \frac{1}{H_m} \sum_{i=1}^{H_i} R_i \leq E_m$$

Formula 1: Tariffs on interruptible basis

whereas: **R_m** shall not exceed **E_m** and whereas:

R_m = Monthly amount to be refunded by Carrier to Shipper for interruptions of Capacity.

E_m = Monthly amount to be paid by Shipper excluding any refund for interruption.

H_i = Total number of hours Carrier has interrupted Shipper's capacity

H_m = Total number of hours in the month in which Shipper's capacity has been interrupted by Carrier.

IRS = Interrupted hourly flow rate in Nm³/h.

RS = Reserved hourly flow rate in Nm³/h.

Generally, also for transportation services on an interruptible basis the “ship or pay agreement” is valid. This fact signifies that the transmission system operator (TSO) or the owner of transportation rights commits to reserve on a binding basis for the Shipper an hourly flow rate and that the Shipper consequently commits to reserve on a binding basis to pay for this reserved flow rate, also in case that Shipper does not fully or partially nominate its reserved committed flow-rate.

The predictability and stability of income, having been generated from transportation contracts on interruptible basis, is not given because of two facts:

- a) the term of the contract is too short (market requires such short terms for such product)
- b) these contracts represent from its income side a fluctuating picture