



## **Investor Presentation**

## **Financial Year 2019**

**26 March 2020**

## Agenda

- 1 Business Profile
- 2 Regulatory Developments
- 3 Group Structure & Financial Profile
- 4 Financial Performance
- 5 Outlook

## VGT with Strong Performance in 2019

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- EBITDA 2019 at €546m exceeds prior year; CAPEX at €428m remain on high level
- Excess revenues 2019 (€23m) to be settled via regulatory account mechanism
- Excellent credit standing: Strong A- rating (S&P) since 2013
- 2 x €500m Eurobonds with a tenor of 10 and 15 years successfully issued in September 2019
- €600m RCF extended by one year until 2024, €500m Euro Commercial Paper Programme in place
- Outlook 2020 in light of Corona-Pandemic:
  - OGE and VGT have taken precautionary measures to protect employees, ensure daily operations and security of supply
  - EBITDA-impact not expected to be material, CAPEX likely to be affected by delays

1

## **Business Profile**

2

Regulatory Developments

3

Group Structure & Financial Profile

4

Financial Performance

5

Outlook

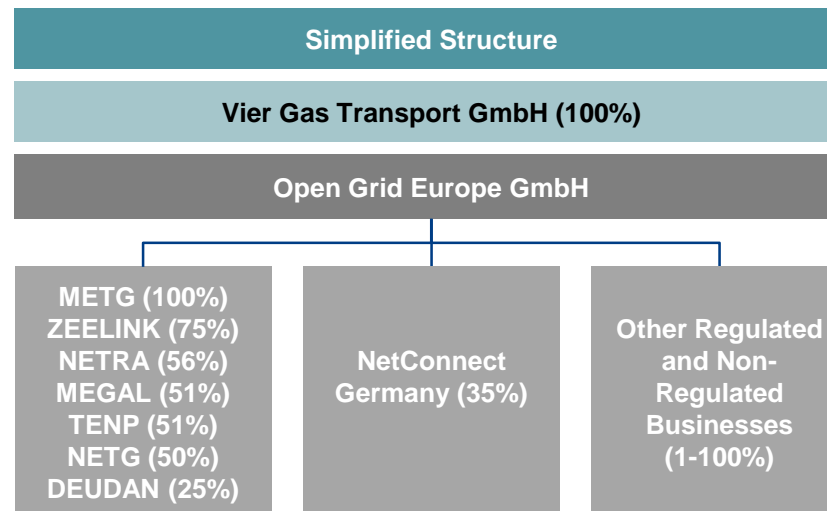
## Vier Gas Transport at a Glance

### Overview OGE

- Largest German gas transmission operator
  - ▶ Natural gas transmission for > 400 customers
  - ▶ Design, construction, operation and marketing of gas transmission
  - ▶ Largest supra-regional pipeline network in Germany
  - ▶ Providing services related to gas transmission
  - ▶ Operating history dates back over 90 years

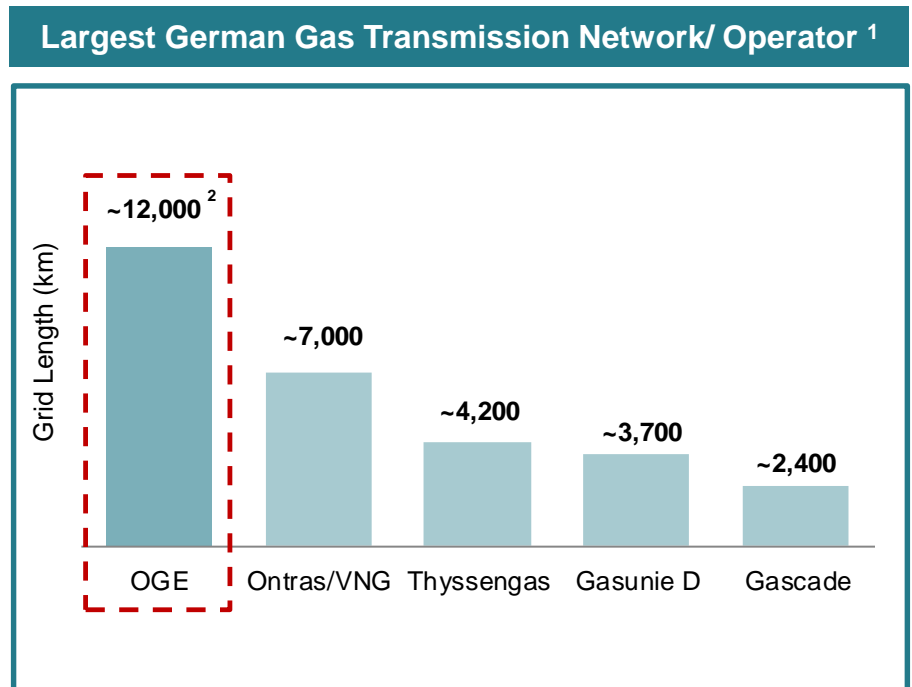
### Key Figures VGT Group (2019)

<b>Total Revenues</b>	<b>€1,074m</b>
<b>EBITDA</b>	<b>€546m</b>
<b>CAPEX</b>	<b>€428m</b>
<b>Total Employees<sup>1</sup></b>	<b>1,453</b>



<sup>1</sup> Employees at year end 2019 (excluding management and apprentices)

# Key Gas Transmission System Operator at the Heart of Europe



- Annual offtake of approx. 650 TWh
- 28 compressor stations and 90 units
- Approx. 50 entry and 1,100 exit points with 15 interconnections to bordering countries

<sup>1</sup> Source: FNB Gas "Konsultationsdokument Netzentwicklungsplan Gas 2018-2028"

<sup>2</sup> Thereof approx. 7,730km fully owned by OGE

1

Business Profile

2

**Regulatory Developments**

3

Group Structure & Financial Profile

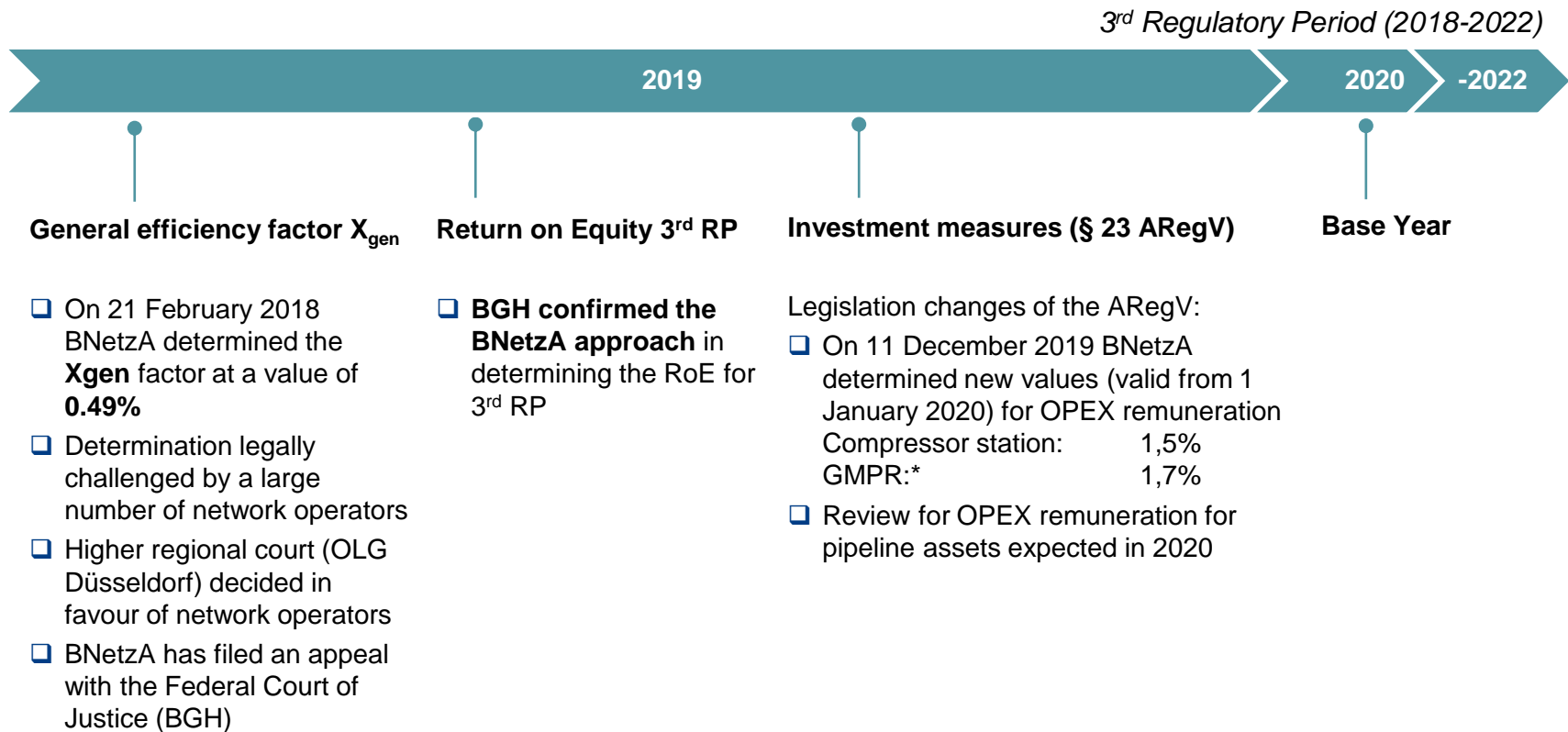
4

Financial Performance

5

Outlook

## Determination of Key Regulatory Parameters for 3<sup>rd</sup> RP



\* Gas metering and pressure regulation stations

**Stable & supportive regulatory framework for 3<sup>rd</sup> Regulatory Period**



## OGE Share of €2.3bn in Network Development Plan

### NDP well established process

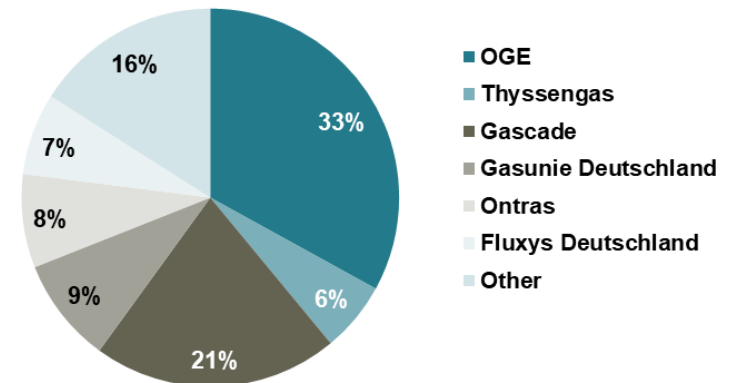
- NDP provides high certainty to TSOs regarding investments
- Updated bi-annually following public consultation
- NDP 2018 confirms OGE's NDP 2016 projects
- New draft NDP 2020 will be published 01 July 2020
- Draft NDP 2020 will contain an additional model variant for green gases

### Implications regulatory framework

- Regulatory framework promotes investment measures
- New assets earn imputed cost of capital (imputed equity interest + imputed trade tax) already during construction phase
- Operating expenses are covered in a lump sum approach

### Total CAPEX NDP 2018: €6.9bn

OGE CAPEX NDP 2018: 33% (€2.3bn)



Required investments continuously add to revenue growth!

## ZEELINK: The Key to L-/H-Gas Conversion in Germany

75% OGE  
25% Thyssengas



€0.9bn  
NDP Budget



2 compressor stations



4 gas pressure regulating  
& metering stations  
(GPRM stations)



**ZEELINK**  
FUTURE OF NATURAL GAS



216 km

from Lichtenbusch on  
the Belgian-German  
border via St. Hubert  
near Krefeld to Legden  
near Ahaus in NRW

All plan approval  
orders for pipeline received.

Construction started  
**April 2019**



100,000 t  
of steel installed

Connecting key European  
gas infrastructure, e.g.  
Terminal Zeebrugge, TENP  
and OGE grid

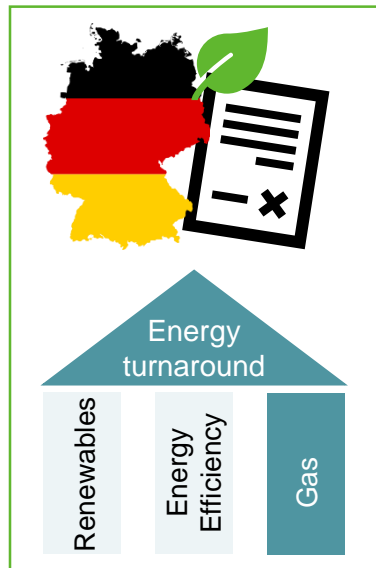
Expected commissioning  
date **2021**  
(Compressor Station  
Legden **2023**)



## European and German Politics Focus on Decarbonisation



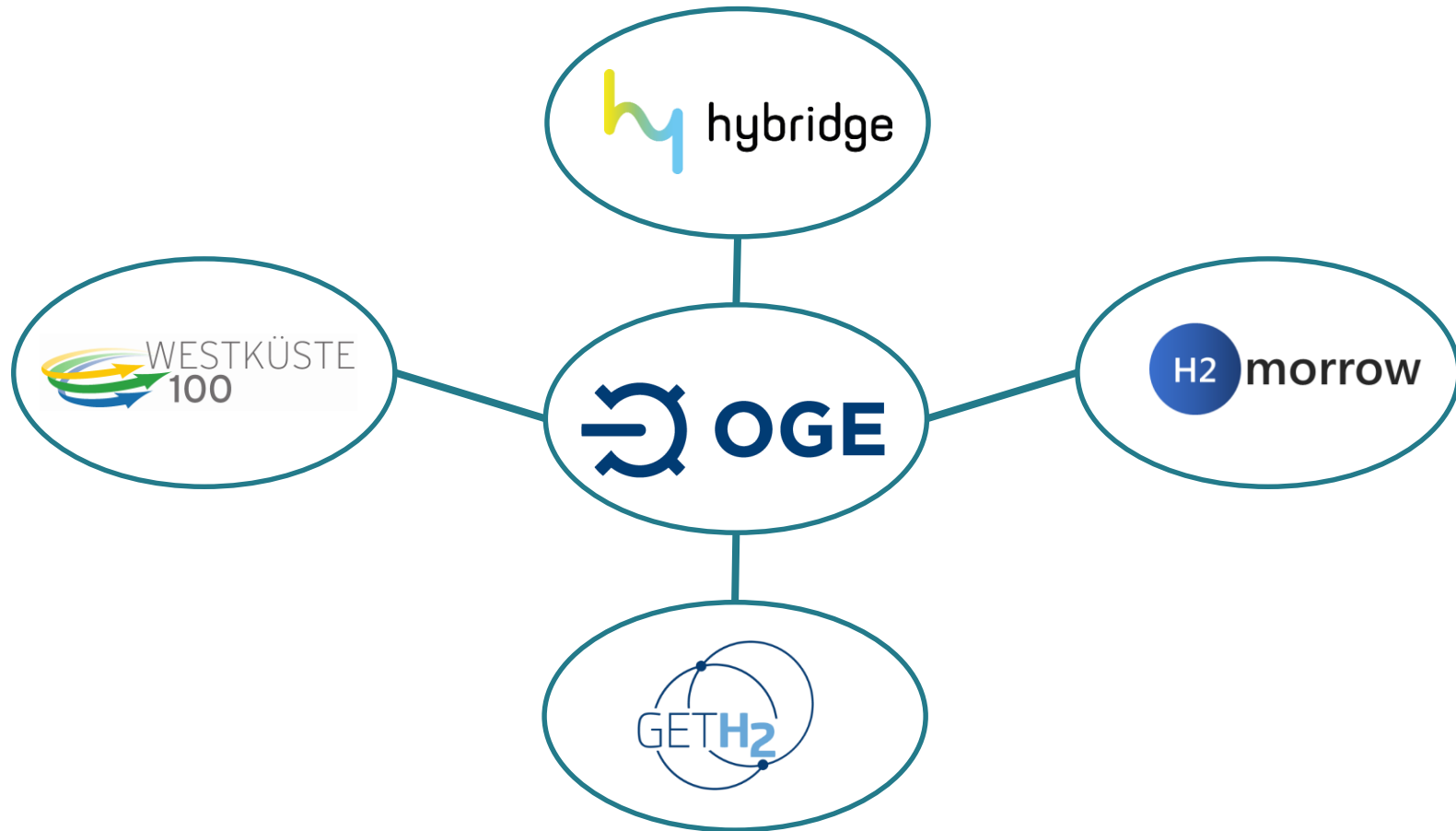
- New target for **EU** to become climate neutral by 2050
- Draft for climate law published
- Further measures planned (e.g. taxonomy, sector integration package)



- **Germany** passed climate law in December 2019  
(Measures to reach the Climate Action Plan 2050)
- Gas as the third pillar of the energy turnaround:
  - Gas dialogue 2030 (Federal Ministry of Economics) emphasizes importance of gas infrastructure for energy transition
  - Transformation of gas networks required to achieve H2 readiness

- OGE continues to promote the role of gas within the energy transition

## OGE is Engaged in Various H2 Initiatives



Details: <https://oge.net/en/us/projects/our-hydrogen-projects>

# Vier Gas is Committed to High ESG Standards

## 5-star Rating in 1st GRESB Benchmark participation



**Global / Network Utilities: Gas Distribution Companies: Gas Distribution Network**  
out of 8



**Europe**  
out of 236



**All Infrastructure Assets**  
out of 393

**Stable profitability**



**High efficiency**

**Individual efficiency factor 100%**

**Continuous grid development**



**Security of operation and supply**



**Ecological responsibility**



1

Business Profile

2

Regulatory Developments

3

**Group Structure & Financial Profile**

4

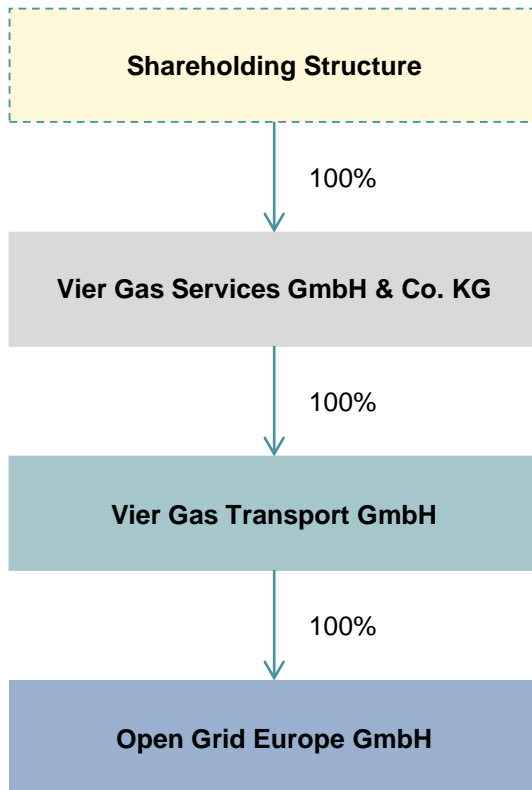
Financial Performance

5

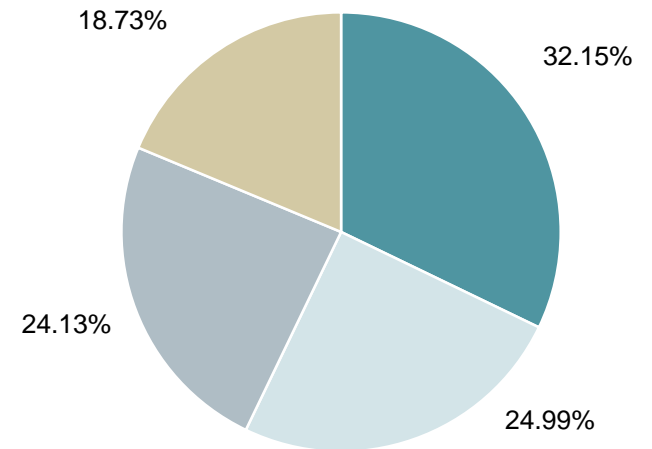
Outlook

## Group Ownership Structure: Experienced Long-Term Investors

### Simplified Group Structure



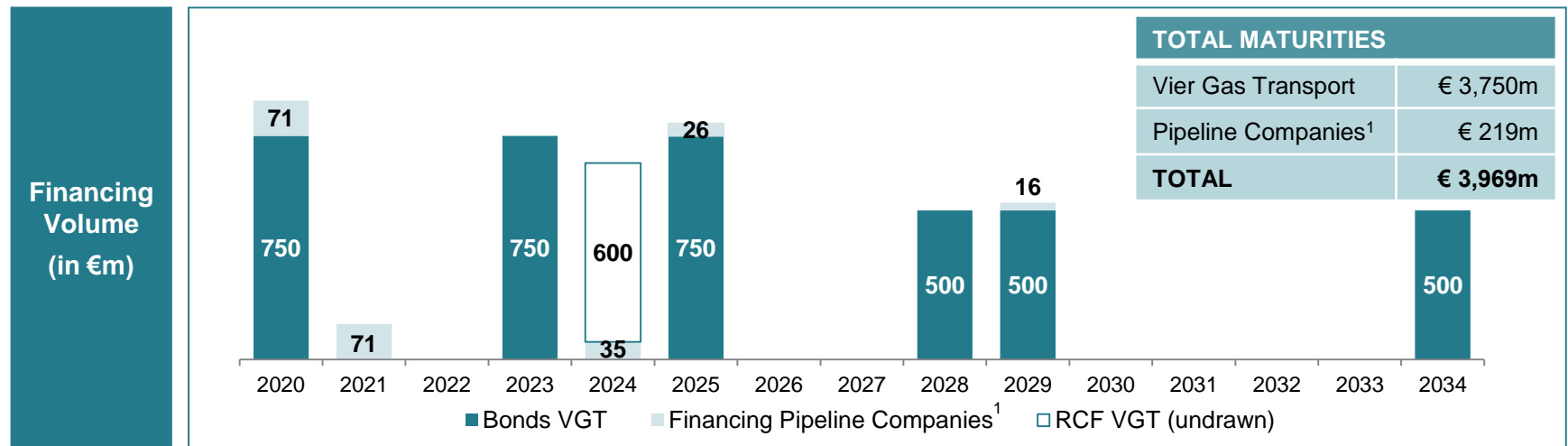
### Shareholder Composition



- British Columbia Investment Management (BCI)
- ADIA (Infinity Investments)
- Macquarie (MEIF4) and associated LP<sup>1</sup>
- Munich Re (MEAG)

<sup>1</sup> 97.7% MEIF4 and 2.3% Halifax Regional Municipality Master Trust

## Well-Balanced Maturity Profile of Vier Gas Group (as of 31-12-2019)



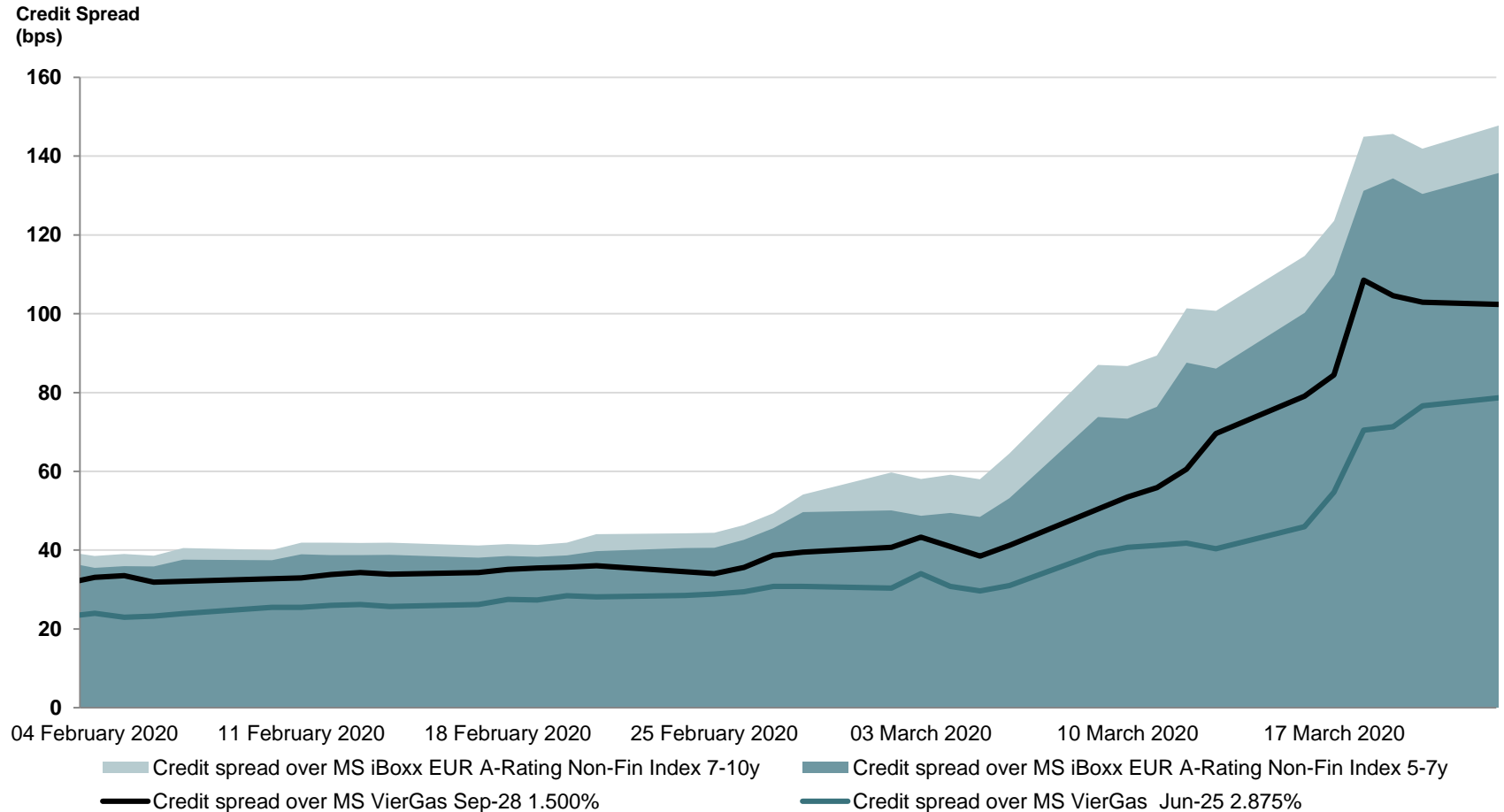
**Bond Terms**

	Tenor	Nominal	Mid Swap	Reoffer Spread	Coupon
<b>03 June 2013: Series 1</b>	7 yr.	€750m	135 bps	68 bps	2.000%
<b>03 June 2013: Series 2</b>	12 yr.	€750m	200 bps	95 bps	2.875%
<b>01 July 2013: Series 3</b>	10 yr.	€750m	202 bps	113 bps	3.125%
<b>26 Sept 2018: Series 1</b>	10 yr.	€500m	95 bps	57 bps	1.500%
<b>10 Sept 2019: Series 2</b>	10 yr.	€500m	-28 bps	50 bps	0.125%
<b>10 Sept 2019: Series 3</b>	15 yr.	€500m	-7 bps	68 bps	0.500%

<sup>1</sup> Pro-rata share (51%) / Financings include term loans, Schuldschein loan agreements ("Schuldscheindarlehen"), registered bonds ("Namenschuldverschreibungen") and drawings under committed/uncommitted credit facilities



## Vier Gas Bonds are a Solid Investment During Corona Pandemic



1

Business Profile

2

Regulatory Developments

3

Group Structure & Financial Profile

4

**Financial Performance**

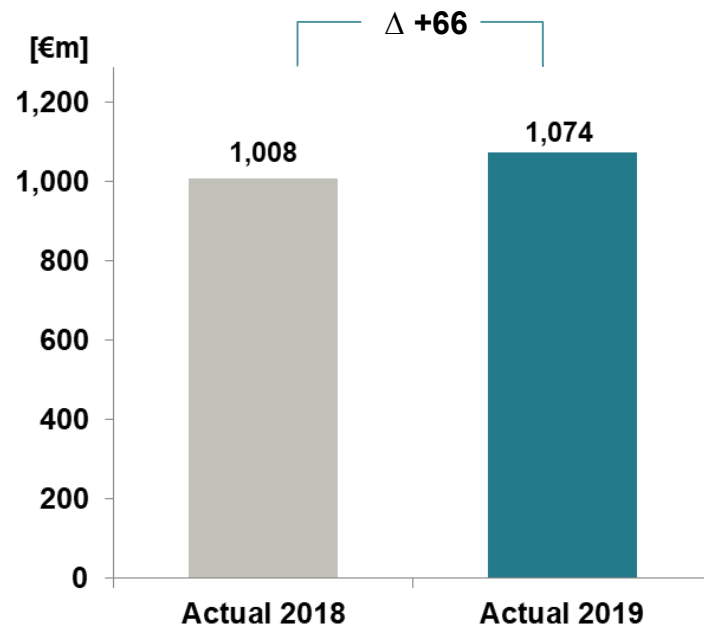
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Outlook

## Transport Revenues 2019 Significantly Above Prior Year

*IFRS Consolidated Financial Statements Vier Gas Transport*

### Total Revenues



#### Higher transport revenues (+€71m)

- Higher capacity bookings than anticipated (causing excess revenues)
- Planned tariff increases (Strong CAPEX and increasing levies)

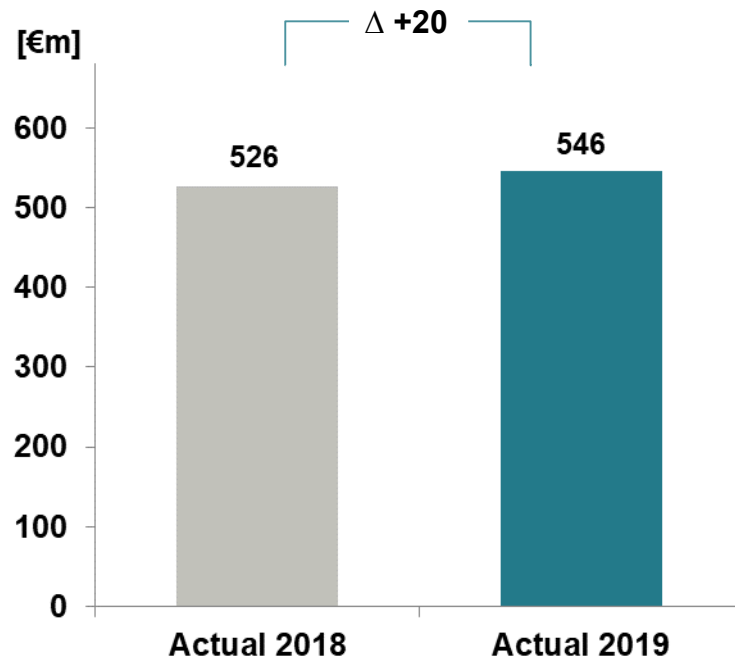
#### Slightly lower Service Revenues (-€3m)

**Note:** Aggregated figures may contain rounding differences

## Strong EBITDA Performance in 2019 at €546m

*IFRS Consolidated Financial Statements Vier Gas Transport*

### EBITDA



#### Main EBITDA drivers vs. 2018:

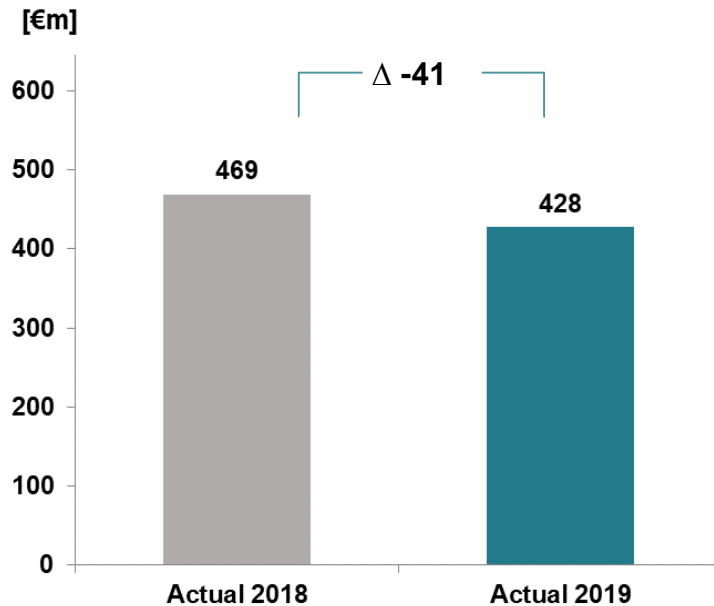
- Higher transport revenues
- Higher other operating income
- Higher personnel expenses (additional hires & pension costs)

**Expected excess revenues 2019 of €23m to be settled via regulatory account mechanism in 2021-2023**

*Note: Aggregated figures may contain rounding differences*

## CAPEX remains on high level

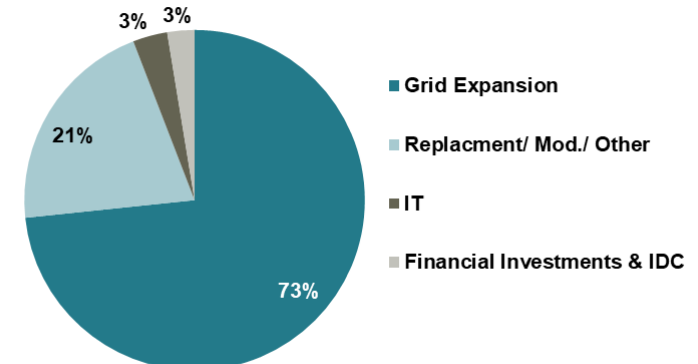
### CAPEX



### CAPEX Overview 2019

▪ OGE Pipelines	€55m
▪ OGE Compressor Stations	€65m
▪ Gas control, metering stations & other	€77m
▪ ZEELINK	€174m
▪ Other Pipeline Companies	€40m
▪ IT	€14m
▪ Financial investments	€3m

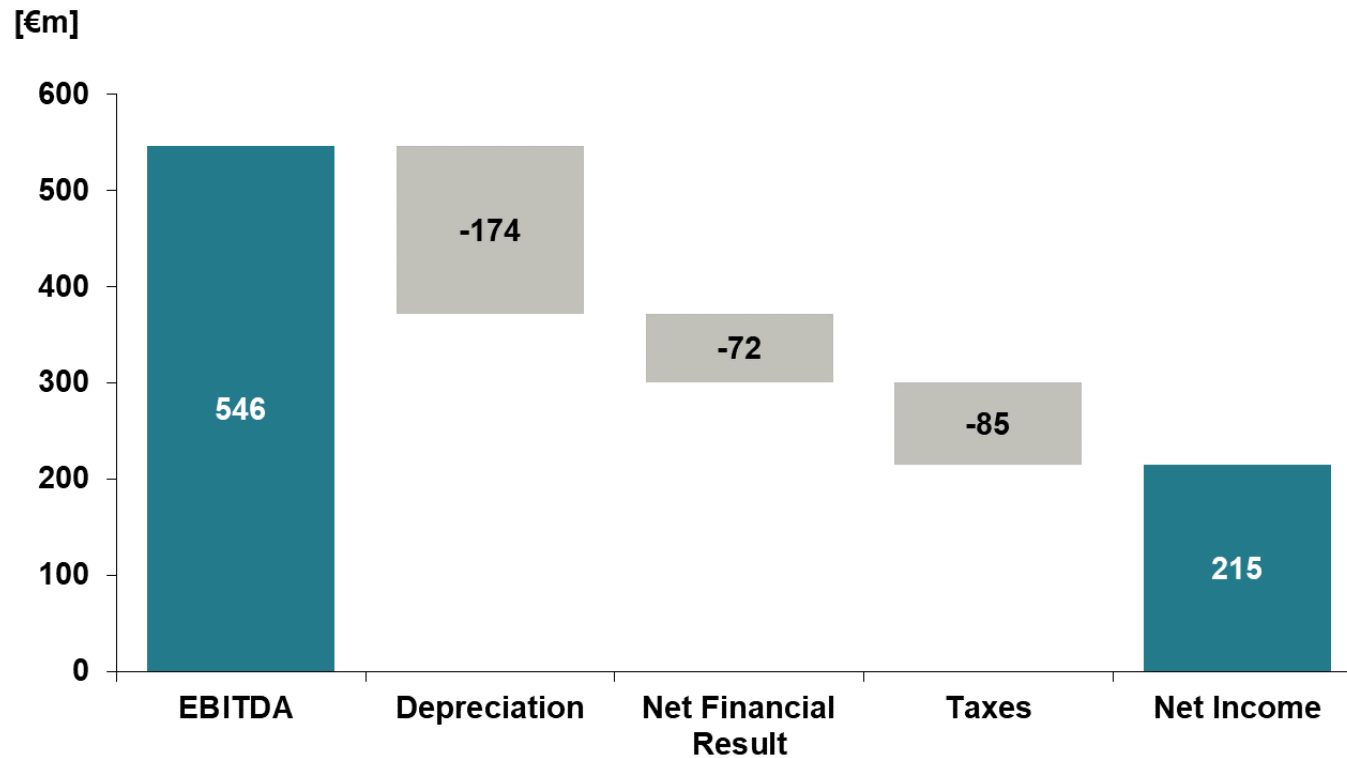
### CAPEX by Category



*Note: Aggregated figures may contain rounding differences*

# Net Income 2019

*IFRS Consolidated Financial Statements Vier Gas Transport*

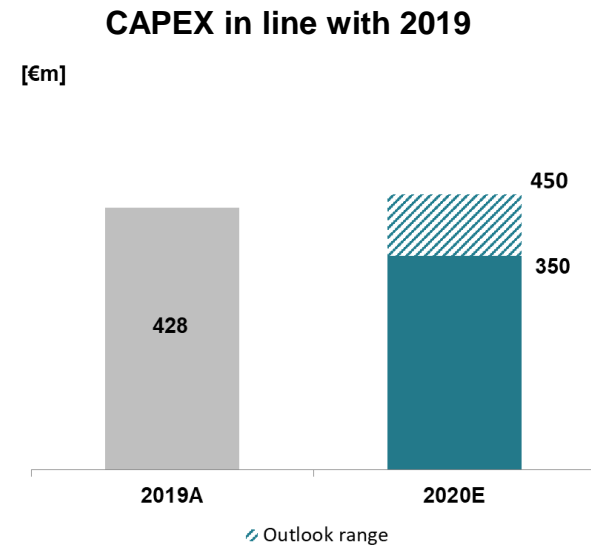
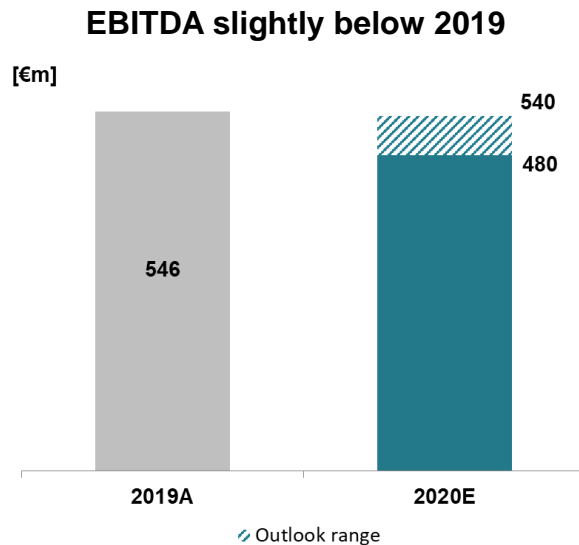


*Note: Aggregated figures may contain rounding differences*

- 1 Business Profile
- 2 Regulatory Developments
- 3 Group Structure & Financial Profile
- 4 Financial Performance
- 5 Outlook**

## Outlook: Predictable Returns and Organic Growth

2019



- Another year of strong EBITDA performance expected for 2020
- Corona-Pandemic not expected to significantly affect EBITDA, albeit greater uncertainty regarding execution of CAPEX programme for 2020



# Treasury Contacts & Ongoing Investor Engagement

## Contacts



**Axel Berndt**

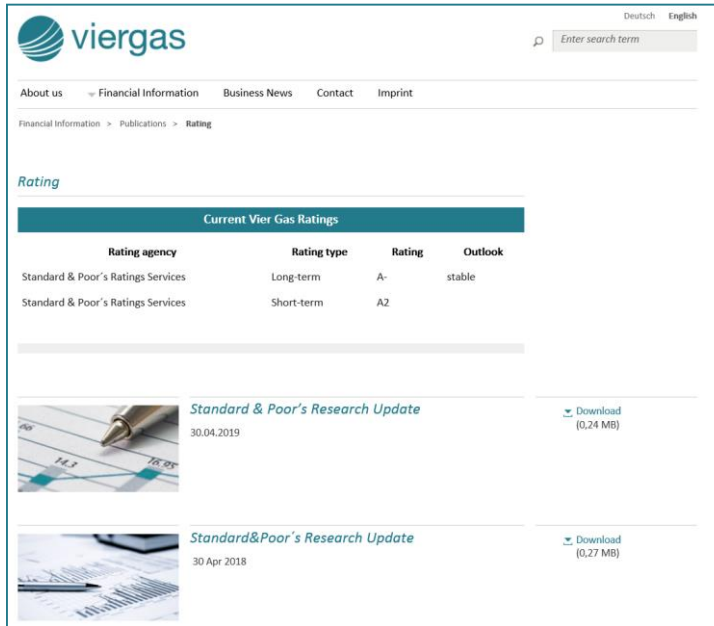
Head of Finance, Accounting & Tax



**Sebastian Brauer**

Head of Corporate Finance & Treasury

## Viergas Website



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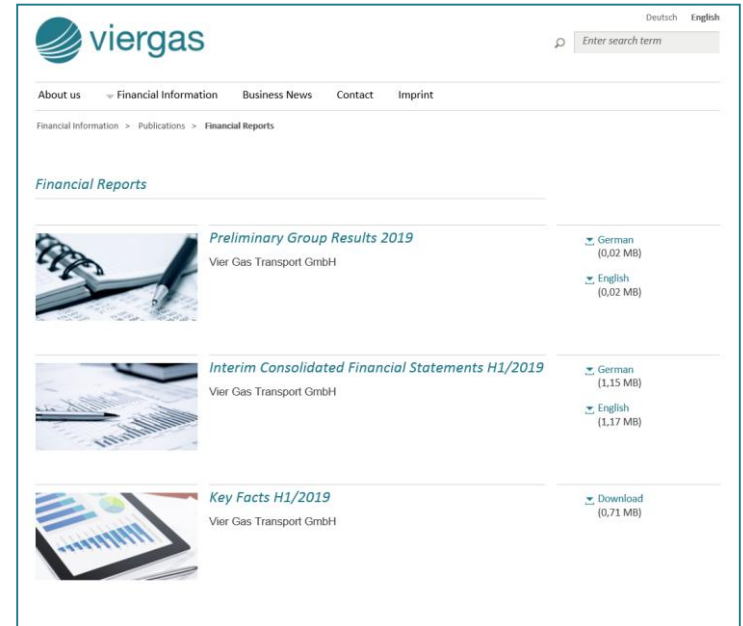
Financial Information > Publications > Rating

### Rating

Current Vier Gas Ratings			
Rating agency	Rating type	Rating	Outlook
Standard & Poor's Ratings Services	Long-term	A-	stable
Standard & Poor's Ratings Services	Short-term	A2	

**Standard & Poor's Research Update**  
30.04.2019 [Download \(0,24 MB\)](#)

**Standard & Poor's Research Update**  
30 Apr 2018 [Download \(0,27 MB\)](#)



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### Financial Reports

**Preliminary Group Results 2019**  
Vier Gas Transport GmbH [German \(0,02 MB\)](#) [English \(0,02 MB\)](#)

**Interim Consolidated Financial Statements H1/2019**  
Vier Gas Transport GmbH [German \(1,15 MB\)](#) [English \(1,17 MB\)](#)

**Key Facts H1/2019**  
Vier Gas Transport GmbH [Download \(0,71 MB\)](#)

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## **Appendix:**

## **Financial Statements 2019**

## VGT Group Income Statement 2019

*IFRS Consolidated Financial Statements Vier Gas Transport*

[€m]	2019	2018	Δ
Transport revenues	952	884	+69
Other revenues	122	125	-3
<b>Total revenues</b>	<b>1,074</b>	<b>1,008</b>	<b>+66</b>
Other income	69	45	+24
Cost of materials	-331	-294	-38
Personnel costs	-173	-161	-11
Other expenses	-100	-83	-17
Equity income	7	11	-4
<b>EBITDA</b>	<b>546</b>	<b>526</b>	<b>+20</b>
Depreciation	-174	-152	-22
<b>EBIT</b>	<b>372</b>	<b>374</b>	<b>-2</b>
Net financial result*	-72	-57	-14
Current taxes	-89	-98	+10
Deferred taxes	3	6	-3
<b>Net Income</b>	<b>215</b>	<b>225</b>	<b>-9</b>

\* Equity income included in EBITDA

**Note:** Aggregated figures may contain rounding differences

## VGT Group Balance Sheet 2019

IFRS Consolidated Financial Statements Vier Gas Transport

[€m]	Assets			Equity and Liabilities			
	Q4 2019	Q4 2018	Δ	Q4 2019	Q4 2018	Δ	
<b>Non-current assets</b>				<b>Equity</b>			
Intangible assets	68	47	+21	Subscribed capital	0	0	+0
Goodwill	840	830	+10	Additional paid-in capital	926	926	+0
Property, plant and equipment	3,940	3,638	+302	Retained earnings	268	254	+14
Financial assets	101	145	-44	Accumulated OCI	0	-1	+1
<i>at equity method</i>	66	113	-47	<b>Total equity</b>	<b>1,193</b>	<b>1,179</b>	<b>+15</b>
<i>other financial assets</i>	35	33	+2	<b>Non-current liabilities</b>			
Deferred tax assets	33	24	+8	Provisions for pensions & similar oblig.	179	111	+67
Non-current receivables	84	38	+46	Other provisions	93	95	-2
<b>Total non-current assets</b>	<b>5,066</b>	<b>4,724</b>	<b>+342</b>	Financial liabilities	3,143	3,014	+129
<b>Current assets</b>				Other non-current liabilities	92	30	+61
Inventories	32	39	-7	Deferred tax liabilities	468	477	-9
Trade receivables	19	36	-17	<b>Total non-current liabilities</b>	<b>3,975</b>	<b>3,729</b>	<b>+246</b>
Receivables from tax creditors	19	14	+5	<b>Current liabilities</b>			
Other receivables	78	46	+32	Other provisions	44	46	-2
Liquid funds	1,011	412	+600	Financial liabilities	872	95	+777
<b>Total current assets</b>	<b>1,159</b>	<b>547</b>	<b>+612</b>	Trade payables	32	92	-60
				Income tax liabilities	0	0	+0
				Other liabilities	109	130	-22
				<b>Total current liabilities</b>	<b>1,056</b>	<b>363</b>	<b>+693</b>
<b>Total</b>	<b>6,225</b>	<b>5,271</b>	<b>+954</b>	<b>Total</b>	<b>6,225</b>	<b>5,271</b>	<b>+954</b>

Note: Aggregated figures may contain rounding differences

## VGT Group Cash Flow Statement 2019

*IFRS Consolidated Financial Statements Vier Gas Transport*

[€m]	2019	2018	Δ
<b>Net income/loss before P&amp;L transfer</b>	<b>215</b>	<b>225</b>	<b>- 9</b>
Depreciation and amortisation	174	152	+ 22
Changes in deferred taxes	-3	-6	+ 3
Other (incl. Working capital)	20	96	- 76
<b>Operating Cash Flow</b>	<b>406</b>	<b>466</b>	<b>- 60</b>
Investments Tangible & Intangible Assets	-471	-425	- 46
<b>Free Cash Flow</b>	<b>-65</b>	<b>42</b>	<b>- 107</b>
Financial Investments*	-486	-89	- 396
<b>Financing Cash Flow</b>	<b>747</b>	<b>275</b>	<b>+ 471</b>
<b>Total Cash Flow of the period</b>	<b>196</b>	<b>228</b>	<b>- 32</b>
Cash and cash equivalents beginning of period (01.01.)	334	106	+ 228
<b>Cash and cash equivalents end of period (31.12.)</b>	<b>530</b>	<b>334</b>	<b>+ 196</b>

\* Financial investments mainly consist of short- to medium-term investments of excess cash

**Note:** Aggregated figures may contain rounding differences

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