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Tear Sheet:

Vier Gas Transport GmbH

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This report does not constitute a rating action.

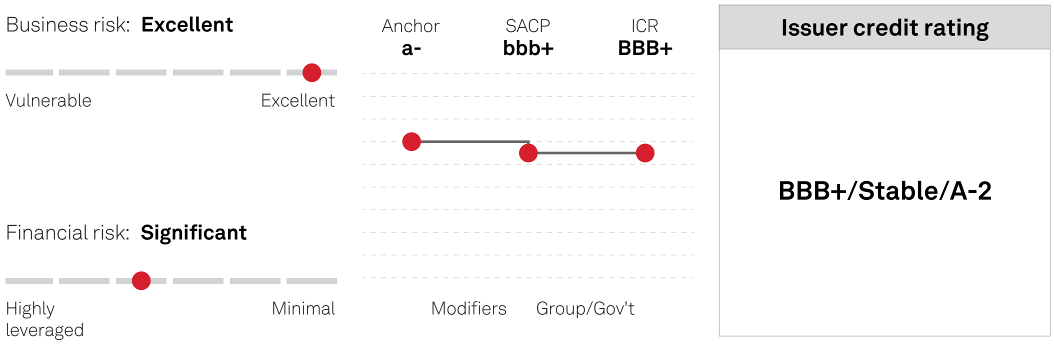
S&P Global Ratings expects Vier Gas Transport GmbH's (VGT) credit metrics to remain in line with the 'BBB+' rating in 2026-2027, despite increasing investments in the hydrogen network. These investments represented only about 20% of VGT's €590 million capital expenditure (capex) in 2025, but will continue to rise, since roughly €2 billion has been committed to the hydrogen grid mainly through 2030. Capex will also increase to integrate liquefied natural gas pipelines into the methane grid. We now anticipate that VGT's S&P Global Ratings-adjusted capex will peak at about €900 million in 2027, before reducing to €500 million-€700 million. We view investments in hydrogen assets as riskier than those in natural gas because the regulatory framework is less favorable than that for natural gas (see "Germany's Hydrogen Infrastructure Regulation Makes Visible Ongoing Risk," published Oct. 23, 2025). We do not anticipate hydrogen to make a sizable contribution to revenue until 2030, given the slightly slower-than-anticipated ramp-up of investments. Nevertheless, we may increase our rating thresholds in the future to reflect the rising share of hydrogen assets in the company's regulatory asset base.

The company's earnings continue to benefit from a supportive regulatory environment for natural gas. We assume a return on equity (ROE) of 5.07% on new gas assets and of 3.51% on old assets until the five-year regulatory period ends in 2027. The company's reported EBITDA will likely decline in 2026 compared to 2025, due to the return of excess revenue from previous years along with increased operating costs. That said, we continue to add the effects of regulatory accounting in our projected adjusted metrics, since we believe they better reflect the company's economic reality. Continued growth of regulatory assets, both for natural gas and hydrogen, will stimulate a further increase in EBITDA from 2027 onward. We also expect VGT's adjusted debt to rise to €4.6 billion by year-end 2027, from €3.6 billion in 2025. We forecast funds from operations (FFO) to debt at about 11% over 2026-2027, adjusted for regulatory account effects, similar to that in 2025. The regulatory parameters for the period starting 2028 are not yet determined, and we expect the remuneration framework for gas networks will be finalized by the end of this year.

The German regulator BNetzA aims to modernize the regulatory framework from 2028. Key proposed changes include moving to a simplified double weighted average cost of capital (WACC) approach from the current rate-of-return model, commonly used internationally, and can improve transparency to investors. The credit impact depends on the WACC determined. There will also be an option for operators to choose shortened useful lives for historical gas assets from 2026, in addition to the option already available for new gas assets since 2023, mitigating the risk of stranded assets. Open Grid Europe (OGE), VGT's subsidiary, has a proven track record of acknowledging its cost base and efficiency.

VGT's financial policy supports the rating. Our rating factors in management's strong commitment to the current rating. Specifically, we expect the company's financial risk management to remain prudent and dividend policy to remain flexible. The consortium that owns VGT includes long-term infrastructure and strategic investors that demonstrated flexibility in the past to adjust dividends to support the company's operations and investment activities when needed. In our base case, we do not expect significant changes in the shareholding structure.

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Recent Research

- Industry Credit Outlook 2026: EMEA Utilities, **Jan. 14, 2026**
- Germany's Hydrogen Infrastructure Regulation Makes Visible Ongoing Risk, **Oct. 23, 2025**
- Industry Credit Outlook Update Europe: Utilities, **July 16, 2025**
- Research Update: Vier Gas Transport GmbH 'BBB+/A-2' Ratings Affirmed; Outlook Stable, **June 18, 2025**

Company Description

VGT is the parent company of OGE, the largest of Germany's 15 gas transmission system operators (TSOs). Through OGE, the company designs, constructs, operates, and markets gas transmission networks. On average, more than 85% of VGT's revenue comes from its gas transportation business, with services to pipeline companies and third parties accounting for less than 15%.

OGE transmits gas through its 12,000 kilometer network, making it the largest supra-regional pipeline network in Germany. Its pipeline systems connect border crossing points to cities, municipalities, and industrial users in Germany and to pipeline systems of neighboring countries, such as the Netherlands, Belgium, France, Switzerland, Austria, and Czech Republic.

The Vier Gas Transport group comprises VGT (the parent), its subsidiary OGE, and equity investments, which include several gas transmission assets with different levels of ownership. VGT largely performs a holding company function for OGE. Vier Gas Services GmbH & Co. KG is the sole shareholder of VGT and comprises a long-term investment consortium that includes

British Columbia Investment Management Corp. (32.15%), Abu Dhabi Investment Authority (ADIA, 24.99%), Fluxys Belgium S.A. (24.13%), and Munich Reinsurance Co. (18.73%).

Outlook

The stable outlook reflects our view that VGT will continue to benefit from stable, fully regulated activities under the supportive gas transmission framework in Germany, offsetting risks associated with uncertainties associated with the longer-term economics of the hydrogen investment. Because the regulatory returns over 2024-2027 are set, we expect the company to sustain FFO to debt of 10%-11% over the next two years despite increasing investments.

Downside scenario

We could downgrade VGT if the company's FFO to debt on a regulatory accounting basis decreased below 10% without clear prospects for a swift recovery. Downside rating pressure could emerge from a change in VGT's financial policy, as reflected in increased dividend payments, which we do not anticipate at this stage, since the company has a track record of committing to its financial policy. Pressure could also emerge from risks related to hydrogen investments, for example, if hydrogen-related earnings were to represent a material share of the company's earnings or should there be a significant setback in ramping up the hydrogen economy in Germany.

Upside scenario

We see an upgrade of VGT as unlikely, since it would require excellent predictability of future business prospects, including those related to hydrogen infrastructure, and FFO to debt (adjusted for regulatory accounting effects) sustainably above 13%. We see this scenario as unlikely over the next two years, given high growth capex dedicated to the hydrogen grid in Germany.

In the long term, upside potential could stem from supportive investment stimulus and a successful and timely ramp-up of the hydrogen economy. This would effectively remove residual risks stemming from the German regulatory framework for hydrogen infrastructure; therefore we view the framework as equivalent in strength to current fossil gas regulation.

Key Metrics

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2024a	2025a	2026f	2027f	2028f
EBITDA§	628	592	600-650	700-750	670-720
Funds from operations (FFO)§	460	430	450-500	500-600	500-600
Capital expenditure (capex)	413	588	750-800	890-940	680-730
Debt	3,390	3,695	4,200-4,300	4,550-4,650	4,700-4,800
Adjusted ratios					
Debt/EBITDA (x)§	5.1	6.2	6.5-7.0	6.0-6.5	6.5-7.0
FFO/debt (%)§	14.4	11.3	11.0-11.5	11.5-12.0	11.7-12.2

All figures are adjusted by S&P Global Ratings, unless stated as reported. §Excluding the regulatory accounting effects, meaning without the temporary effect on earnings stemming from volume, price, or changes in operating costs that lead to over- or under-shooting under IFRS accounting. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Financial Summary

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025
Reporting period	2023a	2024a	2025a
Display currency (mil.)	EUR	EUR	EUR
Revenues	1,648	1,133	1,428
EBITDA*	944	434	549
Funds from operations (FFO)*	787	266	386
Interest expense	92	86	100
Cash interest paid	105	85	107
Operating cash flow (OCF)	823	281	443
Capital expenditure	387	413	588
Free operating cash flow (FOCF)	437	(131)	(145)
Discretionary cash flow (DCF)	314	(480)	(395)
Cash and short-term investments	619	650	304
Gross available cash	619	900	304
Debt	3,090	3,390	3,695
Common equity	1,788	1,668	1,897
Adjusted ratios			
EBITDA margin (%)	57.3	38.3	38.4
Return on capital (%)	15.5	4.7	6.3
EBITDA interest coverage (x)	10.2	5.0	5.5
FFO cash interest coverage (x)	8.5	4.1	4.6
Debt/EBITDA (x)	3.3	7.8	6.7
FFO/debt (%)*	25.5	7.8	10.5
OCF/debt (%)	26.6	8.3	12.0
FOCF/debt (%)	14.1	(3.9)	(3.9)
DCF/debt (%)	10.1	(14.2)	(10.7)

*Including the regulatory accounting effects.

Peer Comparison

Vier Gas Transport GmbH--Peer Comparisons

	Vier Gas Transport GmbH	N.V. Nederlandse Gasunie	Enagas S.A.	Snam SpA
Foreign currency issuer credit rating	BBB+/Stable/A-2	AA-/Stable/A-1+	BBB+/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2	AA-/Stable/A-1+	BBB+/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2025-12-31	2025-12-31	2025-12-31	2025-12-31

Vier Gas Transport GmbH--Peer Comparisons

Mil.	EUR	EUR	EUR	EUR
Revenue	1,428	1,817	977	3,980
EBITDA	549	760	684	3,349
Funds from operations (FFO)	386	600	631	2,760
Interest	100	116	78	555
Cash interest paid	107	125	63	515
Operating cash flow (OCF)	443	590	212	2,619
Capital expenditure	588	1,085	118	2,683
Free operating cash flow (FOCF)	(145)	(495)	94	(64)
Discretionary cash flow (DCF)	(395)	(497)	(185)	(1,019)
Cash and short-term investments	304	82	636	2,070
Gross available cash	304	82	636	2,070
Debt	3,695	4,785	2,820	19,037
Equity	1,897	6,494	2,317	9,039
EBITDA margin (%)	38.4	41.8	70.0	84.1
Return on capital (%)	6.3	2.6	7.6	8.7
EBITDA interest coverage (x)	5.5	6.6	8.8	6.0
FFO cash interest coverage (x)	4.6	5.8	11.0	6.4
Debt/EBITDA (x)	6.7	6.3	4.1	5.7
FFO/debt (%)	10.5	12.5	22.4	14.5
OCF/debt (%)	12.0	12.3	7.5	13.8
FOCF/debt (%)	(3.9)	(10.3)	3.3	(0.3)
DCF/debt (%)	(10.7)	(10.4)	(6.6)	(5.4)

Liquidity

We assess VGT's liquidity as adequate, since as we forecast liquidity sources will cover uses by more than 1.1x over the 12 months started April 1, 2026. VGT has demonstrated proven access to debt capital markets and sound relationships with banks, reflected in the company's diverse funding sources. In April 2026, VGT issued a €500 million four-year bond. VGT's syndicated revolving credit facility (RCF) of €600 million remains undrawn, which the company extended to 2030. In addition, the company has a €500 million commercial paper program in place.

Principal liquidity sources	Principal liquidity uses
• Unrestricted cash and cash equivalents of about €284 million as of March 31, 2026. • Availability under the RCF and credit lines totaling €705 million. • Cash FFO of about €420 million. • Proceeds from the bond issuance in April 2026 of about €500 million.	• Debt maturities of €64 million in 2026. • Working capital outflows of about €42 million. • Capex of about €800 million. • Dividend payments totaling close to €150 million.

- Proceeds from equity injectionup to €100 million.

Rating Component Scores	
Foreign currency issuer credit rating	**BBB+/Stable/A-2**
Local currency issuer credit rating	**BBB+/Stable/A-2**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant (low volatility table)
Anchor	**a-**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	**bbb+**

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011