



Investor Conference Call

Financial Year 2017

12 April 2018

Agenda

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

Presenter



Dr. Frank Reiners

Chief Financial Officer
Open Grid Europe GmbH

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VGT with Strong Performance in 2017

- EBITDA at €454m in line with expectations
- Revenue shortfall 2017 to be recovered via regulatory account mechanism
- Adjusted for regulatory account effects, EBITDA 2017 above prior year
- Implementation of substantial investment programme continues, total investments of €510m
- Regulatory decisions on efficiency factors for 3rd reg. period:
 - Individual efficiency of OGE secured at 100% (unchanged)
 - General efficiency factor of 0.49% (1.01 ppts. improvement vs. 2nd regulatory period)
- Excellent credit standing: A- rating
- Successful refinancing of VGT (€200m RCF replaced by €600m RCF maturing 2022)



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Outlook

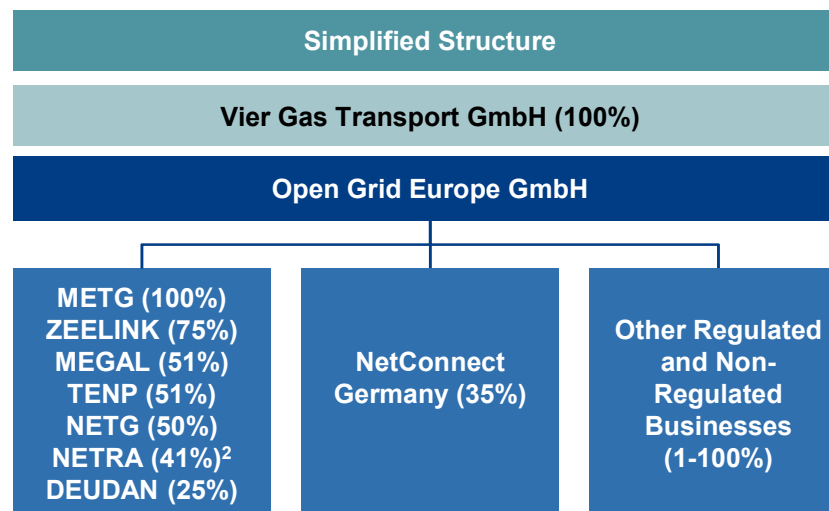
Vier Gas Transport at a Glance

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 (2017)

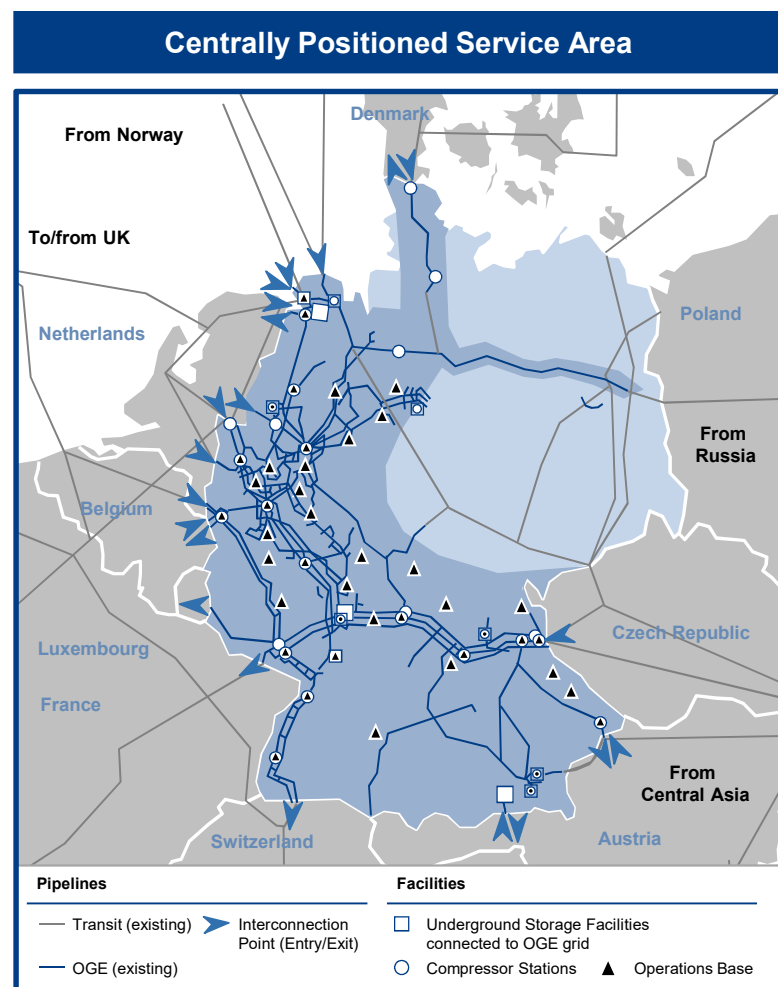
Total Revenues	€923m
EBITDA	€454m
CAPEX	€510m
Total Employees ¹	1,358



¹ Average employees of financial year 2017 (excluding management and apprentices)

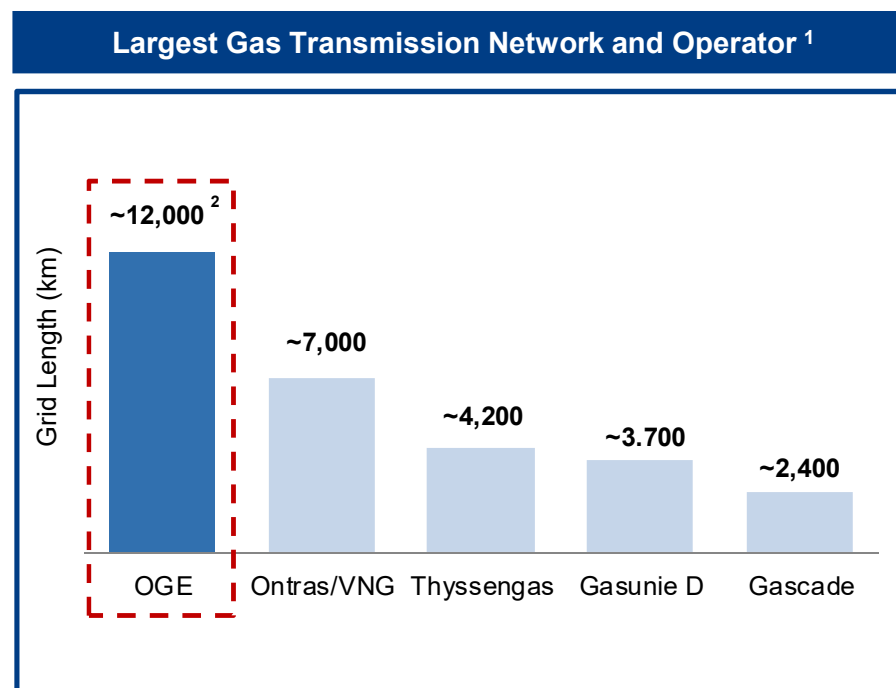
² OGE holds 15% of indirect shares in NETRA in addition to direct shareholding of 41%

A Key Gas Transmission System Operator at the Heart of Europe



¹ Source: FNB Gas "Konsultationsdokument Netzentwicklungsplan Gas 2018-2028"

² Thereof approx. 7,730km fully owned by OGE



- Covering approx. 65 % of the total shipping volume in Germany with 630 TWh annual offtake quantity in 2017
- 28 compressor stations and 90 units
- Approx. 50 entry and 1,100 exit points with 15 interconnections to bordering countries
- More than 400 national and international customers



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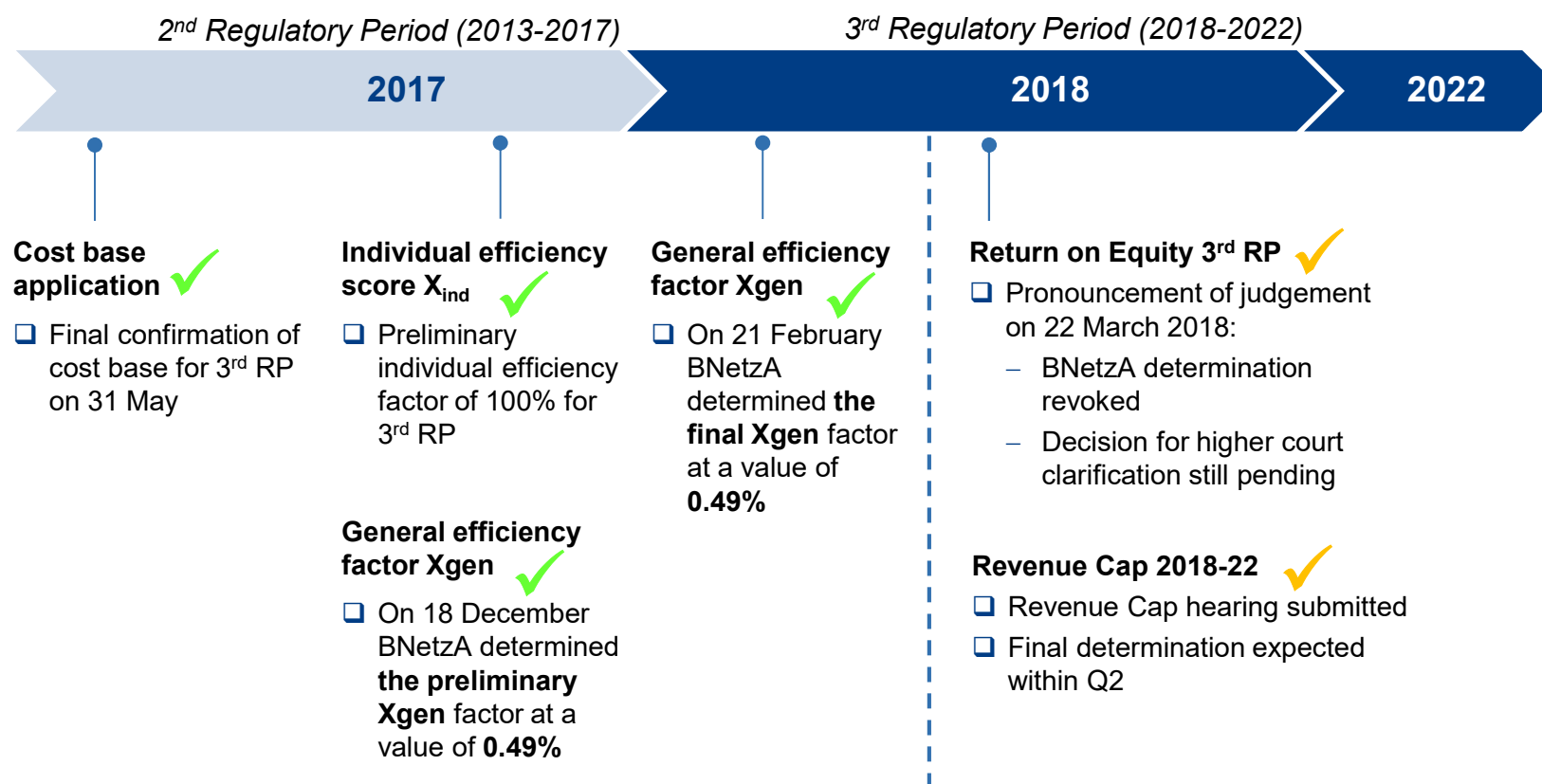
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Outlook

Determination of key regulatory parameters for 3rd RP



Stable & supportive regulatory framework for 3rd Regulatory Period expected

Stable OGE share in NDP of €2.3bn Total NDP increased due to EUGAL

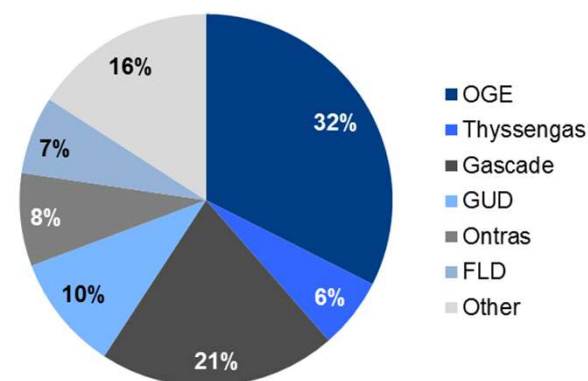
Network Development Plan (NDP)

- NDP is a well established process
- NDP provides high certainty to TSOs regarding investments
- Final NDP 2016 published in October 2017
- Draft NDP 2018 confirms OGE NDP 2016 projects
- Increase of total NDP CAPEX due to EUGAL (Draft NDP 2018 vs. NDP 2016: +€2.5bn)

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 draft NDP 2018: €7.0bn
OGE CAPEX draft NDP 2018: 32% (€2.3bn)



Required investments continuously add to revenue growth!

ZEELINK – Update on OGE's Largest NDP Project

- 215 km pipeline from Aachen to Legden, incl. new compressor station Würselen
- Transport of Belgian LNG from Zeebrugge, connection to Dutch system and NEL possible
- Prerequisite for L/H - gas conversion
- Total investment of ~ €0,7 bn, financed by shareholders: OGE (75%) and Thyssengas (25%), OGE responsible for construction work
- Company established 2016, commissioning planned for March 2021





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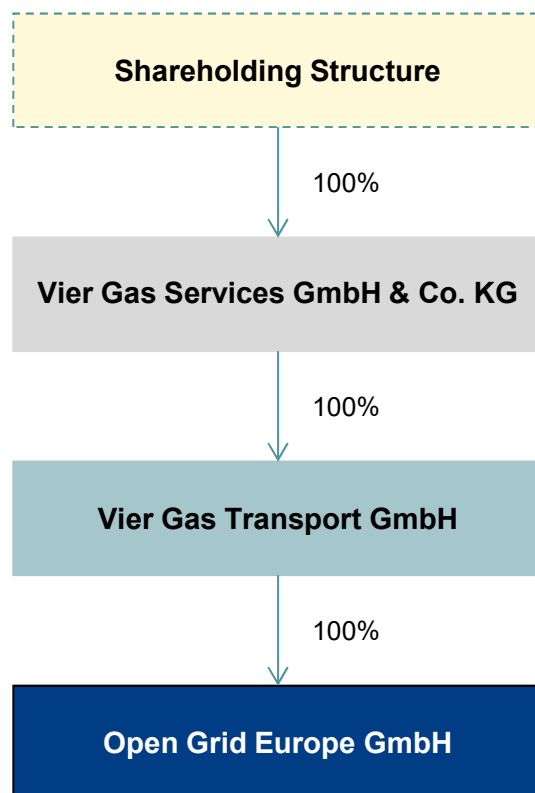
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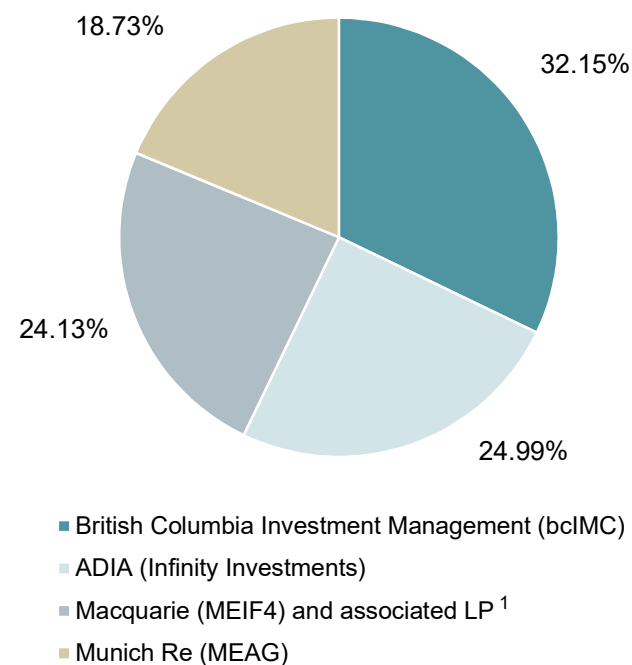
Outlook

Group Ownership Structure: Experienced Long-Term Investors

Simplified Group Structure

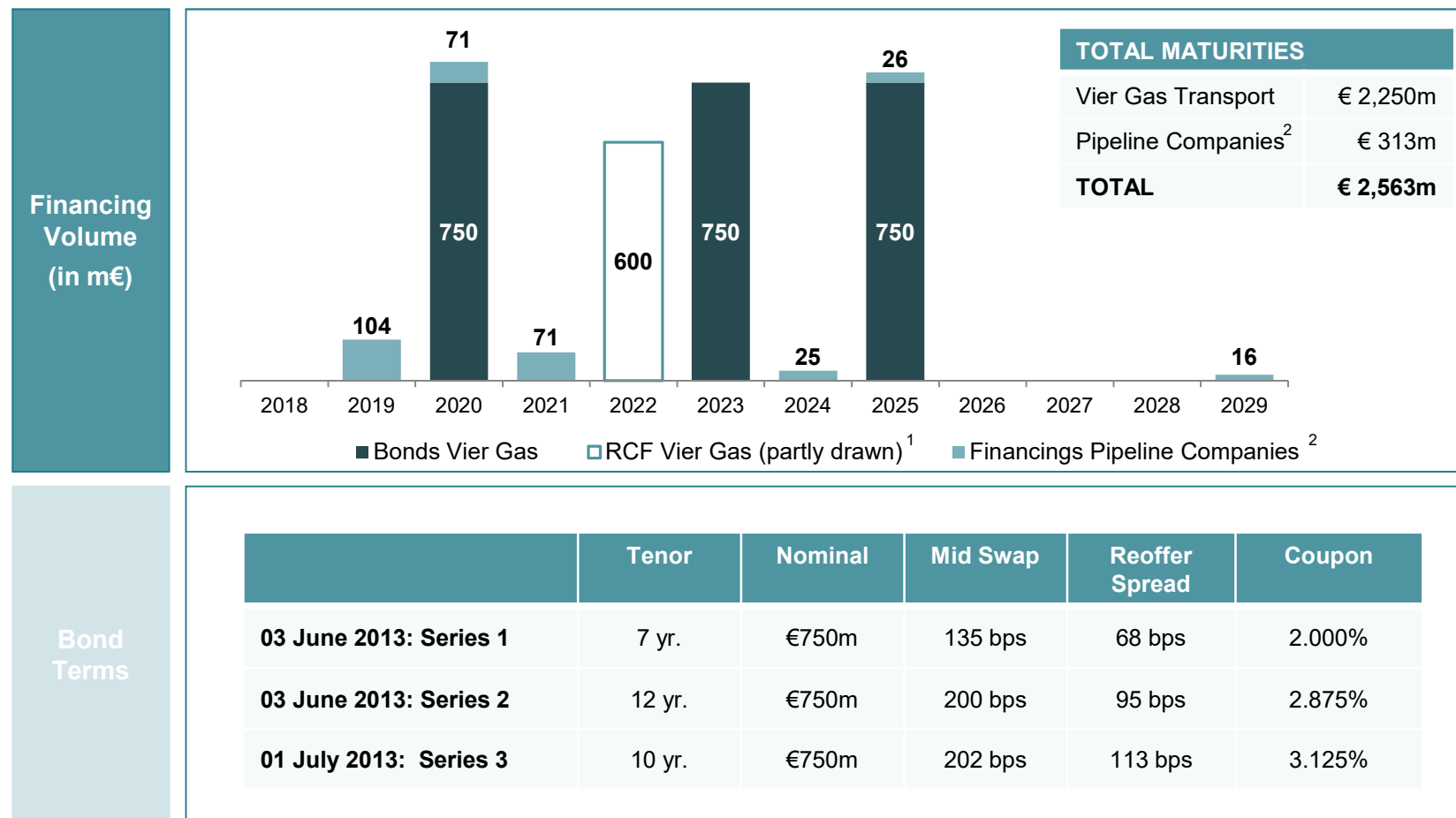


Shareholder Composition



¹ 97.7% MEIF4 and 2.3% Halifax Regional Municipality Master Trust

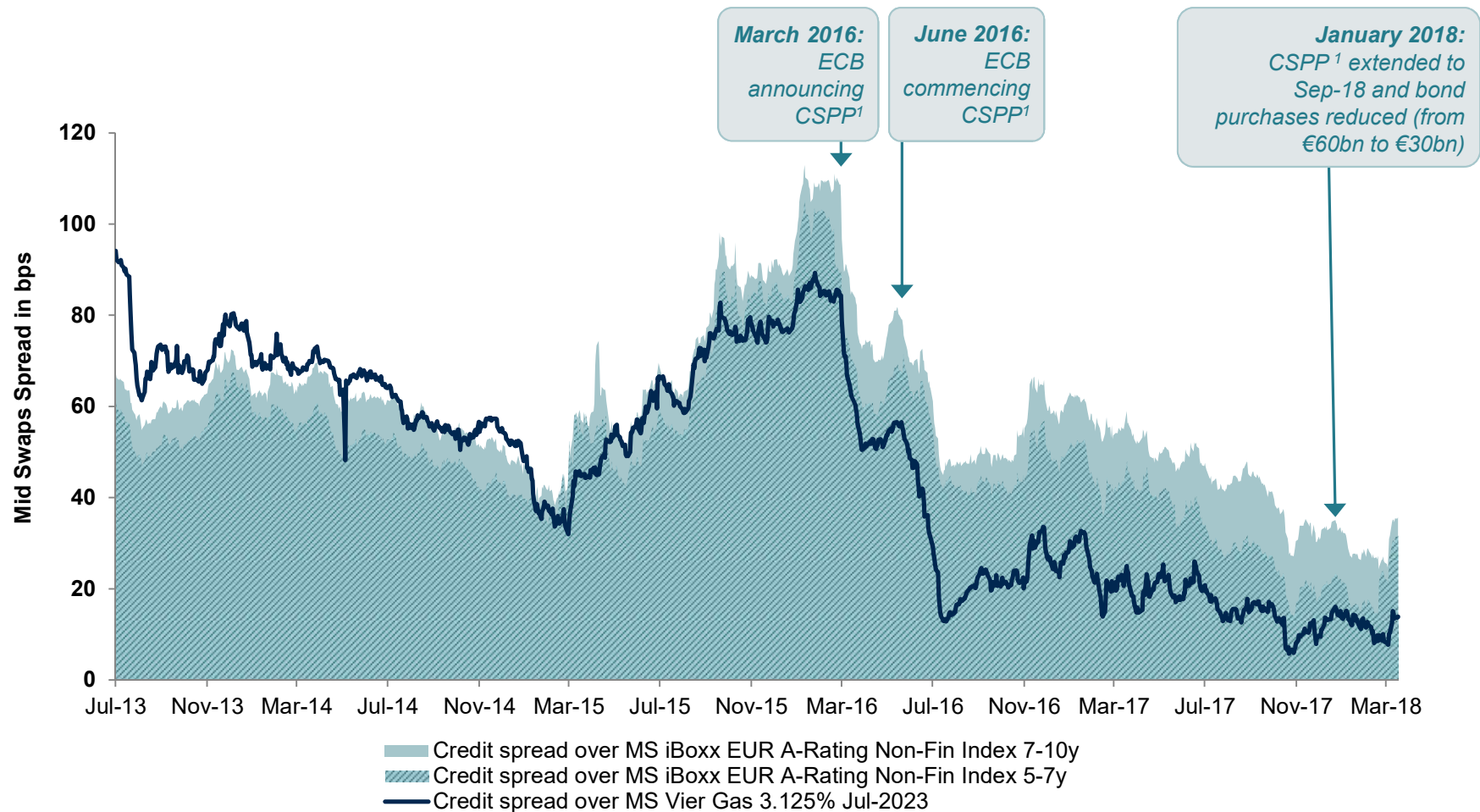
Well-Balanced Maturity Profile of Vier Gas Group (as of 31-12-2017)



¹ €61m drawn for CAPEX and guarantees

² Pro-rata share (51%) / Financings include term loans, certificates of indebtedness ("Schuldscheindarlehen"), registered bonds ("Namensschuldverschreibungen") and drawings under committed credit facilities

Vier Gas Bonds Constantly Outperforming Benchmarks



¹ CSPP: Corporate Sector Purchase Programme. Vier Gas Bonds meet eligibility criteria. ECB has confirmed the purchase of Vier Gas Bonds.
Source: Bloomberg, Markit as of 27-03-2018



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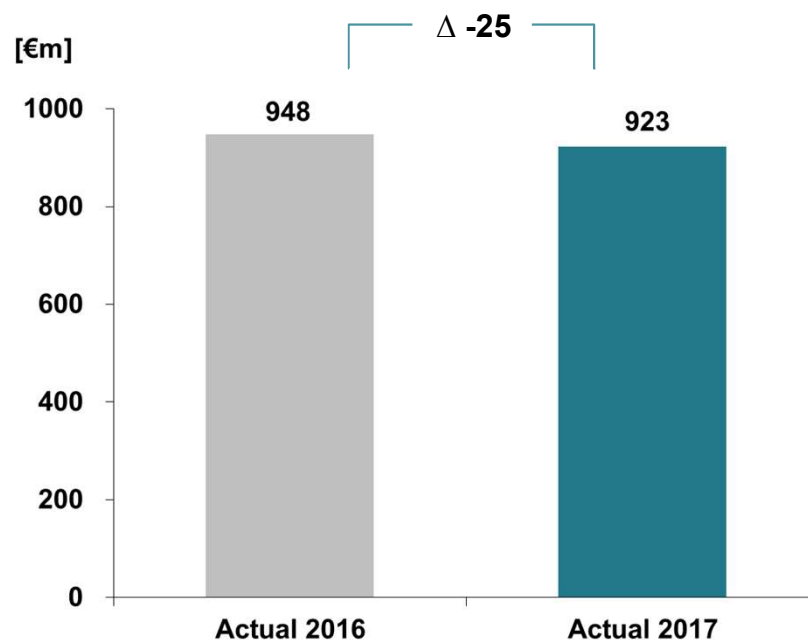
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Outlook

Revenues 2017 Slightly Below Prior Year due to Regulatory Account Effects

IFRS Consolidated Vier Gas Transport financial statements

Total Revenues



Lower transport revenues (-€25m)

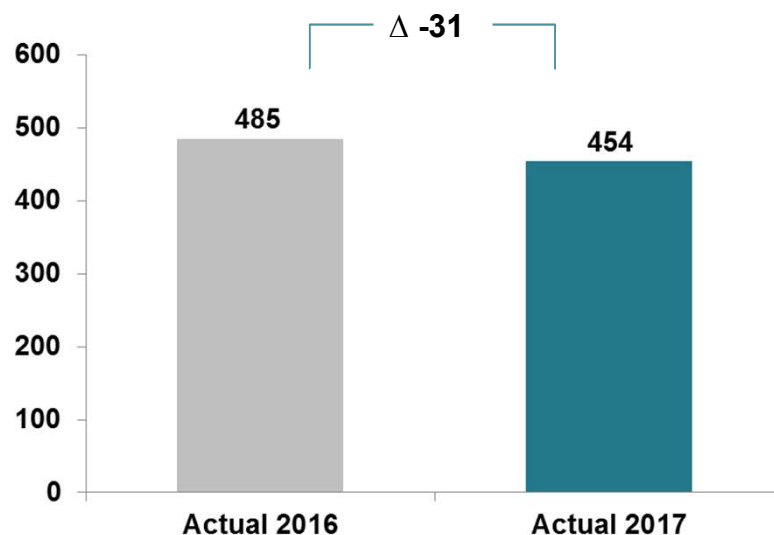
- Higher allowed revenue cap in 2017
- Regulatory account effects:
 - Revenue shortfall in 2017
 - Excess revenues in 2016

Service revenues on prior year level

EBITDA Performance in 2017 at €454m

IFRS Consolidated Vier Gas Transport financial statements

EBITDA



Main EBITDA Drivers vs. 2016:

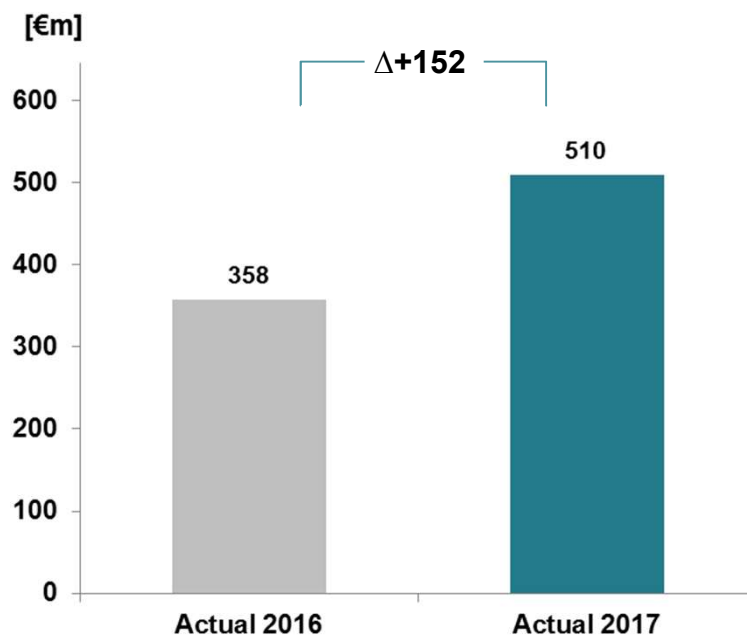
- Lower transport revenues (-€25m),
(covered by regulatory account mechanism)
- Higher costs of materials (-€11m)
 - *Mainly higher expenses for maintenance*
- Slightly increased personnel expenses (-€6m)
- Higher equity income (+€13m)

**Expected revenue shortfall 2017 of €55m
to be recovered in 2019-2021**

→ **Adjusted for regulatory account effects
EBITDA 2017 above prior year**

Higher CAPEX 2017 in Line with NDP

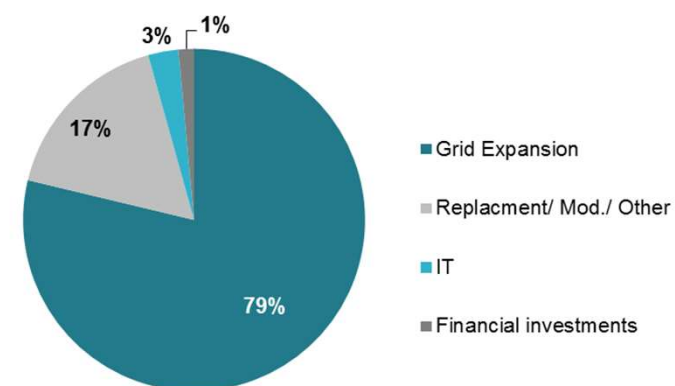
CAPEX



CAPEX Overview 2017

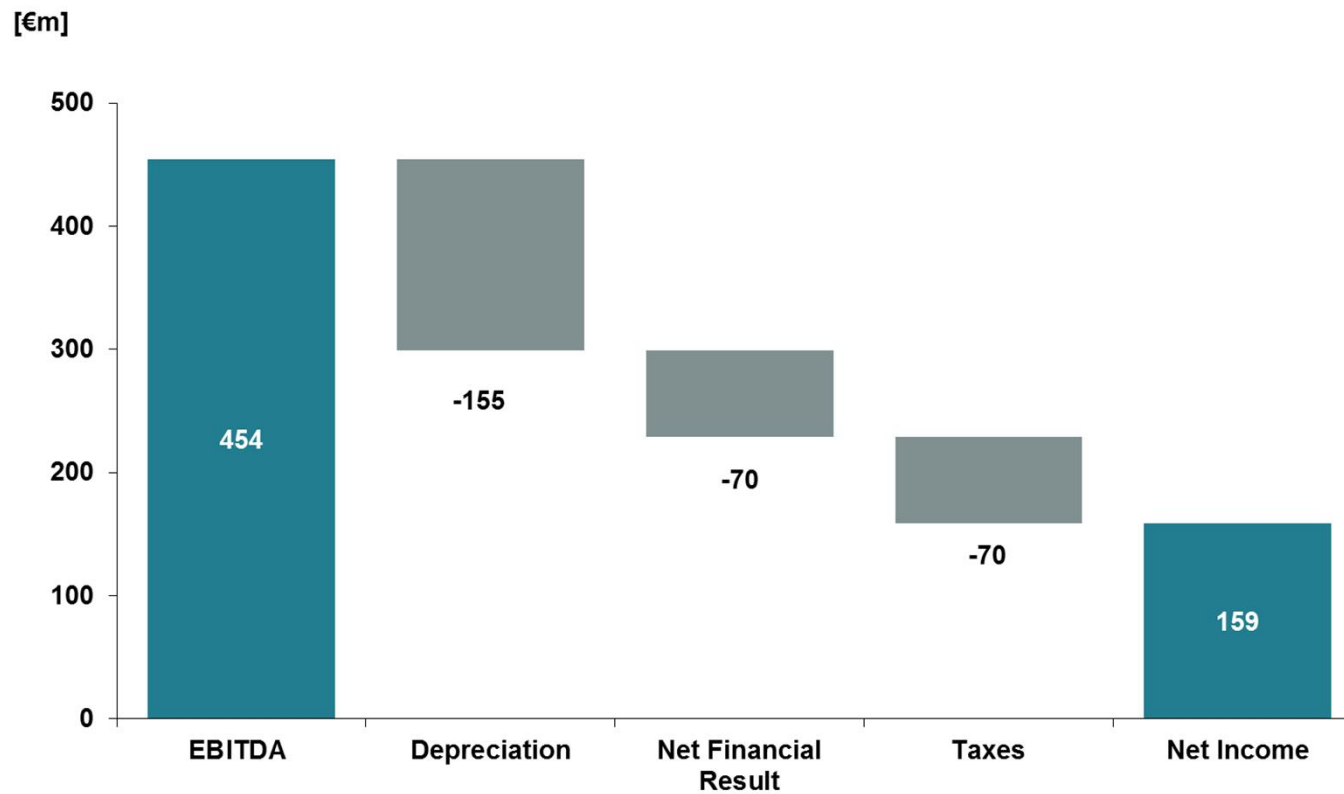
■ OGE Pipelines	€149m
■ OGE Compressor Stations	€189m
■ Pipeline Companies	€112m
■ Gas control, metering stations & other	€ 37m
■ IT	€ 15m
■ Financial investments	€ 8m

CAPEX by Category



Net Income 2017

IFRS Consolidated Vier Gas Transport financial statements



Note: Aggregated figures may contain rounding differences



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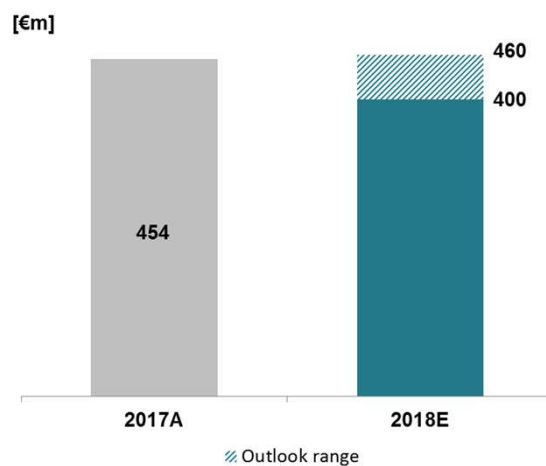
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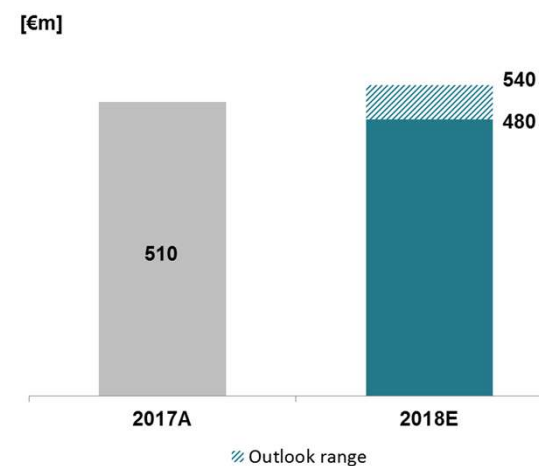
Outlook: Predictable Returns and Organic Growth

2018 and beyond

EBITDA slightly below 2017



CAPEX in line with 2017



- 2018 characterised by stable EBITDA and high level of investments due to NDP
- Regulator to decide on major parameters for 3rd RP (2018-2022)
 - Determination for revenue cap 2018-2022 expected within Q2 2018
 - Outcome of complaint proceedings regarding general efficiency factor and return on equity pending
- €500m Commercial Paper Programme implemented in March 2018

Treasury Contacts & Ongoing Investor Engagement

Contacts



Axel Berndt

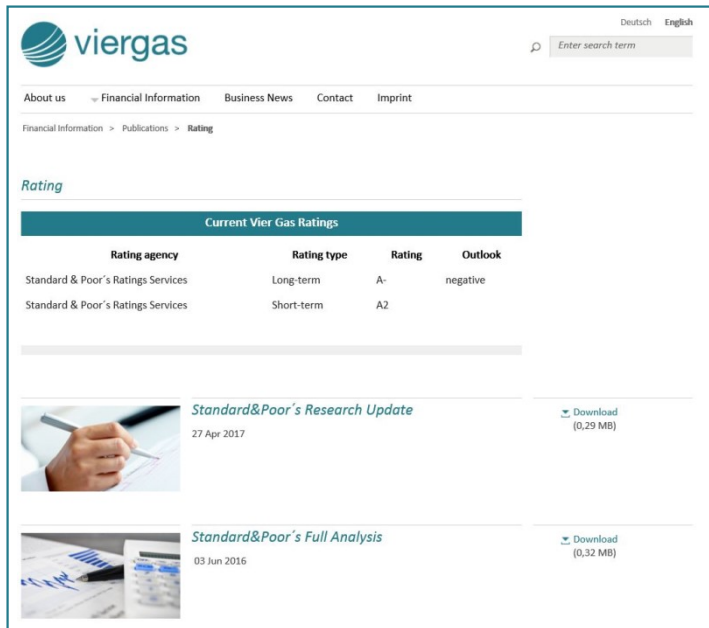
Head of Finance, Accounting & Tax



Sebastian Brauer

Head of Corporate Finance & Treasury

Viergas Website



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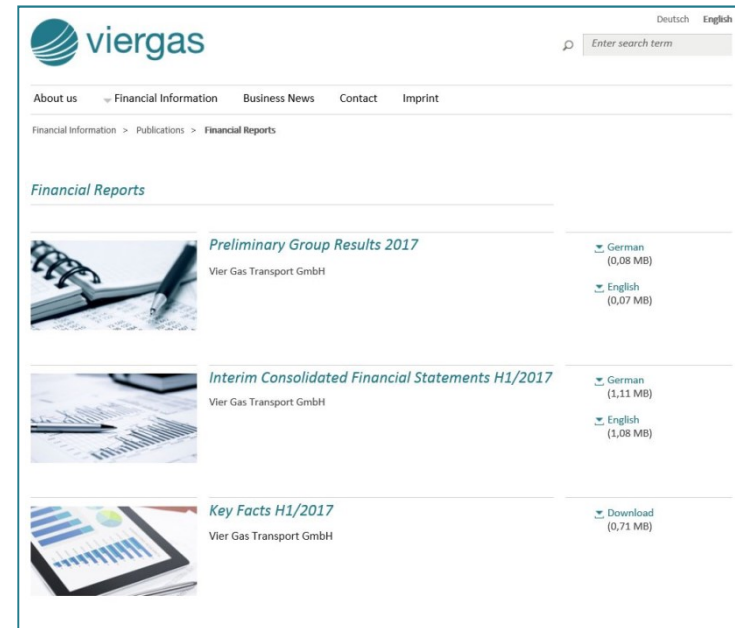
Financial Information > Publications > Rating

Rating

Rating agency	Rating type	Rating	Outlook
Standard & Poor's Ratings Services	Long-term	A-	negative
Standard & Poor's Ratings Services	Short-term	A2	

Standard&Poor's Research Update
27 Apr 2017 [Download \(0,29 MB\)](#)

Standard&Poor's Full Analysis
03 Jun 2016 [Download \(0,32 MB\)](#)



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Financial Reports

Preliminary Group Results 2017
Vier Gas Transport GmbH [German \(0,08 MB\)](#) [English \(0,07 MB\)](#)

Interim Consolidated Financial Statements H1/2017
Vier Gas Transport GmbH [German \(1,11 MB\)](#) [English \(1,08 MB\)](#)

Key Facts H1/2017
Vier Gas Transport GmbH [Download \(0,71 MB\)](#)

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Appendix:

Financial Statements 2017

VGT Group Income Statement 2017

IFRS Consolidated Vier Gas Transport financial statements

[€m]	2017	2016	Δ
Transport revenues	803	828	-25
Other revenues	120	120	-0
Total revenues	923	948	-25
Other income	52	52	-0
Cost of materials	-297	-286	-11
Personnel costs	-158	-151	-6
Other expenses	-82	-80	-2
Equity income	15	3	+13
EBITDA	454	485	-31
Depreciation	-155	-163	+8
EBIT	299	322	-23
Net financial result*	-70	-65	-5
Current taxes	-74	-91	+16
Deferred taxes	4	-1	+5
Net Income	159	165	-7

* Equity income included in EBITDA

Note: Aggregated figures may contain rounding differences

VGT Group Balance Sheet 2017

IFRS Consolidated Vier Gas Transport financial statements

[€m] Assets				Equity and Liabilities			
	2017	2016	Δ		2017	2016	Δ
Non-current assets				Equity			
Intangible assets	42	54	-13	Subscribed capital	0	0	+0
Goodwill	830	830	+0	Additional paid-in capital	926	926	+0
Property, plant and equipment	3.346	2.990	+356	Retained earnings	140	26	+114
Financial assets	154	169	-15	Other comprehensive income	-2	-2	+1
<i>at equity method</i>	121	127	-6	Total equity	1.064	949	+114
<i>other financial assets</i>	33	42	-10				
Deferred tax assets	27	24	+2	Non-current liabilities			
Non-current receivables	70	89	-19	Provisions for pensions	130	134	-4
Total non-current assets	4.469	4.157	+311	Other provisions	93	97	-4
				Financial liabilities	2.553	2.493	+60
Current assets				Other non-current liabilities	29	27	+2
Inventories	30	33	-2	Deferred tax liabilities	493	490	+3
Trade receivables	34	31	+3	Total non-current liabilities	3.298	3.242	+57
Income tax receivables	14	8	+6				
Other receivables	30	49	-19	Current liabilities			
Cash and cash equivalents	106	189	-83	Other provisions	34	41	-7
Total current assets	214	310	-96	Financial liabilities	108	77	+32
				Trade payables	82	55	+27
				Income tax liabilities	0	2	-2
				Other liabilities	96	101	-5
				Total current liabilities	321	276	+45
Total	4.682	4.467	+216	Total	4.682	4.467	+216

Note: Aggregated figures may contain rounding differences

VGT Group Cash Flow Statement 2017

IFRS Consolidated Vier Gas Transport financial statements

[€m]	2017	2016	Δ
Net Income/loss before P&L transfer	159	165	- 7
Depreciation and amortisation	165	163	+ 2
Changes in deferred taxes	-4	1	- 5
Other (incl. working capital)	68	131	- 63
Operating Cash Flow	388	461	- 72
Investing Cash Flow	-434	-347	- 87
Free Cash Flow	-45	114	- 159
Financing Cash Flow	-38	-74	+ 37
Total Cash Flow of the period	-83	40	- 123
Cash Position beginning of period (01.01.)	189	150	+ 40
Cash Position end of period (31.12.)	106	189	- 83

Note: Aggregated figures may contain rounding differences