

PRESS RELEASE

VNG mitigates residual risk associated with gas replacement costs and withdraws request for stabilisation measures

Leipzig, 02. December 2022. VNG AG has reached a settlement with the German federal government regarding compensation for financial losses related to replacement costs incurred under the contract with Gazprom Export LLC (GPE), eliminating the residual risk associated with gas replacement costs. As a result, VNG withdrew its request for stabilisation measures under Section 29 of the German Energy Security Act (EnSiG). The agreement does not give the federal government a stake in VNG.

“Over the last few weeks, we have worked with the government to identify some key measures which will go a long way towards offsetting the significant financial burden of the replacement costs. This represents a significant step forward in our efforts to stabilise the VNG Group. Any remaining financial burden will be shouldered by us and our shareholders. We expect that this will stabilise the financial position of VNG and allow us to look towards the future. We remain fully committed to our mandate of ensuring that Germany has a secure supply of energy,” explained Ulf Heitmüller, Chairman of the Board at VNG AG.

VNG submitted a request under Section 29 of the EnSiG to the Federal Ministry for Economic Affairs and Climate Action (BMWK) on September 9, 2022. This request was made because two upstream suppliers failed to provide the total amount of Russian gas that they were contractually obliged to supply. VNG was forced to purchase gas on the energy market at much higher prices to make up for the shortfall and keep itself in a position where it would be able to continue supplying its customers with gas at the much lower prices agreed in their contracts.

One of these suppliers was WIEH GmbH, a subsidiary of SEFE Securing Energy for Europe GmbH (previously GAZPROM Germania GmbH). They are contracted to supply 65 TWh of gas per year. As part of a settlement reached on October 10, 2022, WIEH agreed to be liable for the additional cost of the replacement purchases in the 2022 financial year. This supply agreement will come to an end on January 1, 2023.

The second agreement with GPE was for approx. 35 TWh of gas per year and will also be terminated on January 1, 2023. VNG has now reached an agreement with the federal government regarding compensation for the significant costs incurred by the company in connection with this second supply contract as a result of the shortfall and supply freeze implemented at the beginning of August. VNG will receive a figure in the mid three-digit million range to cover some of the expenses it incurred as part of its efforts to secure the country's energy supply. Any remaining losses will be born by VNG as a direct importer together with its shareholders. This agreement has fully mitigated the risks arising from the replacement purchases on the energy market related to both supply agreements for Russian gas.



The financial stability provided by the solution removes the need for state intervention under Section 29 of the EnSiG. As a result, the request has been withdrawn.

Now that VNG has effectively addressed the impact of the Russian supply freeze, it can return its full attention to diversifying its sources and suppliers of gas in the interest of its customers. VNG also remains firmly committed to playing an active role in shaping the energy transition and moving from natural gas to green gases as part of its VNG 2030+ strategy. VNG will continue to expand its biogas business and is working on ramping up a green hydrogen economy.

About VNG

VNG is a group of over 20 companies active in the European energy industry, employing more than 1,500 people. As the third largest gas importer and gas storage operator in Germany and operating, through subsidiary ONTRAS Gastransport GmbH, a pipeline network covering 7,700 km, the group, which is headquartered in Leipzig, is central to the secure supply of gas in Germany. VNG supplies gas to around 400 municipal utilities and industrial customers, meeting around 20 % of Germany's demand for gas. In addition, with the "VNG 2030+" strategy, VNG is pursuing an ambitious path for its commitment in the field of renewable and decarbonised gases. VNG is already one of the leading producers of biogas in Germany and is actively involved in many projects to establish a CO₂ free hydrogen economy. Building on its core expertise in gas and critical infrastructure, VNG is working along the entire gas value chain to ensure a sustainable, climate-neutral and secure energy supply for the future. More at: www.vng.de.