



FUNDING AND LIQUIDITY MANAGEMENT IN NON-STANDARD MARKET CONDITIONS

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AGENDA

- **Current environment on the European funding market**
 - European Banking Market
 - Ultra-low interest rates are to affect growth
 - Negative interest rates in the syndicated lending documentation

- **Effects on the funding situation of GPG Group**
 - Bonded Loan (Schuldschein Darlehen)
 - RCF

- **Ways to increase efficiency in management of liquid funds**
 - Cash-pooling System

A blue-tinted photograph of a winding road through a valley. A car is driving away on the road. The text is overlaid on the top left of the image.

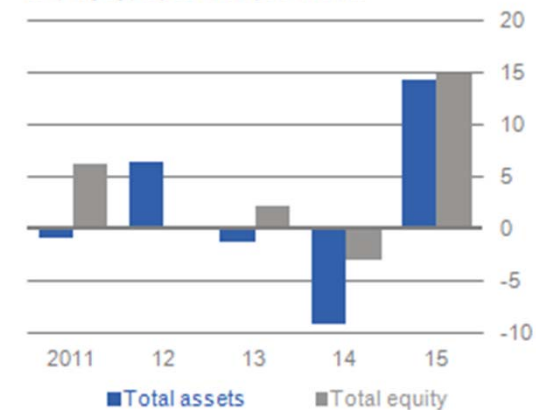
CURRENT ENVIRONMENT ON THE EUROPEAN FUNDING MARKET

EUROPEAN BANKING MARKET

- European banks had a successful start into 2015
- The ECB chose to experiment with negative rates: "Zero lower bound" has been breached
- Decrease in the euro exchange rate due to the ECB's new large-scale market interventions played a positive role for European banks
- Negative interest rates are supposed to stimulate banks to fund corporates, however it is almost not possible in the current situation on the market
- Banks are even less willing to lend
- Companies, particularly large ones, are now able to borrow at historically low interest rates. But saving yields very little
- Some banks have imposed negative interest rates on deposits

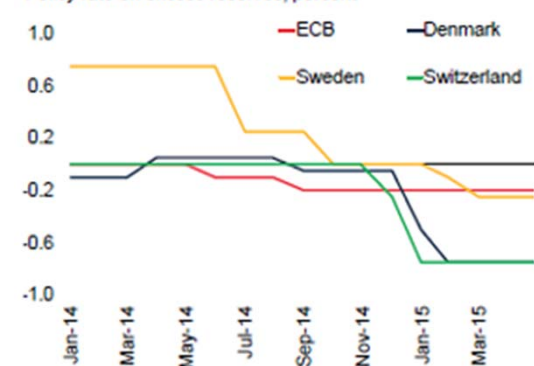
Balance sheet figures recently inflated by euro depreciation

Q1, % yoy, top 20 European banks



Sources: Company reports, Deutsche Bank Research

Policy rate on excess reserves, percent

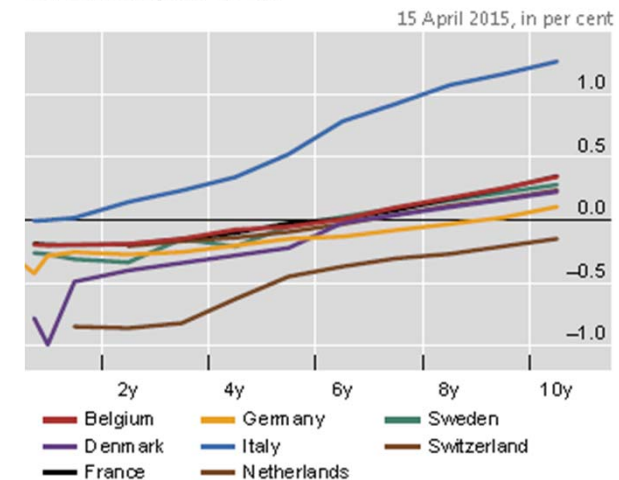


Source: Bloomberg, World Bank.

ULTRA-LOW INTEREST RATES ARE TO AFFECT GROWTH


- The Lending way
 - Negative nominal deposit rates are presented as a tax imposed by the central bank on commercial banks to encourage them to expand lending, and not as a tax on the savers
- The asset valuation way
 - Negative interest rates boost asset prices by reducing discount rate on cash-flow from assets
- Risk-taking way
 - Investors are more to shift out of government bonds and into riskier assets
- The reflation way
 - Attempts to lift inflation towards the central bank's target

Government yield curves



- Exchange rate way
 - Depreciation of the national currencies can boost exports which is followed by growth

NEGATIVE INTEREST RATES IN THE SYNDICATED LENDING DOCUMENTATION

- Negative interest rate will reduce the margin payable under a facility agreement unless “zero floor” is included (pls. see additional hand-out)
- In the absence of a “zero floor” clause in the contracts, banks may face the obligation to pay negative rates to borrowers
- Positive experience on the example of GAZPROM Germania GmbH existing credit facility
 - The interest charged under the facility agreement is an aggregated amount of 1,3% margin and 3M EURIBOR
 - Base rate was at the level of -0.034000%  interest payed about 1.266000%
- A negative interest rate will not in itself trigger the market disruption mechanic



EFFECTS ON
THE FUNDING SITUATION
OF GPG GROUP

BONDED LOAN (SCHULDSCHEINDARLEHEN)

- In order to refinance the part of the Shareholder Loan provided on parity by GPG and VNG Gasspeicher GmbH to the project company Ergasspeicher Peissen GmbH (UGS Katharina) an emission of bonded loan is foreseen
- Fixed interest rate of 4.05 % for the maturity of 20 years (longest term ever for GPG Group)
- No exposure to the banking market – investors are mainly Pension Funds and Insurance companies
- Investors are not able to bid up the price of the bonded loan after it was issued



Preserving a historically low rate for a very long term



UGS Katharina

- 0,6 bcm working gas volume
- 12 caverns
- Finalization in 2025
- Ca. EUR 350m total investment

RECENT GPG GROUP RCF'S – AN EXPERIENCE

- GPG Group is facing a very challenging environment over the past and upcoming Capital Market transactions
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- In July 2014 GPG initiated the launch of the EUR 500m WINGAS Integration Facility
 - Margin 90bp, Maturity 18M, 8 Banks
 - Signed on Sep. 19th
- GPG daughter company – GM&T started to initiate the refinancing of the USD 500m RCF already in March
 - Shall be signed on 24th July 2015
- GPG's main refinancing source EUR 500m RCF ("Club Deal") matures in March 2016
 - What challenge will we face then?



It is getting harder to tap the market for GPG Group





WAYS TO INCREASE
EFFICIENCY IN
MANAGEMENT OF
LIQUID FUNDS

CASH-POOLING SYSTEM

- The main target of cash pooling is the optimization and use of surplus funds of all companies in GPG Group in order to reduce external debt and increase the available liquid funds which especially makes sense under the current market conditions
- For each member of the cash pool, including the CPL, arm's length interest rates are to be determined – but as of today the economical effect is rather low
- BUT! In severe markets there is a higher need to rely on an optimization of existing funds vs. variety of external financing



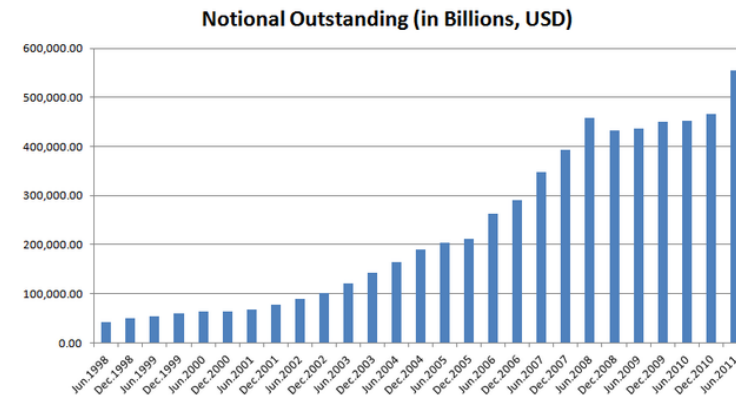
Securing liquidity over additional earnings!

WAYS TO INCREASE EFFICIENCY IN MANAGEMENT OF LIQUID FUNDS

- Avoid holding cash surplus on bank deposits
- Interest rate swaps : take an advantage of the current low interest rates by paying fixed
- Investment in assets paying fixed – as infrastructure
- Cash pool as an instrument of optimizing group liquidity



Invest more – pay less!
... or maybe not?



EURO SWAP ANNUAL FIXED VS FLOATING SEMI-ANNUAL											
Tenor	Bid	Ask	Mid	Change	#SD	?/day	Low	High	Avg	+/-BPS	#SD
1 YR	0,066	0,074	0,07	-0,001	-0,1	0,061	0,104	0,078	-0,4	-0,5	
18 MO	0,072	0,108	0,09	-0,002	-0,1	0,015	0,144	0,096	1,2	0,6	
2 YR	0,119	0,123	0,121	-0,001	0	0,062	0,174	0,114	0,9	0,3	
3 YR	0,207	0,228	0,217	-0,001	0	0,09	0,276	0,179	4,9	0,9	
4 YR	0,35	0,362	0,356	0,005	0,1	0,136	0,418	0,276	8,6	0,9	
5 YR	0,51	0,52	0,515	0,006	0	0,185	0,61	0,4	12,1	0,9	
6 YR	0,674	0,686	0,68	0,009	0,1	0,239	0,753	0,505	18,2	1,1	
7 YR	0,836	0,846	0,841	0,021	0,1	0,303	0,915	0,62	22,6	1,1	
8 YR	0,984	0,994	0,989	0,015	0,1	0,359	1,058	0,723	27,1	1,2	
9 YR	1,116	1,128	1,122	0,022	0,1	0,408	1,184	0,814	31,3	1,2	
10 YR	1,232	1,242	1,237	0,037	0,1	0,452	1,291	0,893	34,9	1,3	

— GAZPROM GERMANIA GMBH

THANK YOU FOR YOUR
ATTENTION.

