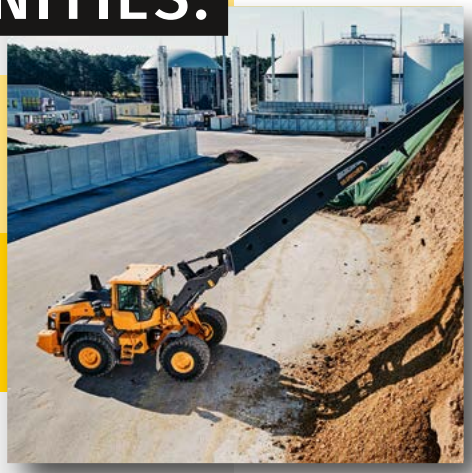
VNG

LEVERAGING VERSATILITY.
SEIZING OPPORTUNITIES.



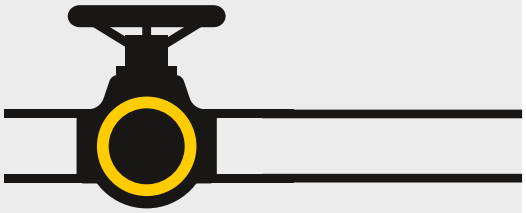
KEY FIGURES*

€ 10.5 billion
Billed revenue (under IFRS)

€ 133 million
Adj. EBIT (under IFRS)

€ 117 million
Net income (under IFRS)

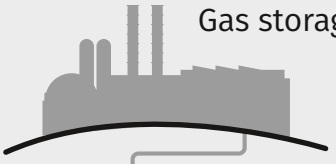
516 billion kWh
Gas sales



7,500 km
High-pressure pipeline

27**
Biogas plants

2.2 billion m³
Gas storage capacity



1,155 Employees (total for all fully consolidated companies)

4
Underground storage facilities

* For the 2019 financial year
** As at 30 June, 2020

VNG

LEVERAGING VERSATILITY. SEIZING OPPORTUNITIES.

Perfectly compatible, seamless solutions are needed in order to create the carbon-neutral, secure energy supply system of the future. Gases that can be used in a flexible manner and the associated infrastructure are perfect to go hand-in-hand with energy from the wind and sun. By means of a company-wide transformation and future-oriented investments in line with the "Green. Digital. With Gas." vision set out in the "VNG 2030+" strategy, VNG is systematically committed to exploiting the opportunities offered by an environment shaped by decarbonisation.

In 2019, the company created the conditions necessary to replace natural gas with carbon-neutral gases such as biogas and hydrogen over the medium and long term and to further digitise its business. In addition, VNG worked with policymakers, industrial companies and the scientific community to set the energy policy agenda for a successful energy revolution.

MGMTree GEOMAGIC ENERGIEUNION HANDEN infracon BALANCE

GDMcom MoviaTec goldgas goldgas SPI GAS VNG Energie Czech GEN

VNG Austria VNG Gasspeicher VNG Italia VNG Handel & Vertrieb VNG Innovation ontras

VNG AT A **GLANCE**

VNG, headquartered in Leipzig, Germany, is a corporate group comprising more than 20 companies that offers a broad range of gas and infrastructure services and has more than 60 years of experience in the energy market. The group has established its gas expertise with German and European companies and holdings along nearly the entire value chain. With around 1,200 employees, VNG is also one of the region's major employers.

VNG organises its business activities in four business areas: Trading & Sales, Transport, Storage and Biogas. On the basis of these core competencies, VNG is increasingly focusing on new fields of business such as "green gases", digital infrastructures and neighbourhood solutions in line with the "VNG 2030+" strategy and "Green. Digital. With Gas." vision.

TRADING & SALES BUSINESS AREA

Trading natural gas is one of the company's core activities. In addition, VNG offers a wide range of services related to the product natural gas, from full supply to individual and highly flexible supply concepts. Through the highly regional operations of VNG Handel & Vertrieb GmbH and its trading companies and holdings, VNG reliably supplies natural gas to regional utilities, industrial companies and commercial and household customers in Germany and abroad.

TRANSPORT BUSINESS AREA

Through the distribution of gas and the provision of pipeline-related services, the Transport business area guarantees supply security in Germany. As an independent transmission system operator, ONTRAS Gastransport GmbH guarantees non-discriminatory access to the network and, together with its subsidiaries, contributes to a functioning European gas market. ONTRAS is also leading the push for the use of green energy in the German gas network. In this context, one focus is on developing future options for the sustainable use of gas infrastructure in the new world of energy.

OUR **LOCATIONS**

BALANCE ERNEUERBARE ENERGIEN GMBH
GDMCOM GMBH
GEOMAGIC GMBH
INFRACON INFRASTRUKTUR SERVICE GMBH & CO. KG
MGMTREE GMBH
MOVIATEC GMBH
ONTRAS GASTRANSPORT GMBH
VNG AG
VNG GASSPEICHER GMBH
VNG HANDEL & VERTRIEB GMBH
VNG INNOVATION GMBH

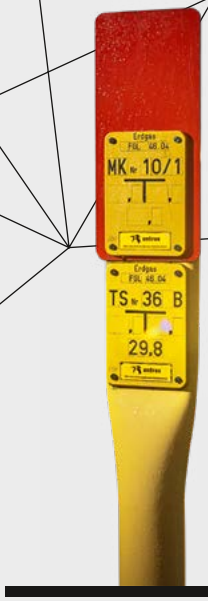
STORAGE BUSINESS AREA

Underground gas storage facilities represent a central component of the gas infrastructure and play an essential role in shaping the energy system of tomorrow. As the third-largest gas storage operator in Germany, VNG provides reliable, safe and efficient gas storage through VNG Gasspeicher GmbH and has extensive expertise in the operation, maintenance and commercialisation of storage capacities. The company's range of services also includes intelligent and flexible storage products and special engineering services.

BIOGAS BUSINESS AREA

VNG has concentrated its activities related to biogas and biomethane in the Biogas business area since 2020. In this context, biogas is one of the most important growth segments. BALANCE Erneuerbare Energien GmbH currently operates 27 biogas plants in eastern and northern Germany. The focus of its activities is on plant optimisation and successively expanding its level of vertical integration as a plant operator. In future, VNG will thus have additional opportunities to increase the share of renewable energy sources in the gas network.

2030 NATURAL GAS DIALOGUE PROCESS

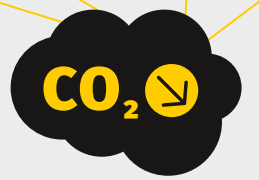


“GREEN. DIGITAL. WITH GAS.”: VNG’s strategy at a glance

PAGES 10–11

“NATURAL GAS IS AN ENERGY SOURCE THAT IS ESSENTIAL TODAY AND WILL REMAIN SO IN THE FUTURE – WE FULLY STAND BEHIND THIS CONVICTION.”

Ulf Heitmüller,
Chief Executive Officer



The decarbonisation potential of the molecules

PAGES 6–7

EXCELLENT PROSPECTS FOR NATURAL GAS

No matter where you looked in recent months, the will to set the course for a carbon-neutral future in energy and climate policy was evident at both the national and European level. Many of the decisions made and announced underline the importance of natural gas solutions in a "two-energy world", consisting of power and natural gas, and therefore affect VNG's activities. This section provides an overview of the dialogue formats that the company has primarily been involved in and what the initial results mean for VNG's activities.

Industry dialogue on the future of the energy system

The close and continuous dialogue with stakeholders from the worlds of politics, business, academia and civil society is part of VNG's daily routine as a group of companies that covers a large part of the natural gas industry's value chain. But the past year was particularly eventful in this respect. One important driver was the "2030 Natural Gas Dialogue Process" initiated by the Federal Ministry for Economic Affairs and Energy (BMWi) in 2018 and intensified in 2019. A key finding from the process in which VNG was involved is that natural gas is a central pillar of the energy system today and will remain so over the medium term. In addition, over the long term, the diversity of gaseous energy sources should be an essential part of a renewable and carbon-free energy supply.

In line with the findings of the dialogue process, VNG is convinced that gas can be green. This is because it is indispensable both as a bridge technology that reduces CO_2 emissions as well as in renewable and decarbonised form for a rapid, cost-efficient and secure energy revolution.

The climate movement continues to grow

Against this background, VNG also participated in the negotiations on the German government's Climate protection programme 2030. In the German government's view, natural gas technologies – especially in combination with renewable energy – play an important role in meeting the CO_2 reduction targets quickly and cost-effectively. Developments at the European level were also highly relevant to VNG – the EU hopes to set a new course in its energy policy with its "Green Deal". The package of measures presented at the end of 2019 underscores the EU's climate policy ambitions with the goal of achieving a carbon-neutral European Union by 2050. Renewable and decarbonised gases are also slated to play an important role in this ambitious project.

Political decisions that shape the future are of the utmost importance. In future, VNG will continue to be involved at all levels – as a dialogue partner, thought leader and specialist for the wide variety of gaseous energy sources.

Another gaseous energy source is currently in the ascendant, with the German cabinet recently adopting a "national hydrogen strategy". The German government's commitment to this energy source of the future is of paramount importance to the energy revolution in Germany as an industrial location and with respect to its innovative capacity. This is because the strategy defines for the first time how the country will establish renewable and decarbonised hydrogen within the energy system over the long term. VNG thus views this as further confirmation that it is on the right track and will be able to advance its own hydrogen projects with a focus on eastern Germany as planned. For example, the implementation of the national hydrogen strategy will give the company's activities in this area, as laid down in the group's "VNG 2030+" strategy, a further boost, even though not all of the technologies available to produce decarbonised hydrogen – VNG includes not only green, but also blue and turquoise hydrogen in this group – have yet been sufficiently considered.

Setting the course for a world of molecules

Despite the positive developments in 2019 and in the first half of 2020, VNG sees a need for further energy policy action to bring the world of molecules, i.e. gases and synthetic fuels, into focus alongside the world of electrons. In addition to many sector-specific issues related to power generation, transport and the building sector, the main task is to adapt the overarching regulatory framework to the new requirements. In this context, VNG has made it its mission to highlight how the benefits of natural gas and the gas infrastructure can be best exploited to mitigate climate change. In this spirit, VNG will remain an important voice and dialogue partner for natural gas in the future.

THE OBJECTIVES OF THE NATIONAL H_2 STRATEGY

Germany's national hydrogen strategy serves as an action plan for the German hydrogen value chains to become competitive in the coming years.

- Over 5 GW of electrolysis capacity shall be installed by 2030
- More than 10 GW should be available by 2035 or 2040 at the latest
- A total of 9 billion euros in funding is available to achieve these objectives

THE HYDROGEN COLOUR SYSTEM

H_2

Various processes can be used to produce hydrogen. Depending on the method of generation and production-related CO_2 emissions, a distinction is made between green, blue, turquoise and grey hydrogen.

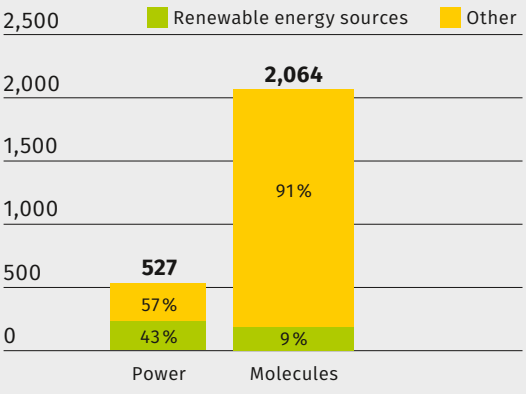
- **Green:** Hydrogen produced in a carbon-neutral process via electrolysis using renewable electricity. Alternatively, green hydrogen can also be produced from climate-friendly biogas or biomethane, for example via steam reforming (see glossary).
- **Blue:** Hydrogen produced from natural gas via steam reforming. The resulting CO_2 is stored in suitable geological structures via the carbon capture and storage process (CCS, see glossary).
- **Turquoise:** Hydrogen obtained via methane cracking (i.e. pyrolysis, see glossary) Instead of CO_2, the production process generates solid carbon, which can be stored and used in various industries.
- **Grey:** Hydrogen obtained from fossil energy sources, whereby CO_2 is emitted during the production process. A common method is steam reforming from natural gas.

The national hydrogen strategy represents a unique opportunity for the next stage of the energy revolution. The task is now to readjust the framework conditions and create the technical requirements necessary for decarbonisation using hydrogen.

THE IMPORTANCE OF MOLECULES

Molecules will play an important role in the required reduction in CO_2 emissions in the future. This is evident when looking at final energy consumption in Germany, where molecules account for around 2,000 TWh, just under 200 TWh of which are renewable – meaning that, in view of the remaining 1,800 TWh, there is considerable potential for decarbonisation as a result of transitioning from fossil natural gas to "green gases".

Energy supply of final energy consumption in TWh*



*Source: German Federal Environmental Agency based on AG

INTERVIEW WITH ULF HEITMÜLLER

The energy system is changing. In this interview, VNG CEO Ulf Heitmüller talks about how the business environment changed in 2019 and about what remains to be done to ensure that gaseous energy sources can do their part to help the energy revolution succeed.

Mr. Heitmüller, the business environment in which VNG operates has changed for the better over the past year. What is your verdict?

Ulf Heitmüller: My impression is that thanks to the ongoing commitment of political, economic and civil society stakeholders, the general public has now become firmly convinced of the importance of natural gas as the energy source of the future. However, it should be noted that many of the papers published in 2019 initially only offer recommendations on how to proceed. The task now is to develop a clear roadmap that creates more incentives and reduces investment risk.

In a similar interview one year ago, we discussed the "2030 Natural Gas Dialogue Process" initiated by Germany's Federal Ministry for Economic Affairs. How has it progressed?

Mr. Heitmüller: We are very pleased with the outcome of the 2030 natural gas dialogue process initiated by the BMWi. In contrast to its position in 2010, the German government now states that natural gas can play a significant role in the decarbonisation of the energy system and thus in mitigating the effects of climate change. Overall, we have succeeded in firmly establishing natural gas and the associated infrastructure as essential components of a future-proof energy supply. If the regulatory framework, especially for renewable gases, becomes more transparent now, companies in the sector will also be able to invest extensively in corresponding business models for renewable gases.

Why is natural gas so crucial for meeting climate targets and for the course of the energy revolution?

Mr. Heitmüller: We must not forget that all of the debates are ultimately about reconciling supply security, the competitiveness of Germany as an industrial location and mitigating the effects of climate change. One insight from the first stage of the energy revolution, however, is that widespread electrification is not the answer to all the challenges. But it is definitely not about playing renewable and conventional forms of energy off against each other. In fact, just the opposite is true – each energy source should make its contribution in the energy mix exactly where it is needed in the future. Within the framework of integrated energy, we therefore view natural gas and renewable energy as partners.

Here and there you still hear that natural gas – as a fossil fuel – is part of the problem.

Mr. Heitmüller: This understanding falls short in several respects. First of all, natural gas, as a comparatively climate-friendly substitute for carbon-intensive energy sources, is necessary in order to meet climate targets in the short term. Secondly, we have been exploring the many ways to make natural gas more green for some time now. In fact, biogas and certain forms of hydrogen are already carbon-neutral today. The wide variety of "green gases" can play a key role in decarbonisation – provided that politicians initiate this change together with the gas sector and other partners from industry, the building sector and the automotive sector. Another good argument is that we natural gas suppliers, with our pipelines and storage facilities, possess an infrastructure that is ideally suited to collaborative energy system planning. Driven by this conviction, we will continue to advocate as "a voice for natural gas" within the scope of different initiatives and bodies in Brussels and Berlin.

"NATURAL GAS PLAYS A SIGNIFICANT ROLE IN THE DECARBONISATION OF THE ENERGY SYSTEM AND THUS IN MITIGATING THE EFFECTS OF CLIMATE CHANGE."

Has the climate movement increased the public's expectations of policymakers and businesses?

Mr. Heitmüller: Yes, and Germany must now do quite a bit if it still wants to meet its climate targets for 2030. Another lesson we learned in 2019 is that credibility is playing an increasingly important role. This means, for example, that here at VNG we are not only helping decarbonise the energy system with our product, but that we also operate sustainably within the company. We are intensifying our efforts in this area. The courage to be judged on the basis of your goals must be coupled with a healthy dose of reality in both cases. This means it's important to take both the long-term and short-term aspects into account. By this, I mean that a carbon-free world is a goal that can only be achieved with determined but well-conceived steps taken in the here and now and in close collaboration with all those involved.

In a dialogue with stakeholders from the worlds of politics, business and academia, VNG is committed to integrating the wide variety of gases into the process of shaping the energy future.

“VNG 2030+” A STRATEGY FOR THE FUTURE

It is no longer enough to look ten years into the future to understand and help shape the fundamental change that is currently looming in the energy sector. Consequently, VNG is also focusing on the world of natural gas in the future: For example, whilst what are known as “green gases” currently account for less than one percent of total natural gas consumption today, this ratio will be reversed within a few decades – with considerable effects on our business and the entire energy sector.

On the other hand, natural gas will continue to play a crucial role in reducing CO_2 emissions in all areas of society and achieving European climate change objectives. At the same time, an interconnected mindset and method of operating will become a key competence across all areas and sectors. Our proactive approach to these and other megatrends is reflected in our “VNG 2030+” strategy. This is the key to the company’s future growth – and to a functioning energy system in the future.

The goal in sight

To VNG, one thing is clear – even in an increasingly complex energy market, the company wants to offer the right natural gas and energy-related services and products together with its partners and customers. This is why we initiated a group-wide strategy process in 2017 entitled “VNG 2030+”. VNG thus has a strategic outlook that is geared not only to business requirements, but also to the challenging demands of energy policy and society. This is how the company intends to hold its own in the face of intense competition and evolving challenges and fully exploit its earnings potential.

As part of the VNG 2030+ strategy, the company is investing in both the Transport and Storage business areas to strengthen its assets – especially in the hydrogen readiness of its technical facilities. In the Trading & Sales business area, VNG will continue to develop midstream excellence and further intensify customer relationships. VNG intends to play a leading role in the procurement and marketing of “green gases” in this area, too. In the biogas sector, VNG has grown to become one of the largest plant operators in Germany in recent years.

The company is systematically diversifying its activities by developing adjacent and new business areas. In this process, it is focusing on issues that also have a significant impact on the energy policy environment and are important keys to mitigating climate change, enhancing supply security and making headway in the field of integrated energy.

VNG 2030+

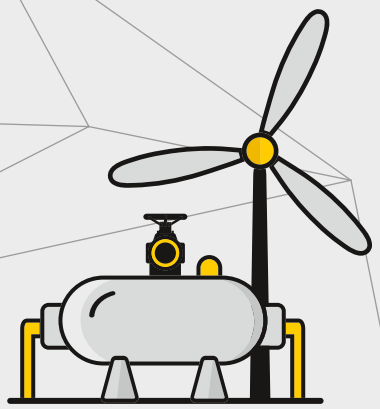
New prospects for VNG

As a competence-based field of growth, “green gases” are particularly important to us – they can be used and stored flexibly and can make a major contribution to reducing CO_2 emissions in the heating market, in the transport sector and in industrial manufacturing.

Digitisation is another growth area when it comes to the expansion of the company’s decarbonised business.

In future, VNG will invest in digital infrastructure more heavily than before. Planning, constructing and operating critical infrastructure are among VNG’s core competencies and have always been part of the company’s DNA.

VNG'S "GREEN GASES" ROADMAP



Future workshop for integrated energy

PAGE 15

VNG's green gas strategy in detail

PAGE 13

"HERE AT VNG, WE ARE DOING EVERYTHING IN OUR POWER TO DEVELOP NATURAL GAS SOLUTIONS FOR A CARBON-NEUTRAL FUTURE."

Hans-Joachim Polk,
Board Member, Chief Infrastructure & Technology Officer

PAVING THE WAY FOR “GREEN GASES”

Gaseous energy sources are a vital part of a modern energy landscape and have many different features. In the wake of the progressive phase-out of nuclear power and coal, they not only increase supply security but also offer significant climate change mitigation potential. In future, renewable gases will be able to provide the same performance where natural gas currently flows today – a key requirement for meeting our medium-term and long-term climate targets. VNG is preparing for this future with a roadmap that aims to systematically leverage the decarbonisation and value creation potential of biogas, biomethane and hydrogen.

The green gas strategy is taking shape

Energy policy efforts in Germany and Europe are predicated on an increased demand for natural gas in the coming years and decades – and on a growing share of climate-friendly gases. There are good reasons for this – green gas can be used in all consumption sectors and can often only be replaced by power at great expense or not at all. Based on these findings, VNG has developed a roadmap for renewable and decarbonised gases.

The company’s extensive investments in an energy source that is already green today – biogas – were both an important step on the way to realising this strategy and a growth driver in 2019. It offers numerous benefits in one – like all “green gases”, it is carbon-neutral, versatile, storable and capable of being used for the base load. The successful integration of the new biogas plants into the network often also has a social component – the biogas plants operated by BALANCE are primarily located in rural areas. In these mostly economically underdeveloped regions, biogas plants represent an important value-creating factor for local farmers and service providers. BALANCE optimizes the plants it acquires and thus ensures that they can continue to be operated over the long term.

In June 2020, BALANCE had about

104 MW

of thermal firing capacity.

Biogas and biomethane are important components of the group’s own “2025 green gases” roadmap.

BALANCE TRIPLES OUTPUT IN THE BIOGAS SECTOR

Biogas and biomethane are an important growth area for VNG as part of the "VNG 2030+" strategy. They are not only a key part of our commitment to renewable gases, but also offer numerous opportunities for expanding our own value chain in the future.

BALANCE Erneuerbare Energien GmbH has been developing a versatile portfolio for the production of biogas, biomethane, renewable heat and renewable power since 2006 and contributed significantly to VNG's growth in this business area in 2019. Tthanks to forward-looking acquisitions, BALANCE held a portfolio of 27 plants in the middle of 2020. This more than tripled plant output compared to the previous year. In this way, BALANCE is also playing an important role in the heating revolution and the production of green power.

In addition to acquisition and integration, BALANCE is also committed to modernising and optimising its portfolio by investing in state-of-the-art technology, improving processes and making power generation more flexible. In addition, the company is taking advantage of new opportunities arising from the integration of photovoltaics. In this context, the further development of the plants is always carried out in accordance with regional conditions. Further future prospects in the biogas sector particularly include research into the improved use of fermentation residues in the agricultural sector, the increased use of agricultural waste or energy crops such as *S. perfoliatum* and the expanded use of green heat for adjacent commercial operations or residential buildings.

Ideas for a hydrogen economy

Hydrogen will play an important role in the forthcoming decisions on energy policy for the energy revolution. Using it as a building block of a sustainable energy supply has many advantages – in combination with power-to-gas technologies, it can be used to significantly reduce CO_2 emissions across all sectors, for example. Hydrogen is thus ideally suited to compensate for the seasonal fluctuations in renewable energy fed into the grid and to integrate the power sector with other energy- and resource-intensive sectors. Moreover, it can be mixed with natural gas, which can reduce CO_2 emissions, for example in the heating sector. It is also a key

Up to 50 mil

Production, transport and storage of green hydrogen: the power-to-gas concept could be tested on an industrial scale at the Bad Lauchstädt energy park beginning in 2020.

raw material for many industries and can be used as a climate-friendly fuel throughout the entire transport sector, including aviation and shipping.

Under the right conditions, hydrogen is a key to the success of the energy revolution – and it is already an important part of VNG's future strategy, which envisages, among other things, being able to produce, transport, store and sell carbon-neutral hydrogen in the future. Against this background, VNG is systematically analysing promising new technologies related to the fuel in order to develop attractive business models in the hydrogen economy at an early stage.

In a world that is increasingly relying on renewable energy, a well-developed gas infrastructure is essential.

lion m^3 of green hydrogen

can be stored in the salt cavern in Bad Lauchstädt. It would be the first of its kind in continental Europe.

A future workshop for integrated energy

In future, VNG intends to carry out pioneering work with the Bad Lauchstädt Energy Park as part of the "real-world energy revolution laboratories" programme led by the BMWi. Together with the partners involved, the intention is to gradually test the market ramp-up of green power-to-gas technology in the H2 model region of the central German chemical triangle under real-world conditions and on an industrial scale, using the existing infrastructure.

Within the scope of this major project, renewable electricity from a nearby wind farm will be converted into green hydrogen using a large electrolysis plant. Under the right conditions, this could be temporarily stored in a converted underground storage facility operated by VNG subsidiary VNG Gasspeicher and transported to users via a converted pipeline operated by the independent VNG subsidiary ONTRAS. There, the carbon-neutral hydrogen can finally be used for industrial, mobility and urban energy solutions. In this way, VNG and the project participants hope to demonstrate over the long term that linking renewable energy and green gases is a viable model for the future. In order to make this innovative real-world laboratory a reality, the company continues to discuss how to create the corresponding political framework – and thus the basis for an investment decision.

Infrastructure for the energy world of tomorrow

Trendsetting green gas projects such as the major project in Bad Lauchstädt have two things in common: on the one hand, they enable integrated energy and thus contribute to the efficient exploitation of renewable energy's potential. On the other hand, they are built on the existing gas infrastructure. Upgrading the existing natural gas pipelines to hydrogen can cut the cost of transporting hydrogen considerably compared with the cost of building an entirely new distribution infrastructure. With the high-pressure pipeline system of its independent subsidiary ONTRAS and the natural gas storage facilities of VNG Gasspeicher, VNG is perfectly positioned to convert existing pipelines and build hydrogen clusters. In addition, this expertise has grown out of VNG's history – the "city gas" used during the GDR era contained up to 50 percent hydrogen and was transported via pipelines that are, in many cases, still intact today.

With a technology-agnostic approach and a natural gas infrastructure that integrates the sectors ever more efficiently, VNG wants to help shape the path to a decarbonised energy system of the future.

As an independent transmission system operator, ONTRAS Gastransport GmbH is responsible for the second largest high-pressure pipeline network in Germany.

~7,500 km

the length of the ONTRAS pipeline network

3 QUESTIONS FOR HANS-JOACHIM POLK

Mr. Polk, how satisfied are you with VNG's performance in the Biogas business area?

Hans-Joachim Polk: We have achieved our strategic target for 2019 in the Biogas business area and were able to successfully continue this course in 2020. In addition, we remain committed to ensuring that biomethane remains part of the renewable energy mix over the long term. An ever increasing number of stakeholders share our belief that biomethane must also be part of the solution, especially in the heating market.

What other progress has VNG made with respect to "green gases"?

Mr. Polk: We are convinced that the path we have chosen is the right one. In order to plan and implement our green gas strategy, we have assembled a young, dedicated team that has managed to bring structure to this complex subject in a short period of time. Based on the initial findings, we will make further decisions during the current year and flesh out the next steps in our transformation. In this context, a major focus is on the future of hydrogen.

Will gas networks and gas storage facilities perform a similar function in a decarbonised world as they do today?

Mr. Polk: Yes, we are confident that they will – despite still having a long way to go, it is worth thinking ahead. After all, it's also a matter of achieving a breakthrough in the important question of how to store large quantities of renewable energy. Our storage facilities can play an important role in this. Gas networks will also be able to play an essential role in the transport of hydrogen in an energy system that has recognised the advantages of hydrogen. That is why we are already developing suitable concepts and scenarios today. However, we will still have to continue our advocacy work in order to create a better overall environment, as we currently plan to do, for example, by converting one of our caverns into a green hydrogen storage facility. In this context, the national hydrogen strategy presented by the German government in June naturally encourages us to systematically continue along the path we have taken.

DRIVING INNOVATION

VNG's business thrives on visionary ideas and innovative spirit – principles that form an integral part of the "VNG 2030+" strategy. The company fosters a climate in which its employees live and breathe personal initiative and responsibility and exploit the advantages of digital transformation and agile collaboration. VNG not only draws on its own expertise, however, but is also a strategic partner to young, innovative companies. After all, sharing knowledge results in major opportunities for the company's operations, especially with regard to the development of new business areas.

In the field of innovation management, VNG focuses on the interaction between different areas. In this context, VNG Innovation GmbH has played a key role since 2015. As a strategic investor, this VNG subsidiary initiates partnerships with start-ups and oversees the collaboration through to operational implementation. In doing so, it focuses on the strategic areas of development within the group and supports the respective departments.

In this way, VNG maintains a close dialogue with young thought leaders in the industry and is able to identify relevant trends early on.

VNG Innovation

5 investments

in energy industry start-ups via VNG Innovation

- akvola Technologies GmbH
- Cloud&Heat Technologies GmbH
- Eigenheim Manager GmbH
- Infrasolid GmbH
- Rhebo GmbH

SPINLAB — SUCCESS RIGHT FROM THE START

The Leipzig-based company is one of Europe's leading start-up accelerators. It is committed to helping newly founded companies achieve success right from the start with the right resources. Through SpinLab, founders receive valuable assistance from a network of established companies, institutes and experts.

SpinLab has already successfully launched and supported more than 50 start-ups in the past few years.

SPINLAB THE HHL ACCELERATOR

Strong partnerships for innovation

VNG is also an anchor investor in eastern Germany's first private venture capital fund, "Smart Infrastructure Ventures". This fund was launched in 2019 and focuses on the fast-growing field of "smart infrastructure". The fund invests in companies throughout Germany, particularly in founding teams with scalable business models from the smart city, energy and e-health sectors – meaning that "Smart Infrastructure Ventures" is also an important element of VNG's innovation strategy.

The fund's strong partners include SpinLab and the HHL Leipzig Graduate School of Management.

The company's strategic partnership with SpinLab – The HHL Accelerator has also played a major role in innovation management since 2017. The team from Leipzig finds and develops start-up projects on the basis of predefined search criteria and connects companies, investors and start-ups with each other. Within the framework of VNG innovation management, SpinLab acts as an accelerator and facilitator.

COMMITTED TO THE REGION

VNG helps –
The “RE-START” initiative

▷ PAGE 22

“AS A COMPANY WITH STRONG REGIONAL ROOTS, WE WANT TOOPERATE RESPONSIBLY AND GIVE SOMETHING BACK TO SOCIETY.”

Bodo Rodestock,
Chief Financial, HR and IT Officer

AN ADVOCATE FOR THE REGION

As a company based in Leipzig, VNG has strong ties with central and eastern Germany. These deep roots encompass many facets – for the company, being a member of society means not only being committed to the future of the energy system and the creation of secure jobs, but also actively working together with committed citizens for the common good.

Commitment and support

The VNG Foundation demonstrates the social dimension of the company in a unique way, carrying out activities that benefit the worlds of science, education, art, culture, sport, and social projects since 2009.

For instance, the VNG Foundation is the sponsor of the "Verbundnetz der Wärme" (integrated network of warmth). Its more than 200 members are committed to promoting volunteer work in Germany and increasing its visibility and importance in society and politics – because charitable work plays an indispensable role in our society. The "Verbundnetz der Wärme" views itself as a spokesperson, network and platform where members have the opportunity to support and exchange ideas. In addition to various activities during the year, the network chooses six "Ambassadors of Warmth" each year who receive financial support and assistance with their public relations work and project implementation.

Another focus of the foundation's activities is the promotion of scholarly exchange in the fields of energy, environmental protection and social issues. To this end, the foundation has partnerships with various universities and research institutions such as the University of Leipzig, the HHL Graduate School, the Leipzig University of Applied Sciences (HTWK) and the Freiberg University of Mining and Technology. Within this framework, the foundation awards, for example, two German scholarships a year for young university students, promotes courses of study, and participates in a variety of formats for the purpose of sharing knowledge, such as feasibility studies or internship projects.

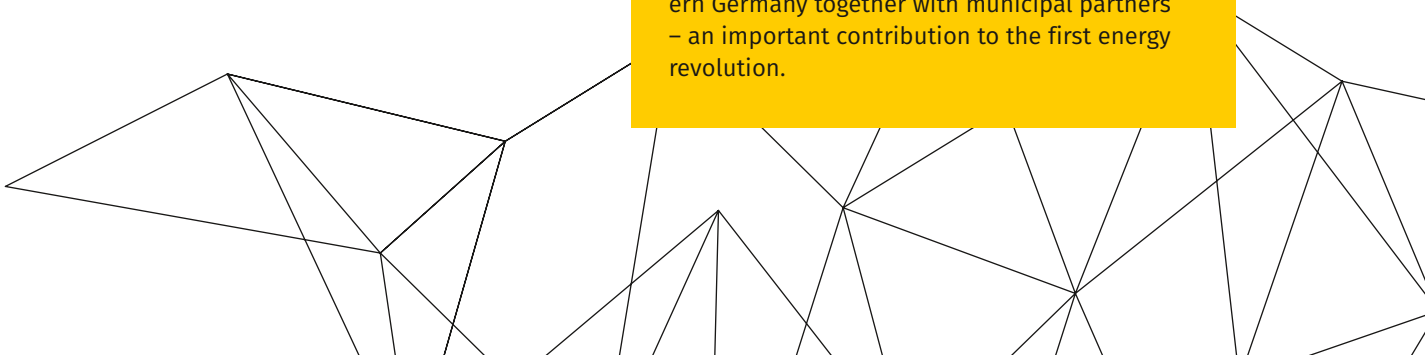
VNGart – sign of the times

The promotion of East German art has played an important role at VNG since the 1990s. The company regularly creates a forum for regional artists to exchange ideas and present their work to the public through collections of young East German visual art and photography, calendars, exhibitions and books. Through these activities, VNG aims to promote the development of creative industries in eastern Germany and make a lasting contribution to the documentation of the transformation process after German reunification. The works are also integrated into the architecture and furnishings at the company's headquarters, creating a prestigious backdrop and a unique working atmosphere. Today, the VNGart art collection comprises over 1,100 works of art, including 220 paintings and drawings and more than 890 photographs.

30 YEARS OF TRANSFORMATION

The 60th anniversary celebrations weren't all that long ago, but in mid-2020 the company had another reason to celebrate: its 30th anniversary as a public company. Like its 60th anniversary, this figure is also of particular importance to the company. This is because in 1990, two days before the economic and monetary union between East and West Germany came into force, VEB Verbundnetz Gas was transformed into Verbundnetz Gas AG. It was the first privatisation of a GDR company by the "Treuhand" (an agency established by the government of the GDR to reprivatise / privatise East German enterprises).

In the following period of social and economic upheaval, the company succeeded in initiating a historic transformation process, thus setting the course for the company's future success. One of these achievements was the establishment of a modern natural gas supply infrastructure in eastern Germany together with municipal partners – an important contribution to the first energy revolution.



RE-START – TAKING THE INITIATIVE

The coronavirus pandemic poses a new challenge of unprecedented proportions. Against this background, VNG and the Smart Infrastructure Hub have jointly launched the RE-START aid initiative. Through this initiative, small businesses, self-employed individuals and start-ups from central Germany were eligible to apply for emergency financial aid until 30 June 2020. The aim was to preserve the region's economic diversity.

The emergency funding was intended for people working in the media, education, retail, hospitality, event, leisure, mobility or health sectors who suffered financial damage as a result of the coronavirus crisis.

▷ **re-start.jetzt**

Sponsoring

In addition to its own initiatives and the activities of the VNG Foundation, VNG also sponsors selected activities and institutions in the fields of art, culture, sport and education each year. Particularly noteworthy is the company's long-standing partnership with the internationally renowned Gewandhaus zu Leipzig – since the 2005 / 06 season, VNG has sponsored the Gewandhaus Orchestra, thus supporting artistic expression in one of the best concert halls in the world. In the anniversary season 2017 / 18, the project "TWO PLAY TO PLAY" was added, a collaboration between electronic and pop musicians with the ensemble of the Gewandhaus Orchestra. VNG also sponsors the "Klassik airleben" event held in Leipzig's Rosental park, which is the city's cultural summer highlight with over 60,000 visitors.

The "Klassik airleben" event is one of the highlights of the summer, as pictured here in 2019. This year, Leipzig's largest classical music concert was held in digital form as "Klassik airleben at home" due to the restrictions in place to prevent the spread of the coronavirus.

Actively supporting education, art, culture, sport and social projects – VNG considers all this to be part of fulfilling its social responsibility.

3 QUESTIONS FOR BODO RODESTOCK

Mr. Rodestock, what role does social commitment play at VNG?

Bodo Rodestock: Commitment to our community has always been important to us as a company with regional roots, and it continues to gain in importance. We want to operate responsibly and do our part through clear, sustainable goals. This includes, on the one hand, being an attractive employer that offers stable jobs over the long term, handling our resources responsibly and prudently, becoming more visible in our home region and where we do business and giving something back to society and making a difference. This is in our DNA.

What are some of the company's more important initiatives?

Mr. Rodestock: The VNG Foundation is certainly at the centre of our charitable activities for the common good. It has successfully focused on creating opportunities for children, teenagers and young adults for many years. We also maintain partnerships with renowned educational and research institutions in fields relevant to VNG. Through our CSR flagship, the "Verbundnetz der Wärme" initiative, we are strengthening society's recognition of volunteer activities – this is particularly important in light of current social developments and has also become particularly apparent over the course of the coronavirus pandemic. The Verbundnetz also recently launched a platform where volunteers can post areas where they can offer assistance and potential donors can advertise their own offers of help or donations. The idea behind this is simple: we want to help the helpers!

What activities is VNG still carrying out during the coronavirus crisis?

Mr. Rodestock: Solidarity is absolutely essential, especially in times of crisis like these. That's why we joined forces with Leipzig's SpinLab to set up an aid programme to provide rapid assistance to small businesses affected by the pandemic without any red tape. By launching this initiative, we want to help maintain the economic diversity in our region. Another lovely example are our "senior citizen concerts" in Leipzig's retirement homes. At these events, we take the residents on a little musical journey to offer them some comfort and variety in these trying times. These were very well received. This is also what we mean when we speak of our commitment to the community.

GLOSSARY

Biogas: Gas resulting from the fermentation of biomass. It can be used in CHP plants for on-site power generation or can be upgraded to natural gas quality. The resulting biomethane can then be fed into the natural gas grid.

Biomethane, also known as renewable natural gas (RNG): Renewable biogas with a methane content high enough to be fed into the natural gas grid.

Blue hydrogen: Hydrogen produced from methane without releasing CO_2 into the atmosphere. The CO_2 emitted during the reforming of conventional natural gas can be captured and stored in geological structures (known as CO_2 storage) or in turn used to produce synthetic methane.

Steam reforming: Steam reforming is a cost-effective and energy-efficient method of producing hydrogen from carbon-based energy sources such as natural gas, light gasoline, methanol, biogas, or biomass through the addition of steam.

Erneuerbare-Energien-Gesetz (abbreviated EEG): Germany's Renewable Energy Sources Act, which governs the preferential feeding of power from renewable sources into the country's electricity grid.

Thermal firing capacity: The thermal firing capacity is the maximum fuel energy that can be delivered simultaneously to a combustion unit, based on the lower heating value. The type of fuel used is irrelevant.

Grey hydrogen: Hydrogen obtained from natural gas via steam reforming, the production of which emits CO_2 into the atmosphere.

Green hydrogen: Carbon-neutral gas produced via power-to-gas technology or the electrolysis process. This gas is produced by splitting hydrogen and oxygen using electricity. The hydrogen produced in this manner is called "green", provided that a certain percentage of the electricity used is generated from renewable energy sources.

Power-to-gas: An innovative technology that uses electricity to produce gas by means of water electrolysis and, if necessary, downstream methanisation.

Pyrolysis: This term refers to a thermochemical conversion process in which methane is split into (turquoise) hydrogen and solid carbon at high temperatures.

Integrated energy: The term used to describe the goal of interconnecting the energy and industrial sectors of electricity, heating and transport.

Synthetic methane: Synthetic methane is produced via the power-to-gas process. After hydrogen has been produced through electrolysis, it is converted into synthetic methane by adding carbon dioxide through methanisation.

Turquoise hydrogen: Hydrogen produced from natural gas via methane pyrolysis. Instead of CO, the production process generates solid carbon, which can be used in different industries depending on the quality.

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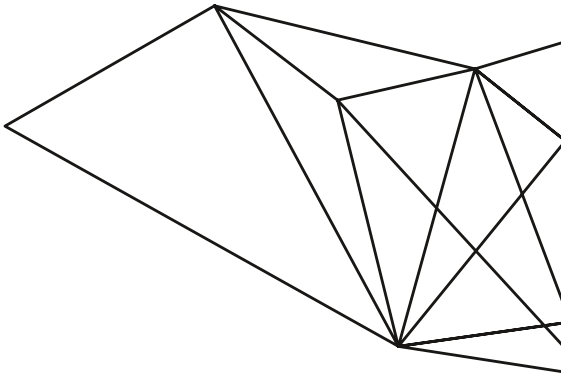

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