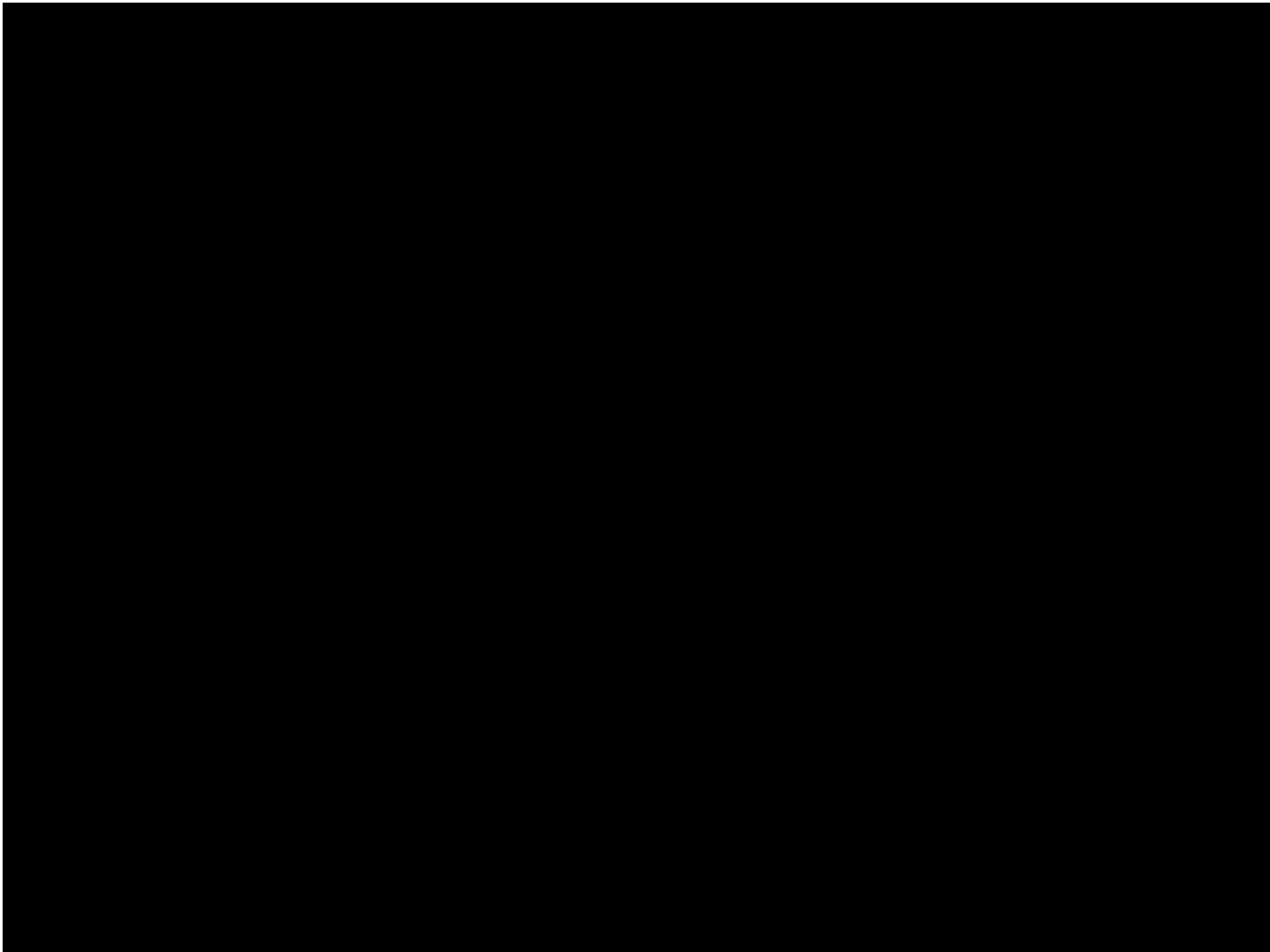




Gas Infrastructure investment

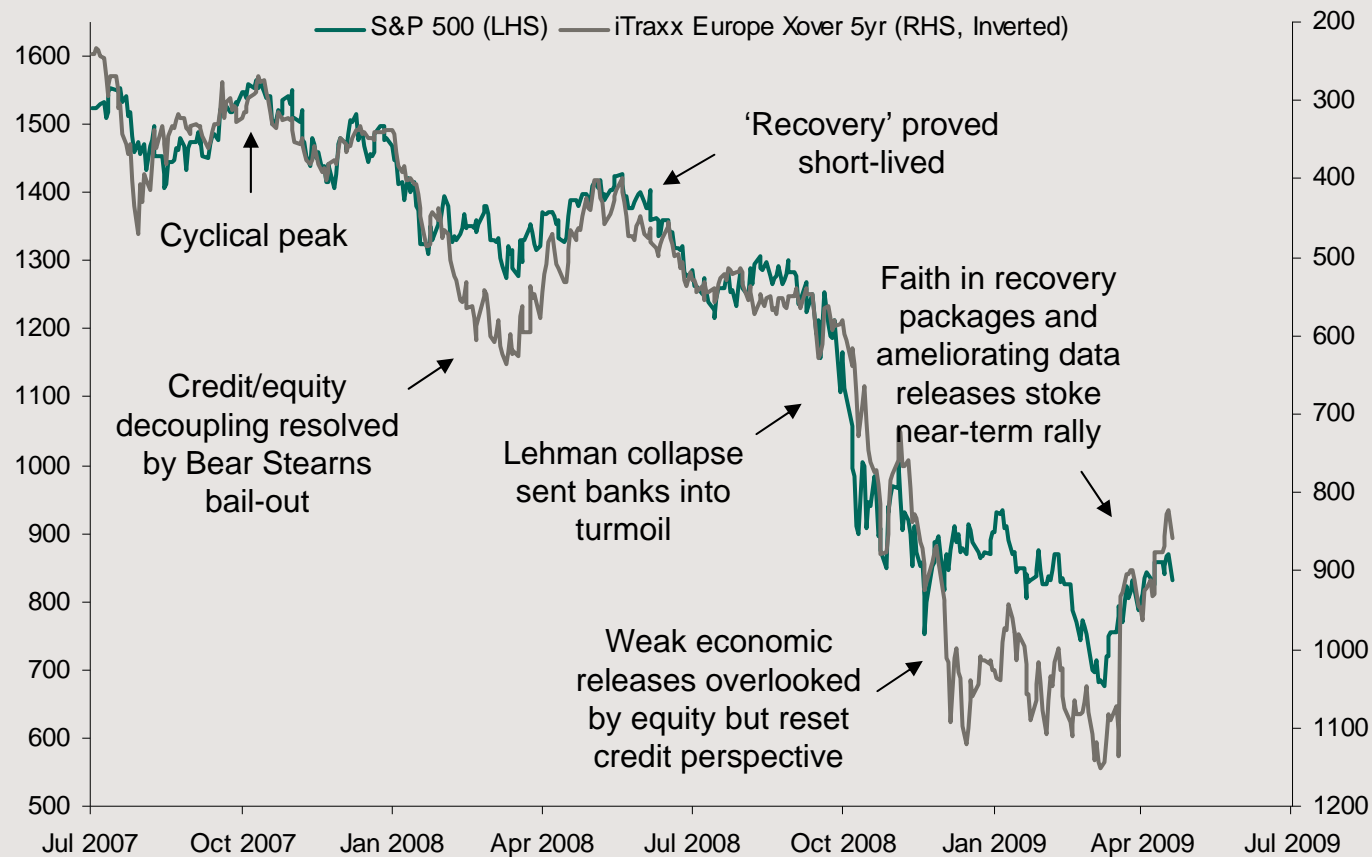
A financing perspective

Richard Bartlett



Prevailing optimism in a prompt recovery may be misplaced and asset prices may see further declines

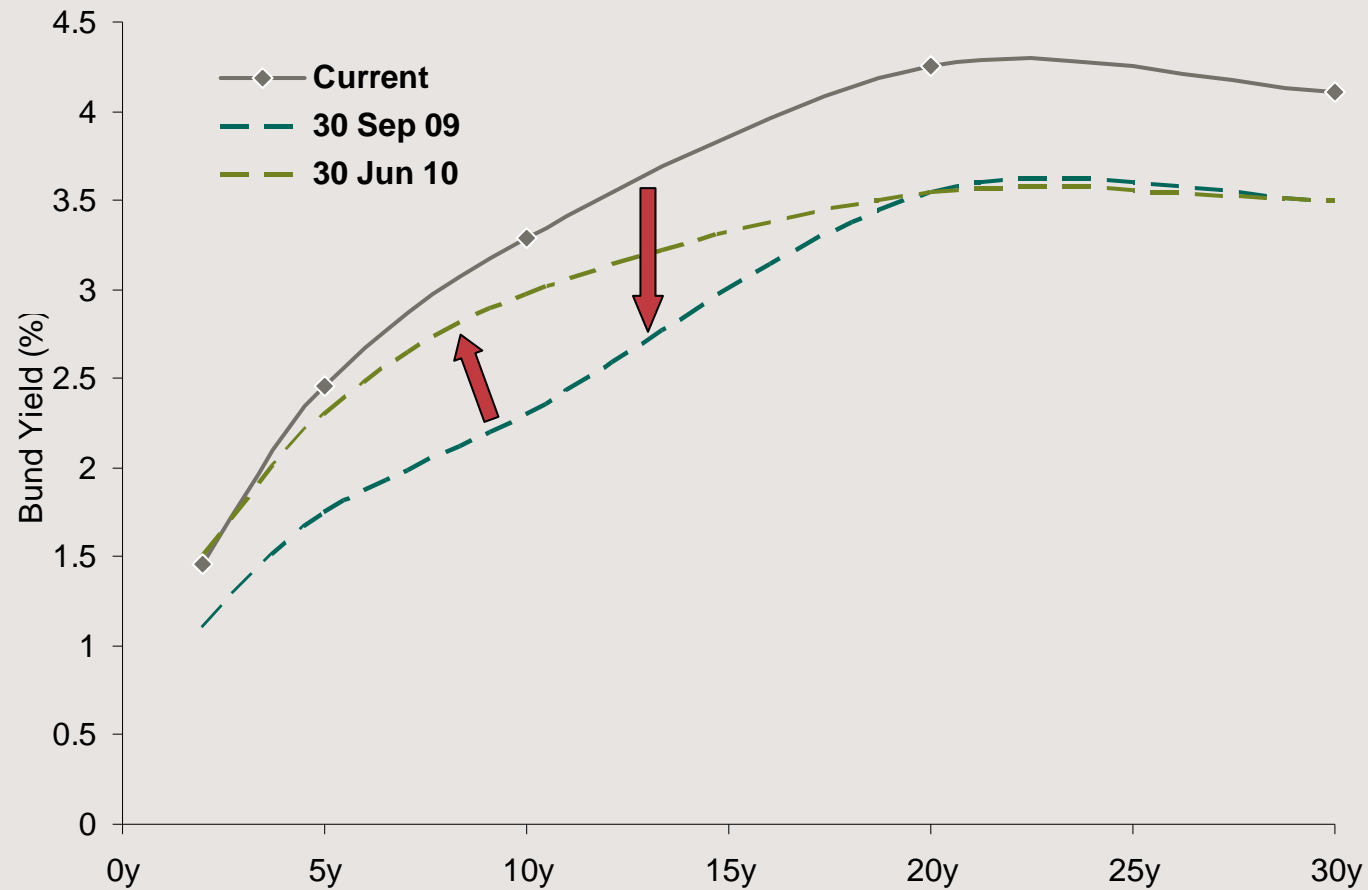
Equity & Credit index performance



Source: MarkIt; RBS

The policy response to the global downturn has been aggressive and the rates outlook continues to evolve

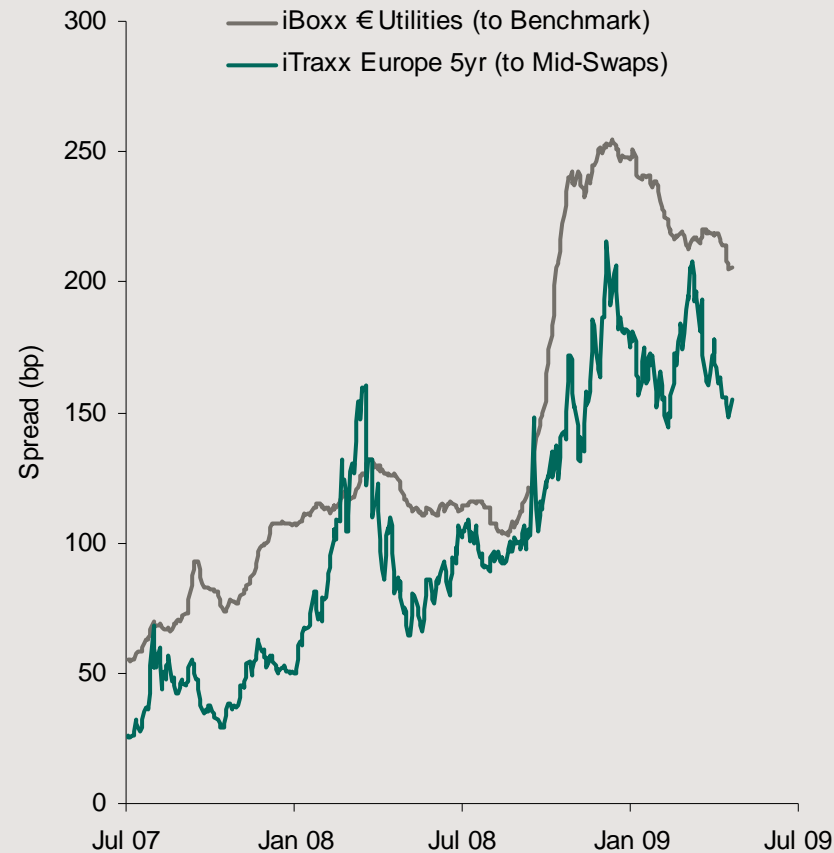
Bund yield curve development



Source: Bloomberg; RBS Forecasts (as at 17 Apr 09)

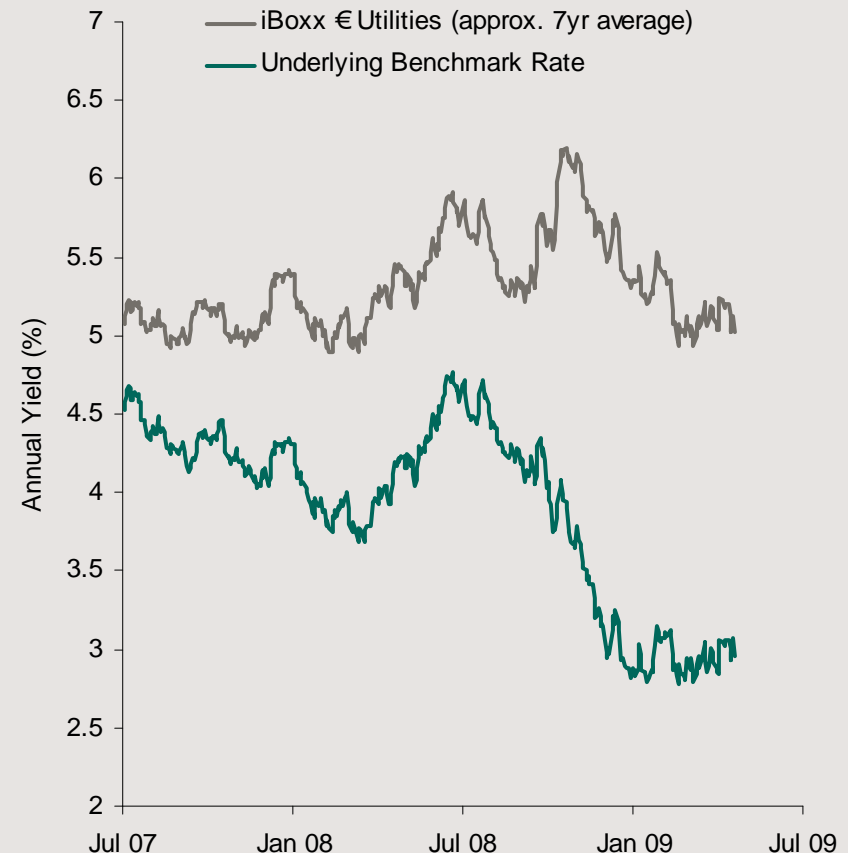
Spread widening was dramatic but changes in all-in yields have been more moderate due to a sustained Bund rally

Spread history



Source: MarkIt

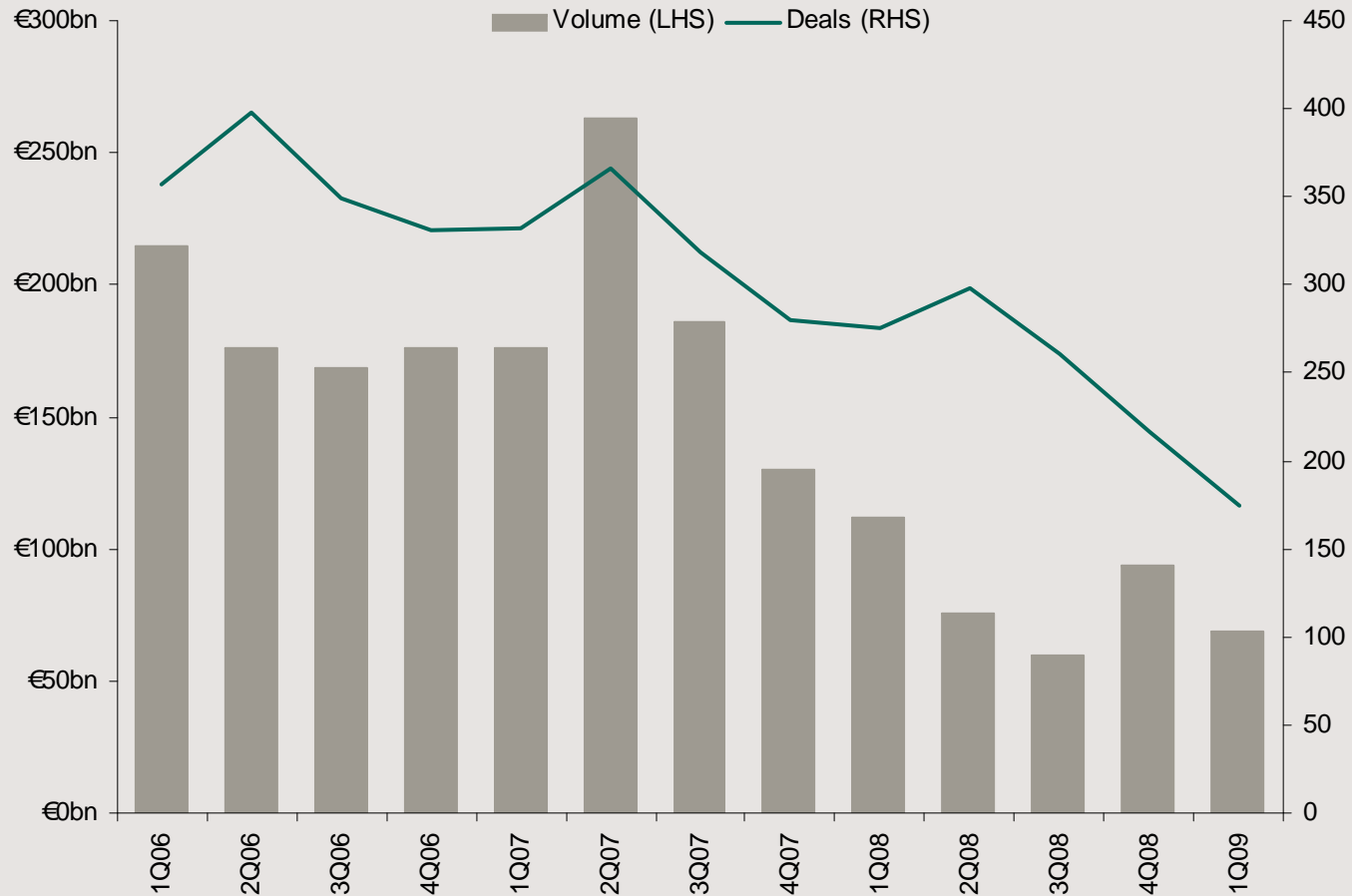
Yield history



Source: MarkIt; RBS

Bank lending appetite has shrunk dramatically, prompting increased selectivity in capital allocation and terms thereof

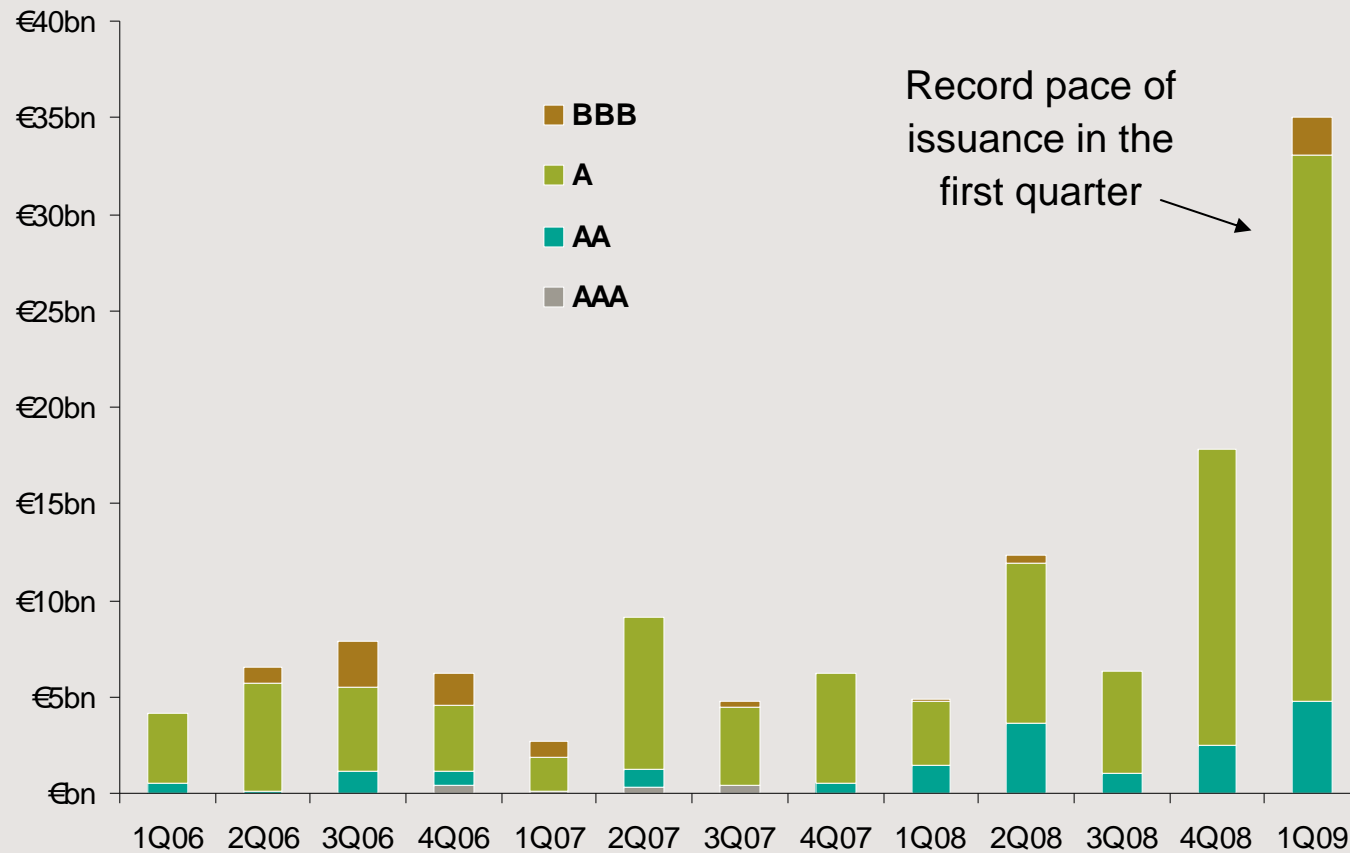
Corporate Loan Market (EUR & GBP)



Source: Dealogic (as at 31 Mar 09)

By contrast, the debt capital markets are booming, reflecting supply pressure and shifting asset allocations

EUR & GBP utilities issuance by rating



Source: Dealogic; RBS (as at 31 Mar 09)

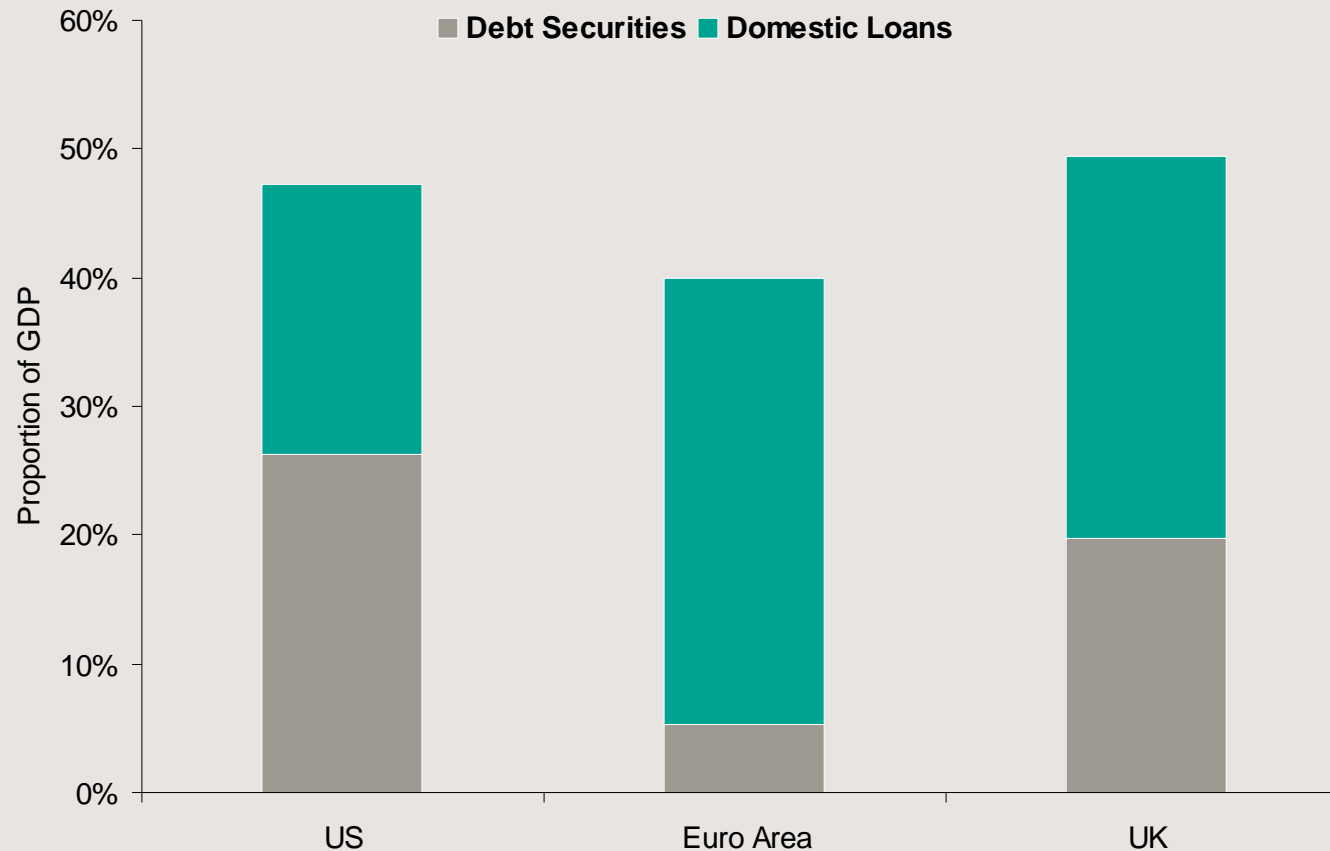
Supply of more than EUR18.5bn in bonds so far this year demonstrates healthy investor appetite for the gas sector

Date	Issuer	Nationality	Rating	Coupon (%)	Maturity	Size (m)	Spread
7 Jan 09	E.ON	Germany	A2/A	5.5	Jan 2016	EUR1,500	ms+210
7 Jan 09	GDF Suez	France	Aa3/A	4.375	Jan 2012	EUR1,750	ms+160
7 Jan 09	GDF Suez	France	Aa3/A	5.625	Jan 2016	EUR1,500	ms+215
7 Jan 09	GDF Suez	France	Aa3/A	6.375	Jan 2021	EUR1,000	ms+255
13 Jan 09	E.ON	Germany	A2/A	6.75	Jan 1939	GBP700	G+280
14 Jan 09	E.ON	Germany	A2/A	5.125	Jan 2014	GBP350	G+245
19 Jan 09	Centrica	UK	A3/A	7	Sep 2018	GBP100	G+250
20 Jan 09	E.ON	Germany	A2/A	4.875	Jan 2014	EUR1,750	ms+195
22 Jan 09	ENI	Italy	Aa2/AA-	5	Jan 2016	EUR1,500	ms+185
23 Jan 09	Scottish & Southern Energy	UK	A2/A	5.75	Feb 2014	GBP700	G+290
3 Feb 09	GDF Suez	France	Aa3/A	6.125	Feb 2021	GBP700	G+205
6 Feb 09	National Grid Gas	UK	A3/A-	3.91	Feb 2019	EUR100	HICP linked
9 Feb 09	GDF Suez	France	Aa3/A	5	Feb 2015	EUR750	-
11 Feb 09	Centrica	UK	A3/A	7	Sep 1933	GBP150	-
20 Feb 09	E.ON	Germany	A2/A	4.375	Feb 2016	EUR150	-
27 Feb 09	Centrica	UK	A3/A	5.125	Dec 2014	GBP250	G+260
27 Feb 09	Centrica	UK	A3/A	6.375	Mar 2022	GBP400	G+270
17 Mar 09	E.ON	Germany	A2/A	4.125	Mar 2013	EUR750	ms+155
18 Mar 09	Repsol	Spain	Baa1/BBB	6.5	Mar 2014	EUR1,000	ms+370
19 Mar 09	Nederlandse Gasunie	Netherlands	Aa2/AA-	5.125	Mar 2017	EUR750	ms+200
19 Mar 09	National Grid Gas	UK	A3/A-	6.375	Mar 2020	GBP113	-
31 Mar 09	OMV	Austria	A3/A-	6.25	Apr 2014	EUR750	ms+370
6 Apr 09	Alliander	Netherlands	A2/A	4	Apr 2012	EUR500	ms+175
6 Apr 09	Alliander	Netherlands	A2/A	5.5	Apr 2016	EUR750	ms+230
20 Apr 09	OMV	Austria	A3/A-	6.25	Apr 2014	EUR250	ms+285
28 Apr 09	Dong Energy	Denmark	Baa1/BBB+	4.875	May 2014	EUR500	ms+220
28 Apr 09	Dong Energy	Denmark	Baa1/BBB+	6.5	May 2019	EUR 500	ms+320

Source: Bloomberg; Dealogic (as at 1 May 09)

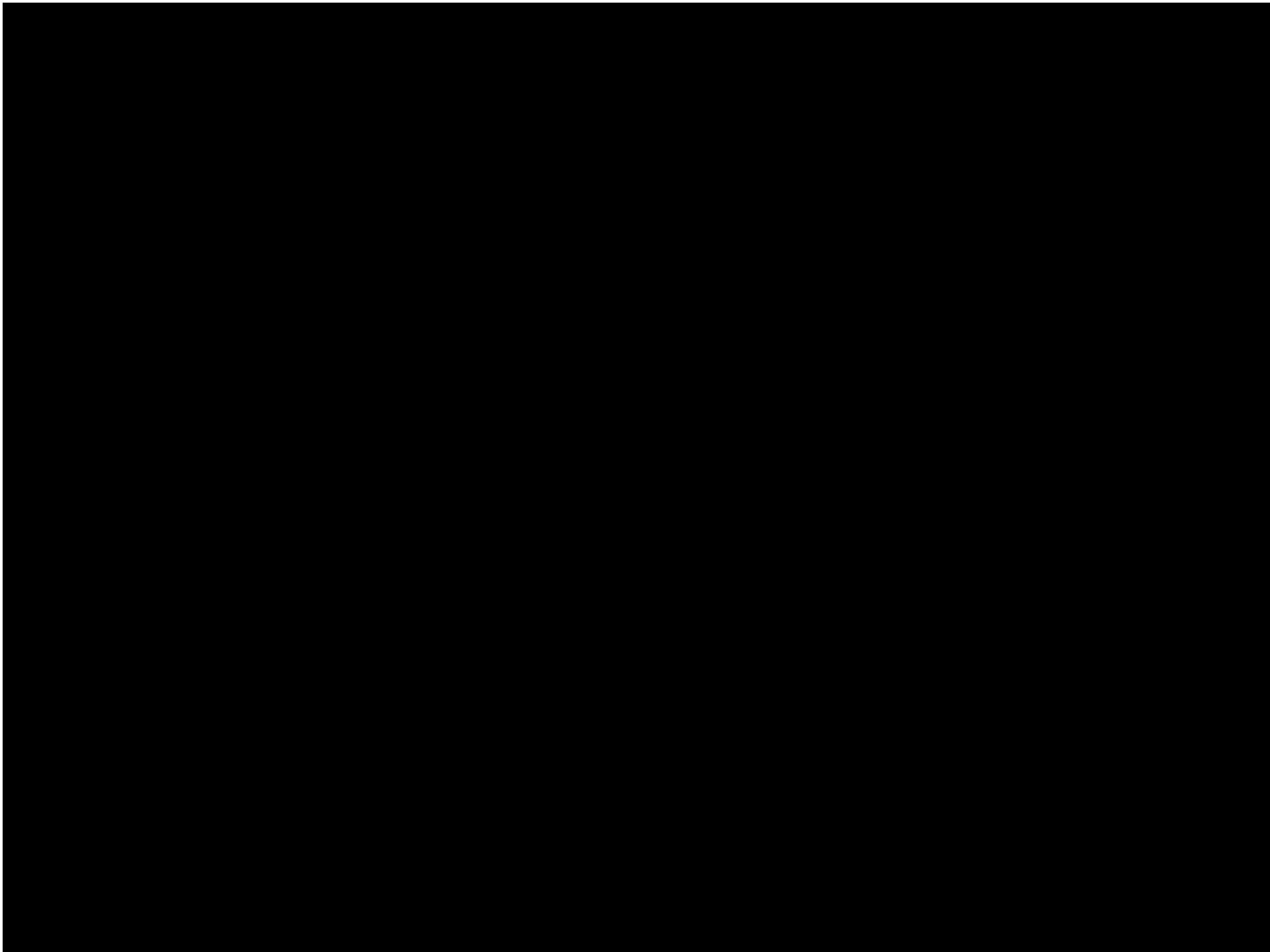
However, fewer than half of sector participants and barely any projects are accessing the debt capital markets

Corporate liabilities by region



Source: Bank of England; ECB; Federal Reserve; EconStat (as at 31 Dec 08)

Note: Private Non-Financial Corporation Balance Sheet Data



Observations – Regulation

- **Cost of capital**
- **Competition**
- **Consistency**

Observations – Execution

- **Advance preparation**
- **Close monitoring**
- **Seize opportunities**
- **Opt for current experience**

RBS Global Banking & Markets

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Gas Infrastructure investment

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