Annual Report 2017

Open Grid Europe GmbH

Translation – the German text is authoritative

Open Grid Europe GmbH, Essen

Contents

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Management Report for the 2017 Financial Year

Introduction

Open Grid Europe GmbH (OGE), headquartered in Essen, is one of Germany's leading natural gas transmission system operators. OGE operates Germany's largest transmission system with a length of approximately 12,000 km. As a network operator, OGE is subject to supervision by the Federal Network Agency (BNetzA), the German regulatory authority, and is bound by both EU and German statutory regulations.

OGE's core activities include marketing gas transport capacities (including determining quantities and billing) in the NetConnect Germany (NCG) market area, operating, maintaining and repairing the pipeline system as well as controlling and monitoring the network and storage stations. Furthermore, the core activities include the efficient further development of the gas transmission pipeline networks in line with demand on the basis of nationwide network development plans.

Overall economic development

Gross domestic product (GDP) grew price-adjusted by 2.2% in 2017. This was therefore the highest economic growth since 2011. In the past years consumption was always the main driver of the economy in Germany. In the reporting year, the improved global economic environment also provided increased foreign trade incentives. However, bottom-line foreign trade provided little economic momentum as higher domestic demand also meant higher imports. In summary, the economic upswing in 2017 was broad-based and driven by both domestic demand and foreign trade. The labour market also continued to develop well. In nearly all branches of industry the number of workers paying mandatory social insurance contributions rose compared with the previous year.

Primary energy consumption in Germany

According to preliminary calculations of the Working Group on Energy Balances (AGEB), primary energy consumption increased slightly in Germany by 0.8% in the reporting year. Gas consumption rose by 5.2% and oil consumption by 3.0%. The increased use of gas in power stations for generating electricity and heat had a considerable effect on the growth of gas consumption. A longer winter and cooler temperatures also led to higher consumption of gas for heating. Demand for renewable energies rose overall by 6.0% in the reporting year. By contrast, consumption of hard coal (10.4%), nuclear power (10.3%) and lignite (0.6%) fell. The fact that consumption rose overall in 2017 is mainly due to the positive performance of the economy.

Energy policy developments in Europe

Network Code Tariff (NC TAR)

The Network Code Tariff (NC TAR) passed through the legislative process in the first quarter of 2017 and entered into force in early April 2017. The object of the Network Code Tariff is to harmonise tariff structures and make the setting and development of fees in the European member states more transparent.

Implementation is taking place in stages. In a first step, the increased transparency requirements are to be met by 1 October 2017. For the German network operators this means initial obligations to implement by 1 December 2017, for example the publication of binding tariffs with effect from 1 January 2018 and the publication of comprehensive key financial and revenue figures, including information on the regulatory asset base. They are to be published on the website of the respective network operator or the ENTSOG transparency platform. OGE met the transparency implementation requirements in full and by the deadline.

Furthermore, the binding network tariffs are, in future, to be published at least 30 days before the start of the annual auctions, i.e. the tariffs for 2020 are to be already published by the end of May 2019. They cannot be subsequently adjusted after that date. The current rules still apply to the network tariffs for 2019. The network tariffs are to be set in accordance with the rules of the NC TAR for the first time by 31 May 2019 with effect from 1 January 2020.

Furthermore, in accordance with Art. 26 NC TAR, there is to be a prior two-month consultation period with the market on the method for determining the network tariffs for 2020. The consultation ends with a decision by BNetzA on the method for calculating tariffs and takes place at least every 5 years.

BNetzA leads the consultations. However, the network operators are obliged to provide the necessary data and a report. In order to implement the consultation obligation in accordance with NC TAR, BNetzA has determined requirements for implementing the network code on harmonised gas transmission tariff structures and on capacity allocation mechanisms in gas transmission systems and for repealing Regulation (EU) No. 984/2013 in incentive regulation (INKA, BK9-17-609). Accordingly, the network operators are obliged to make the necessary data and their report available to BNetzA by no later than 31 January 2018. It is planned to then start consultations on 1 April 2018.

Security of Gas Supply Regulation

The Regulation (EU) 2017/1938 concerning measures to safeguard gas supply (Security of Gas Supply Regulation), which entered into force on 1 November 2017, leads in particular to far-reaching cooperation obligations between the member states. For example, they are obliged to conclude bilateral agreements regulating solidarity measures in the event of an emergency. As the authority responsible in Germany, the Federal Ministry for Economic Affairs and Energy (BMWi) has already established various working groups which are being supported by the various associations, also by OGE. In addition to the obligations for the member states, ENTSOG had the obligation to carry out a Union-wide simulation of gas supply and infrastructure disruption scenarios by 1 November 2017. ENTSOG already met this obligation in cooperation with its member companies before the Regulation entered into force. The Regulation requires gas transmission system operators to observe the obligation pursuant to the infrastructure standard to enable bidirectional capacity on all cross-border interconnection points. Although exceptions already granted will initially remain in place, they can be questioned at any time both by the EU Commission and also by the relevant neighbouring member state, which would lead to a new review of the exceptions granted.

Amended Capacity Allocation Mechanism Network Code (NC CAM 2)

With the publication of the amended network code for capacity allocation (NC CAM 2) and expiry of the obligatory 20-day period, the NC CAM 2 entered into force on 6 April 2017. For OGE, it therefore became necessary to make modifications regarding the information technology it uses. In addition to the introduction of the process to create additional capacities, the “Incremental Capacity Process”, a mechanism was implemented for capacity conversion and the secondary marketing of interruptible capacity products. In 2018, the Europe-wide harmonisation of the general terms and conditions of business will complete implementation of the requirements under the NC CAM 2.

Energy policy developments in Germany

Political developments in Germany

The political year 2017 was dominated by the state elections in the Saarland, in Schleswig-Holstein, in North Rhine-Westphalia and in Lower Saxony and the general election. In particular as a result of the coalition negotiations at national level, which lasted several months, only a few (energy) policy initiatives were discernible.

Amendment to the Gas Grid Access Ordinance (GasNZV)

With the entry into force of the Amendment to the Gas Grid Access Ordinance (GasNZV) on 18 August 2017, some process modifications became necessary for OGE. The fundamental aim of the Amendment is to adapt the national regulations to European requirements (in particular the NC CAM Amendment). However, in addition to this, national requirements were also re-regulated. These requirements concern, on the one hand, the merger of the two German market areas, GASPOOL and NCG, by 2022 and, on the other hand, capacity marketing and allocation. For example, as of 1 January 2018, domestic network interconnection points are to be marketed on a within-day basis.

Second Act to Amend the Energy Tax Act and the Electricity Tax Act

In August 2017, the Bundestag decided on the continuation of tax benefits for compressed (CNG) and liquefied (LNG) natural gas. With the Second Act to Amend the Energy Tax Act and the Electricity Tax Act, the German federal government extended the tax benefits for CNG and LNG until the end of 2026.

However, from 2024 the Act provides for a successive reduction of these tax benefits. In OGE's opinion, the continued tax benefits support the market initiatives for CNG and LNG mobility.

BNetzA publishes plant demand in accordance with Section 13k of the Energy Industry Act (EnWG)

In accordance with Section 13k EnWG, BNetzA has determined the demand for plants as special network operating equipment to be 1.2 gigawatts (network stability plants). The aim of these plants is to balance out the loss of power station capacities as a result of the phasing-out of nuclear power, above all in Bavaria and Baden-Württemberg. The use of gas-fired power station technology can provide crucial cost advantages here.

Resolution of the Conference of Economic Ministers

In June 2017, the Conference of Economic Ministers (WMK) discussed the exploitation of the opportunities for industry arising from sector linking and expressly stated that gas and the gas infrastructure are key to the energy transition. Consequently, appropriate applications from the states in the Bundesrat or activities of the Federal government are to be expected.

National Diesel Forum and CNG Mobility

In order to broaden the guidelines for German mobility policy following the diesel emissions scandal, the Industry Roundtable of the Volkswagen Group, which was founded in 2017 and of which OGE is a founding member, systematically continued its gas mobility initiative. The broad-based alliance made up of the Volkswagen Group, gas network operators, operators of CNG filling stations and biotech companies stands together for an immediately effective reduction of CO_2 emissions through CNG. The partners have set themselves the joint targets of increasing the CNG fleet in Germany ten-fold and expanding the filling station network to 2,000 locations.

Discussion on the introduction of a CO_2 tax

The big political parties currently oppose a German go-it-alone on the introduction of a CO_2 tax. In this legislative period, this will be a relevant topic for the German federal government. The Federal Association of the German Energy and Water Industries (BDEW), the Association of Gas Transmission System Operators (FNB Gas), Zukunft ERDGAS and other associations are currently developing their own positions on this subject.

Energy transition / Intelligent sector linking

In 2017, numerous studies, some involving OGE, were conducted on mastering and financing the energy transition. In many cases, these studies came to the conclusion that intelligent sector linking combined with the greatest-possible openness to new technologies offers promising solutions.

National regulations

In 2017, in accordance with Section 6, para. 1, of the Incentive Regulation Ordinance (ARegV), OGE performed BNetzA's cost examination procedure to determine the base level as a basis for setting the revenue cap for the 3rd regulatory period. In a letter dated 10 July 2017, BNetzA informed OGE of the level of costs it had set for the company for the 3rd regulatory period. BNetzA used this level of costs, determined on the basis of the 2015 calendar year, and the relevant comparability calculation dated 25 July 2017 for determining standardised costs of capital to perform the efficiency comparison in accordance with Section 12 ARegV.

On 15 December 2017, as part of the process for setting the revenue cap for the 3rd regulatory period (2018 to 2022), OGE was informed that it had an efficiency level of 100%. At present, a final decision of BNetzA in the determination process for the 3rd regulatory period is expected in the first half of 2018.

In accordance with Section 9, para. 3, ARegV, from the 3rd regulatory period onwards, BNetzA must determine the general sector-related productivity factor (Xgen) in each case before the start of the regulatory period using state-of-the-art methods. In January 2017, on the basis of an expert report by Wissenschaftliches Institut für Infrastruktur und Kommunikationsdienste GmbH (WIK), BNetzA conducted a market consultation regarding possible calculation approaches. In addition, for determining the Törnqvist productivity index, the network operators were obliged to send BNetzA network operator-specific data for the period 2006 to 2016 by 30 June 2017.

BNetzA opened consultation on determining the Xgen for the 3rd regulatory period Gas (2018 to 2022) on 12 October 2017. In accordance with this determination draft, the Xgen for gas network operators should be 0.88%. On 24 November 2017, BNetzA started a post-consultation with an Xgen of 0.49% on the basis of amended data.

By resolution of 13 December 2017, by way of a provisional order in accordance with Section 72 EnWG, BNetzA set an Xgen of 0.49% for the 3rd regulatory period. The background to the provisional order was delays in the gas efficiency benchmarking, the data of which go into determining the Malmqvist index. The final confirmation on the Xgen of 0.49% was made by resolution dated 21 February 2018 and was published on 28 February 2018 on the website of BNetzA.

On 5 October 2016, BNetzA set the rates of return on capital employed for the 3rd regulatory period. Alongside some 1,100 network operators, OGE lodged an appeal against this before the 3rd Antitrust Senate of the Higher Regional Court of Düsseldorf and is actively leading these proceedings as one of the total of 29 test appeals. In this context, a hearing took place before the Higher Regional Court of Düsseldorf on 17 January 2018. The subject matter of the proceedings was mainly the questioning of the expert appointed by the court (Prof. Jonas, Warth & Klein). The date for the announcement of the decision of the Higher Regional Court of Düsseldorf in the matter has been set for 22 March 2018.

Network development plans

The expansion of the network is particularly important for the energy transition which has been decided by the German federal government. Both European and national regulations oblige network operators to draw up plans which determine the future network expansion requirements and set out the plans for network expansion.

In line with the Energy Industry Act (EnWG), natural gas transmission system operators have to jointly submit a ten-year network development plan in each even calendar year. In each uneven calendar year, for the first time by 1 April 2017, gas transmission system operators have to submit to the regulatory authority a joint implementation report on the network development plan last published. The implementation reports are largely to present an update of the reporting on the implementation of the network development plans and avoid timing overlaps in the preparation of the network development plan and the preparation of the scenario framework for the next network development plan.

The Gas Implementation Report is prepared in a public consultation process in close cooperation with all market participants affected. All market participants are to be included in the process for preparing the Implementation Report by being given the opportunity to submit comments. In compliance with timetable requirements, the German transmission system operators published the Implementation Report 2017 for the national gas transmission pipeline network pursuant to Section 15b of the Energy Industry Act on 1 April 2017 and submitted it to BNetzA. The Implementation Report 2017 gives a detailed overview listing which confirmed measures set out in the Network Development Plan 2015 have already been implemented, which are currently still under construction and which still have to be performed in the future.

The final version of the Gas Network Development Plan 2016-2026 (NEP Gas 2016) was not decided until 16 October 2017 after publication of the Implementation Report 2017. The plans of the transmission system operators in the final Network Development Plan 2016 for the expansion of the German gas infrastructure provide, among other things, for the expansion of the gas transmission pipelines by an additional 823 km as well as an additional 429 MW of compressor capacity. The total investment volume is therefore some € 3.9 billion by 2026, of which OGE will be investing some € 2.0 billion, that is to say more than 50% of the capital expenditure provided for under the network development plan.

In addition to describing the current status of plan implementation and comments on foreseeable delays, in a separate chapter the Implementation Report 2017 details the challenges of the plan to permanently convert network areas currently supplied with low calorific value gas (“L-gas”) to high CV quality ("H-gas"), a process which was made necessary by the steady decline in German and Dutch L-gas production levels and which the transmission system operators see as an important element for maintaining gas supply security.

As part of the planning process to switch over from L-gas to H-gas, the transmission system operators produce L-gas balances, both in terms of supply/demand volumes as well as in terms of capacity, for Germany as a whole and for each of the two market areas GASPOOL and NCG. For the purpose of producing these L-gas balances, the transmission system operators forecast supply, storage and demand developments. According to these forecasts, significantly more gas will need to be imported from the

Netherlands over the period up to 2030 compared with the second consultation document on the 2016-2026 Gas National Development Plan, with the cumulative total going up from 1,245 TWh to 1,418 TWh (average year). The analyses and assessments of the future transport situation show that the number of gas appliances to be modified each year needs to be revised up from the currently planned maximum of 450,000 to approximately 550,000 per year. The transmission system operators believe that it will be possible to ensure continued supply security for those regions that currently receive L-gas if the switch-over works are consistently progressed as planned, temporary technical conversion measures are implemented and the conversion fee charged for the conversion of gas from H-gas to L-gas quality continues in place.

In the Implementation Report 2017, the gas transmission system operators point out that the punctual completion of measures to provide H-Gas also depends on how long the approval process by the authorities takes. It is essential for all those involved in the switchover process to provide the resources required if it is to be performed by the deadline and supply security maintained at the same time.

The basis for modelling the Gas Network Development Plan 2018-2028 is the scenario framework that is prepared by the gas transmission system operators and Prognos AG on behalf of the gas transmission system operators. The consultation document was published by the gas transmission system operators on 19 June 2017. For the first time, the gas demand scenarios are based on the European climate goals. The scenario framework was subsequently discussed and amended in a public consultation process with all market participants. BNetzA confirmed the scenario framework for the Gas National Development Plan 2018-2028 with amendments on 14 December 2017. Following confirmation of the scenario framework, the transmission system operators are, in the next step, starting work on the details of the Gas Network Development Plan 2018-2028, which is to be published by 1 April 2018.

Technology

Technical operation and expansion of the gas transmission network ran largely to schedule in the 2017 financial year. Capacity restrictions due to maintenance, repair and integration measures were communicated in good time and information was continually updated on the Internet.

OGE performed various measures to upgrade and expand its technical infrastructure in 2017. These include measures carried out by Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Essen, Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP), Essen, Mittelrheinische Erdgastransportleitungsgesellschaft mbH (METG), Essen, Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (NETG), Dortmund and ZEELINK GmbH & Co. KG (ZEELINK), Essen, which are integrated in the OGE network.

MEGAL, a project company of OGE and GRTgaz Deutschland GmbH, Berlin, is expanding the Rothenstadt compressor station on the basis of the Gas Network Development Plan by increasing compressor capacity by 3 x 15 MW. The building and civil engineering work on the MEGAL Rothenstadt project was completed to schedule in 2017. Pipeline construction for the station has been completed; commissioning and pipeline link-up are to be completed in 2018.

A further MEGAL project is the construction of the Rimpar compressor station on the basis of the Gas Network Development Plan with a compressor capacity of 3 x 11 MW. OGE has started design planning, which is proceeding to schedule.

At the OGE Werne compressor station, the two network development plan projects (expansion and flow reversal) ran to schedule in 2017. As regards the Werne flow reversal project, the commissioning scheduled for 2017 was performed in October. Afterwards, finishing-up work was performed and completion of the project is planned for 2018. The three compressor units (2 x 11 MW and 1 x 22 MW) for the expansion project were delivered. The connection and installation of the first two compressor units began at the end of 2017. Scheduled station outages for the incorporation of the new compressors and components, such as coolers and filters, were performed to schedule. The three compressor units are to be filled with gas by September 2018 and therefore commissioned.

Construction of the main parts of the building of the OGE Herbstein compressor station commenced in February 2016 was completed. Commissioning of the compressor units started in February 2018. The measure is progressing to schedule and commissioning of the entire plant is planned for 2018.

In order to ensure that the emission requirements pursuant to 13th BImSchV are met, a dry low emission system was installed in unit 6 in Werne. After commissioning had been delayed the previous year, this was completed in September 2017. The compressor unit has been available again for gas transport since then.

The detailed engineering for a new compressor unit with electric drive (13 MW) progressed to plan at the OGE Krummhörn compressor station. The building and civil engineering work for the compressor building and the adjacent supply building was largely completed in 2017. Installation and commissioning of the process pipework, the compressor unit with ancillary plant and the construction of the new vent stack are scheduled for 2018. The project opens up the opportunity to use electricity or gas flexibly as operating energy in Krummhörn. So surplus electricity from wind power can be sensibly used and an expansion of the electricity grid is avoided. Here, the gas transmission network is making a meaningful contribution to the intelligent sector linking of electricity and gas networks.

As part of a preliminary study, planning started for the next expansion stage of the Krummhörn compressor station, the addition of another compressor unit. The gas turbine-driven compressor unit (15 MW) was ordered at the end of November 2017. Basic engineering begins in early 2018.

The OGE Emsbüren compressor station is being extended by a new compressor unit with electric drive (8 MW). The execution planning stage went according to plan in 2017 and the compressor unit has already been ordered. The project is also opening up new possibilities to use electricity or gas flexibly as operating energy in Emsbüren and make a meaningful contribution to the intelligent sector linking of electricity and gas networks.

In line with the Gas Network Development Plan, engineering on the OGE Schwandorf-to-Forchheim gas transmission pipeline (approx. 62 km, DN 1000) was completed in September 2017. Commissioning was performed in December with trial operation. The pipeline from Forchheim to Finsing (approx. 77 km, DN

1000) was officially approved in December 2017. The start of construction activities is scheduled for early 2018.

In line with the Gas Network Development Plan, the official approval process for the OGE gas transmission pipeline from Epe to Legden (15 km, DN 1100) was also successfully completed; this is equivalent to a construction permit from the authorities. Preparations for construction were commenced.

Planning was started for the network development plan projects for the Heiden-to-Dorsten pipeline (15 km, DN 500) and the Erfstadt-to-Euskirchen pipeline (17 km, DN 400) and the application documents for the regional planning procedure are being prepared.

The ZEELINK project, consisting of two compressor station (3 x 13 MW) in the Aachen and Legden area and a gas transmission pipeline running from Lichtenbusch to Legden (approx. 215 km, DN 1000) and four gas pressure regulating and metering stations, is proceeding to plan. In March 2017, the first approval processes for the ZEELINK pipeline were successfully completed with the regional planning assessments. In September 2017, the application documents for the in total three official approval processes were submitted on schedule to the district governments in Cologne, Düsseldorf and Münster. Major parts of the detailed design for the compressor stations were completed. Start of construction is scheduled for July 2018.

As part of the switchover from L-gas to H-gas running until 2030, OGE is planning and constructing the gas pressure regulating and metering stations and gas pipes for connecting the former L-gas areas to the H-gas pipelines. In April 2017, Hilter in the hills of the Teutoburg Forest was the first area in the OGE transmission network to switch from L-gas to H-gas. The first five stations for the areas in Lower Saxony and Central Hesse to be switched over were planned in 2017 and will be completed in 2018. Another 20 gas pressure regulating and metering stations are in planning and will be built successively in the next few years.

OGE uses integrity management systems for safety, availability and cost-optimised maintenance. These management systems are used to systematically plan and perform measures to assess the condition and maintain the pipelines and plants. In 2017, ultrasound pigging was performed on a length of 320 km and magnetic flux leakage pigging on a length of 70 km in order to assess the condition of pipelines. As part of the plant integrity management, various inspections, condition assessments and maintenance work were also carried out on plant sections.

During comprehensive inspections, corrosion damage was detected on a section of the TENP 1 pipeline in the area of the weld field coatings. On the basis of these findings and after consultation with the technical experts, the section was shut down. Additional inspections and resulting measures are being performed so that the safety of the pipeline section can also be guaranteed in future. Therefore, only restricted transport capacity is available on certain points in the OGE transmission system until 31 March 2019. Based on current findings, the Group is performing all measures that are necessary and currently possible to put the pipeline back into operation. After evaluating the comprehensive inspections in 2017 and the results of the outstanding exposures, the condition of the entire TENP 1 is continuously evaluated on the basis of the findings obtained. However, as the essential results of these measures are not yet available, it is not yet possible to make an assessment of the recommissioning of the decommissioned section of TENP 1. On the basis of current knowledge, all necessary and, at the present time, possible measures are taken which are necessary for restarting the pipeline.

Environmental protection

In September 2017, OGE successfully passed the external monitoring and recertification audits and thus renewed or confirmed the certifications for the integrated management system according to DIN EN ISO 9001 (Quality Management), OHSAS 18001 (Occupational Health & Safety Management), DIN EN 14001 (Environmental Management) and DIN EN ISO 50001 (Energy Management). The Technical Safety Management certification was not up for review and is valid until 2021.

OGE attaches very great importance to environmental protection. There were no relevant environmental incidents in the reporting year. The relevant environmental protection requirements were taken into account and complied with during construction work and the ongoing operation of the pipeline network.

The compressor stations are subject to the German Greenhouse Gas Emissions Trading Act (TEHG) and the related ordinances. All resulting obligations, such as the adjustment of monitoring plans, the recalculation and notification of changes in capacity, reports of changes in operation due to conversion measures and the annual reporting of emissions, were routinely met. The certificates for 2016 were submitted via the EU register in April 2017.

OGE works continuously on further developing procedures required for gas transportation, plant and pipeline construction and the safe operation of the transmission pipeline network.

To meet the challenges of the energy transition, OGE is particularly focusing on the intelligent linking of the electricity and gas infrastructures. The subject of "converting surplus electricity into hydrogen or further into methane" is one focus.

The intelligent use of the compressor stations as part of a demand-side management system to reduce the load on electricity grids is also of great interest and can make a contribution to intelligent sector linking.

The use of natural gas in the mobility sector can be a good way of reducing emissions, particularly for the transport and delivery of goods. OGE is supporting the relevant associations and car manufacturers to promote the use of this road fuel.

Employees

At the end of 2017, OGE had 1,351 employees (excluding management and apprentices). Personnel expenses during the financial year amounted to € 146.6 million (previous year: € 143.5 million).

OGE trains apprentices for technical and administrative jobs at six locations in North Rhine-Westphalia (Essen), Lower Saxony (Krummhörn), Bavaria (Waidhaus, Wildenranna), Hesse (Gernsheim) und Rhineland Palatinate (Mittelbrunn). Furthermore, OGE has, since 2016, provided four additional technical apprenticeships for refugees. In 2017, two further places were provided so that this programme can continue to be promoted and operated over the long term.

Occupational health and safety is a matter of highest priority for OGE. OGE aims to continually reduce the number of accidents and other harmful effects on the health of its employees and employees of partner companies over the long term as well as to constantly improve work ergonomics and occupational health. The targets set for the 2017 financial year were achieved. The number of work-related accidents, measured in terms of TRIFcomb[1], is continuing to fall on a long-term average and taking account of the proportion of jobs with an increased risk (construction work). In absolute figures, this non-financial performance indicator fell noticeably to 5.3 despite the fact that construction work increased sharply compared with the previous year. The external auditors of the occupational health and safety management system again noted a further improvement in the safety culture. The HSE sub-contractor management activities were intensified, particularly in the major new build projects.

Corporate governance statement in accordance with section 289a HGB[2]

The German Act to Promote Equal Participation of Women and Men in Management Positions in the Private and Public Sector came into force on 1 May 2015. According to this law, as a co-determined entity with generally more than 500 employees, in September 2015 OGE had set the targets for the percentage of women on the Supervisory Board, in the Management as well as on the top two management levels that were to be achieved by 31 December 2016. The achievement of these targets was already reported in the 2016 Management Report.

The second set of targets and the timeframe for their achievement was therefore decided in 2017. By 31 December 2021, the percentage share of women on the above boards and on the management levels are to be as follows:

Supervisory Board: 17 %
Management Board: 25 %
Senior Vice President: 8 %
Head of Department: 15 %

Appropriate career advancement and development measures were already launched at the end of 2014 in order to be able to fill more management positions with women in the medium term. These measures are showing initial effects; in the first step mainly at the head of department level. Here, the share of women was already 11% at the end of 2017 compared with 5% at the same time in the previous year.

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[1] TRIFcomb = Total number of work-related accidents (accidents at work and on the way to and from work) of own employees and sub-contractors' employees with medical treatment and/or with lost time per one million hours worked.

[2] In accordance with Section 317, para. 2 HGB, the contents and subject matter of the chapter was not part of the audit by the financial statement auditors.

Report on Economic Position[3]

OGE charges a uniform tariff for entry and exit. Compared with the previous year, this resulted in roughly 8% higher fees for both entry and exit. Whilst the system for calculating the regulated fees remained the same, the higher fees are due in particular to falling capacity bookings. This fall is a result of the customers optimising their booking behaviour by increasingly using the day-ahead and within-day booking options at the cross-border and market area interconnection points.

Overall, contrary to expectations, OGE posted a decline in revenues of 2.1% to € 973.2 million in 2017 (previous year: € 993.8 million). Total revenues comprise revenues from the gas transport business and from the services business. Revenues from the gas transport business and transport-related services amounted to € 782.5 million in the 2017 financial year (previous year: € 807.7 million).

Gas transport revenues were mainly affected by more-than-expected cancellations of transport contracts at the end of the past year that were only partly offset by subsequent bookings during the year. Furthermore, as a result of the fall in volumes, the cost of fuel gas required for gas plant was well below the prior-year figure and the forecasts. Due to these effects, the revenues from the gas transport business of € 54.5 million were below the revenue cap expected and permitted under Article 4 of the Incentive Regulation Ordinance (ARegV). In accordance with the new mechanism of the Incentive Regulation Ordinance, these revenue shortfalls will be spread over the 3-year period from 2019 to 2021 as part of cross-period balancing and will lead to higher revenues in those years.

At € 190.6 million, revenues from the services business were, as expected, slightly higher than in the previous year (€ 186.1 million). The increase was mainly due to a higher volume of projects.

Cost of materials increased – as expected – compared with the previous year by some € 9.0 million, which is in particular due to the higher cost of purchased services. The lower cost of fuel gas and load flow commitments had an opposite effect.

As expected, income from equity investments rose by € 8.6 million compared with the previous year. This rise is largely due to an increase of € 11.1 million in the profit transferred from Line WORX GmbH, Essen. Income from equity investments was also impacted by a year-on-year decrease of € 4.7 million in the dividend payout from NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG (NETRA), Schneiderkrug, and a year-on-year increase of € 2.6 million in the dividend payout from MEGAL.

The financial result reflects clear impacts forecast in the previous year, in particular from changes in interest rates from the measurement of pension provisions.

OGE's profit before tax fell by € 34.2 million to € 314.5 million, largely as a result of the above-mentioned effects. Net income before distribution of profit amounted to € 222.9 million in the 2017 financial year and was, as expected, noticeably below the figure for the previous year (€ 245.0 million). In view of future investments, the net income in the amount of € 122.9 million remaining after profit distribution in the amount of € 100 million (previous year: € 80 million) was transferred to revenue reserves.

[3] Significant financial performance indicators at OGE are: Gas transport revenues, investments, cash flow and net income.

OGE's total assets amounted to € 2,094.7 million as at the reporting date of 31 December 2017 (previous year: € 1,789.9 million). This gives an equity ratio of 77.4% (previous year: 73.6%). Of the external funds, provisions account for 56.9% (previous year: 59.1%), liabilities for 43.1% (previous year: 39.4%) and deferrals for 0.0% (previous year: 1.5%). Cash and cash equivalents totalled € 83.5 million as at 31 December 2017, decreasing by € 66.2 million compared with the previous year. Fixed assets accounted for € 1,822.9 million (previous year: € 1,481.3 million) as at the reporting date and therefore 87.0% (previous year: 82.8%) of OGE's total assets.

In the 2017 financial year, OGE generated cash flow from operating activities of € 228.3 million (previous year: € 329.0 million). Cash flow from investing activities amounted to € -270.3 million (previous year: € -208.7 million) and contains income received from equity investments in the amount of € 100.8 million (previous year: € 82.9 million) in addition to purchases of investments. Cash flow from financing activities totalled € -24.2 million (previous year: € -58.1 million) and mainly related to the cash outflow for profit distribution of € 100.0 million to the parent company, VGT, as well as, having the opposite effect, to the cash-effective part of the capital increase by the parent company, VGT, in the amount of € 80.0 million. Cash flow was therefore well below the forecast. Compared with the forecast from the previous year, improvements in cash flow from operating activities and from investing activities were more than offset by the deterioration in cash flow from financing activities. In summary, it can be said that OGE’s net assets, financial position and results of operations were stable and secure in the financial year - as forecast in 2016.

Investments

As expected, investments in property, plant and equipment and intangible assets in 2017 were well above the figure for the 2016 financial year at € 380.4 million (previous year: € 316.5 million). Of this figure, € 189.4 million went into the expansion and upgrading of compressor stations (previous year: € 136.4 million). The installation of three new compressor units in Werne accounted for € 61.6 million and continued work on the construction of a new compressor station in Herbstein for a further € 94.2 million. Both projects are part of the network development plan.

OGE invested € 149.0 million in expanding and modernising pipelines (previous year: € 58.3 million), including a total of € 70.1 million in the construction of the Schwandorf-to-Forchheim-to-Finsing pipelines. This work is also part of the network development plan. Other investments accounted for € 42.0 million (previous year: € 29.4 million) and included IT projects (total of € 14.4 million) and investments in gas pressure regulating and metering systems (€ 20.9 million).

Investments relating to obligations under the network development plan accounted for a total of € 295.7 million (previous year: € 161.5 million).

Financial assets increased by € 46.4 million. Additions to financial assets mainly relate to capital injections into Zeelink GmbH & Co. KG in the amount of € 60.4 million and a capital injection into Line WORX GmbH in the amount of € 4.0 million. Disposals in the amount of € 18.0 million result from a withdrawal from the capital reserve of jordgasTransport GmbH.

Financing

OGE is a wholly owned subsidiary of Vier Gas Transport GmbH (VGT), Essen. Since 1 January 2013, there has been a profit-and-loss transfer agreement with VGT, under which OGE undertakes to transfer its entire profit to VGT and VGT undertakes to offset any losses sustained by OGE. The agreement was concluded for a period of five years and is extended by periods of one year if it is not terminated. Since 1 January 2013, VGT and OGE have formed a tax unit for corporate and trade tax purposes, according to which VGT is the controlling company and OGE the controlled company. OGE and VGT have concluded an income tax allocation agreement to allocate to OGE the taxes on income incurred by OGE in its commercial operations. As a result of the income tax allocations, OGE recognises an income tax liability that it would have incurred if it had not formed a single tax unit with VGT.

In line with the existing profit-and-loss transfer agreement and in view of considerable future pending investments, the shareholders resolved, after thorough examination, to transfer the net income for the year in the amount of € 122.9 million to revenue reserves in order to be able to make these future investments from the company's own funds.

The syndicated loan facility in the amount of € 200.0 million concluded by VGT on 20 December 2013 was replaced by a new syndicated loan facility (Revolving Credit Facility, RCF) in the amount of € 600.0 million on 4 August 2017. OGE is also a borrower under the loan and therefore entitled to use the credit line. As of the reporting date, the credit facility had been drawn down in the amount of € 60.0 million. Furthermore, this credit line includes an ancillary facility in the amount of € 1.5 million, which is reserved for surety (e.g. bank guarantees), € 1.0 million of which had been utilised as of 31 December 2017 for the issuing of bank guarantees.

In order to cover their obligations arising from pension entitlements, OGE use a Contractual Trust Agreement (CTA). The trust fund set up in this connection is managed on a fiduciary basis by Helaba Pension Trust e.V. (Helaba), Frankfurt am Main. In the 2017 financial year, € 7.1 million was added to the plan assets pension obligations and another € 6.5 million was added for long-term working-time account obligations. Furthermore, the equivalent of the remuneration payments of € 1.1 million made in 2017 for fulfilment shortfalls in connection with part-time phased-retirement programmes was taken from the trust assets over the course of the year. At the reporting date of 31 December 2017, the CTA funds were lower than the provisions for pension obligations at OGE by € 2.4 million and for long-term working-time obligations by € 0.2 million. Overall, these provisions have a coverage of 99.3 %.

Presentation of activities pursuant to section 6b Energy Industry Act (EnWG)

OGE generates the majority of its revenues and earnings in the gas sector, in particular in the field of gas transmission pipelines. Activities in this field mainly cover the marketing of transport capacities as well as the associated costs for the planning, construction, operation, control and maintenance of the gas transmission network.

With revenues of € 796.0 million in 2017 (previous year: € 829.2 million), the “Grid Business” unit posted a profit after tax of € 126.5 million (previous year: € 148.6 million).

The segment “Activities within Gas Sector” includes dispatching for other network operators and suppliers of gas infrastructure. The segment “Other Activities within Gas Sector” achieved a profit after tax of € 2.1 million (previous year: € 2.8 million) from sales of € 6.4 million (previous year: € 7.5 million).

The segment “Activities outside Gas Sector” consists primarily of equity income, technical and engineering services as well as business and IT services. In the past financial year, the segment “Activities outside Gas Sector” achieved a profit after tax of € 94.8 million (previous year: € 94.0 million) from sales of € 170.8 million (previous year: € 157.0 million) and income from equity investments of € 95.6 million (previous year: € 87.0 million).

Report on opportunities and risks

In its business operations, OGE is exposed to a large number of risks connected with its activities. In line with the requirements of the Corporate Sector Control and Transparency Act (KonTraG), the aim of the company's internal risk management system is to use a management and control system to identify and record risks which might threaten the continued existence of the company and, if necessary, to take appropriate counteraction.

The basis for risk management is the opportunity and risk policy which is binding throughout the Group. Risk reporting is an integral part of the internal control system, thus ensuring the continual identification and evaluation of significant opportunities and risks.

Description of the opportunity and risk management process

The opportunity and risk situation of the company is assessed and documented every quarter in a standardised process. The Management and the Supervisory Board are regularly informed as part of this process. The aim of the process is to recognise significant opportunities and risks at an early stage and – wherever possible and necessary – take action to exploit opportunities or mitigate risks.

A risk/opportunity is defined as an event which leads to a deviation from the mid-term planning, which covers a period of 5 years.

Risks are evaluated with regard to probability of occurrence and possible net impact (i.e. maximum impact of the event on profit before tax and/or liquidity) and their cumulative impact over the 5-year period reported to the Management. The reporting threshold per individual case is a cumulative net impact of € 10.0 million over the 5-year period. The net impact is defined as the value of the risk after allowance for precautionary measures in the worst case. Risks with a probability of occurrence of more than 50% are always included in the mid-term planning. In addition, potential opportunities are also recorded.

Risks in the order of magnitude of € 100.0 million and more in the above-mentioned period are considered to be significant. Risks of this order of magnitude are reported to the Supervisory Board.

Significant risks

Significant risks are classified according to probability of occurrence and net impact as shown in the following table:

Probability of occurrence in **%**	Low	≤ 5
	Moderate	> 5 ≤ 20
	High	> 20
Cumulative net impact in **€ million** over 5 years	Low	≥ 100 ≤ 200
	Medium	> 200 ≤ 300
	High	> 300

Regulatory framework: The risk situation of OGE is largely governed by the regulatory environment. As a regulated company, OGE's earnings situation and earnings prospects are directly dependent upon decisions made by the regulatory authorities. Important parameters affecting regulated revenues are the approval of the cost base, return on equity, the general sectoral productivity factor and the company-specific efficiency figure. The decisions of the authorities affect the company's revenues, earnings and liquidity situation.

Probability of occurrence: moderate
Net impact: high

Investment requirements: Due to the high intensity of investments that the OGE business involves, additional investment requirements may lead to considerable additional funding requirements in the medium term. However, against the background of regulation, frequent opportunities arising from additional transport revenues are to be weighed against these additional investments.

For example, additional expansion measures may result from changes in the network development plan.

External influences such as natural disasters may partly or completely destroy important plant (e.g. compressor stations), which may lead to temporary interruptions or a local outage preventing gas transportation. In addition to temporary losses of earnings, any necessary reconstruction work may require additional financing.

Probability of occurrence: low
Net impact: high

The increasing age of plants or changes in legal requirements (e.g. emission regulations) may make unscheduled investments necessary.

Probability of occurrence: moderate
Net impact: medium

Information technology: OGE uses complex information technology (IT) to operate and control the pipeline network.

As a consequence, there are fundamentally risks of the failure of parts of the IT systems leading to temporary impairments to business activities. Failure may be the result of deliberate, unauthorised modification (external access) and / or an impairment of functionality due to errors occurring during operation or hardware and software component faults. This could affect both marketing systems and network control systems. A failure of the network control systems could, in the worst case scenario, lead regionally to a total failure of the gas supply system for several days.

Probability of occurrence: low
Net impact: high

Integrity breaches may also affect the marketing or the network control systems. System errors or system failure may mean that proper handling of network control or transport capacity marketing can no longer be guaranteed. This may lead to claims for compensation by shippers.

Probability of occurrence: low
Net impact: medium

OGE safeguards against these risks with redundant systems as well as comprehensive quality assurance and access protection systems. In the last financial year, OGE was officially certified by TÜV Rheinland according to BNetzA's IT security catalogue which is binding for all network operators. The legal requirements are met.

Transport business operation: To ensure fault-free operation of the transport business, OGE employs high quality standards and sophisticated quality assurance concepts. Nevertheless, errors and resultant claims for compensation by customers cannot be entirely excluded.

Probability of occurrence: low
Net impact: high

Technical plant and on-site conditions: Local site conditions change over the course of time (e.g. changed soil conditions due to erosion). As a result, measures to restore the original conditions may be necessary.

Probability of occurrence: low
Net impact of the individual risks: low

Risks which are not significant

OGE generates the majority of its revenues from the marketing of transport capacities with a small number of key accounts.

Due to the regulatory account system, terminations of long-term capacity bookings only lead to temporary declines in revenues. Resulting revenue shortfalls in comparison to the approved revenue cap are recognised in the so-called regulatory account, bear interest and are balanced out through an adjustment of the calendar-year revenue cap in future financial years. There is therefore no sustained risk from fluctuations in demand. The syndicated credit line also minimises the liquidity risk.

Disclosures in accordance with section 289, para. 2, No. 2 HGB

In principle, OGE hedges foreign exchange risks from ongoing procurement transactions using spot and forward exchange transactions. The company does not use any further derivative financial instruments. The hedged procurement transactions already expired during the financial year so the company no longer had such contracts in existence as at 31 December 2017.

Opportunities

The main opportunities for OGE are through additional increases in efficiency compared with the approved revenue cap. However, due to the regulatory framework these are only of a temporary nature. Moreover, further opportunities and risks for OGE are possible as the regulatory framework may change. The risk of higher expansion obligations because of a changed network development plan also presents, on the other hand, an opportunity for higher returns from additional investments.

Overall assessment of opportunity and risk situation

In summary and as in the previous year, the Management sees no risks threatening the continued existence of the company as at the reporting date and for the forecast period and considers the company's risk-bearing capability to be fully ensured.

Material legal disputes

In May 2016, a shipper filed an application with BNetzA to initiate abuse proceedings aimed at obliging OGE to make within-day transport capacities available for booking to all shippers at all network entry and exit points. BNetzA dismissed the application in the autumn of 2016 as unfounded. The shipper filed an appeal against this decision with the Düsseldorf Higher Regional Court. After withdrawal of the appeal lodged by the shipper, the decision became final in 2017.

In September 2016, a storage facility operator filed an application with BNetzA to initiate abuse proceedings against OGE for its refusal to give the storage facility operator a network connection to the OGE H-gas network. In March 2017, BNetzA decided that the network connection obligation in accordance with Section 17 EnWG had not been met sufficiently and obliged OGE to establish the connection without delay. OGE initially lodged an appeal against this decision with the Higher Regional Court of Düsseldorf but has withdrawn this again owing to a change occurring in the meantime in the availability of volumes and capacities of Dutch L-gas.

In January 2017, a shipper initiated abuse proceedings, against OGE among others, in which OGE's obligation to grant non-discriminatory network access in accordance with Section 20, para. 1 EnWG at a concrete entry and exit point was to be examined. BNetzA issued a final decision in favour of OGE in June 2017.

Furthermore, in December 2016 OGE lodged an appeal before the Higher Regional Court of Düsseldorf against BNetzA's decision on the rates of return on capital employed for the 3rd regulatory period. The court's decision is expected on 22 March 2018.

Forecast report

According to the forecast on the overall economic situation made by the German Council of Economic Experts, the German economy is expected to continue to grow strongly in 2018. GDP is forecast to increase to 2.2% on an annual average.

With effect from 1 January 2018, OGE adjusted the standard transport fees for entry and exit. As a result, fees for entry and exit are some 9% higher than in 2017. The system for charging authority-regulated fees remained unchanged. The higher fees are due in particular to higher amounts passed on for the market area conversion charge.

Furthermore, the expansion measures provided for in the gas network development plan continue to have an effect. This expansion work will not only strengthen supply security in Germany but also permit the start of L-H-gas market area conversion in North Rhine-Westphalia, Lower Saxony and Hesse.

Overall, the Management is expecting transport revenues in 2018 to be slightly higher than in 2017.

Revenues of the services business are expected to be on a par with the 2017 financial year. The cost of materials is also forecast to be much higher than in the 2017 financial year, in particular as a result of increasing amounts passed on for the market area conversion charge.

Appreciably higher interest expenses from the measurement of provisions are expected in the financial result. However, this effect will be partly offset by income from equity investments, which is expected to increase appreciably compared with the prior-year figure.

In view of the above-mentioned effects, the Management therefore anticipates that net income for 2018 will be appreciably lower than the figure for the 2017 financial year.

Given continued high capital expenditure on measures under the network development plan, investments are forecast to be on a par with the level in the reporting year.

Owing to the expected development of results and investments, cash flow for 2018 is expected to be on a par with the level in the 2017 financial year.

In summary, the Management believes that the company's liquidity situation will be stable and secure.

In the field of occupational safety, the Management's aim is to confirm the previous trend towards a reduction in the number of workplace accidents and to further develop the safety culture. In order to achieve this, appropriate measures have been either put in place or continued.

Annual Financial Statements for the Period from January 1 to December 31, 2017

Open Grid Europe GmbH, Essen

Balance Sheet as of 31 December 2017

Assets

	Note	€	€	31 Dec. 2016 €k	31 Dec. 2016 €k
A. Fixed assets					
I. Intangible assets	(1)				
1. Internally generated intangible assets		8.786.636		8.268	
2. Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets		36.961.519		45.531	
3. Prepayments		14.906.593		4.968	
			60.654.748		58.767
II. Tangible assets	(2)				
1. Land, land rights and buildings, including buildings on third-party land		62.480.413		61.999	
2. Technical equipment and machinery		737.418.343		633.221	
3. Other equipment, operating and office equipment		24.923.074		22.206	
4. Prepayments and assets under construction		427.891.740		241.913	
			1.252.713.570		959.339
III. Financial assets	(3)				
1. Shares in affiliated companies		405.853.273		341.478	
2. Other long-term equity investments		100.950.003		118.950	
3. Other loans		2.714.568		2.734	
			509.517.844		463.162
			1.822.886.162		1.481.268
B. Current assets					
I. Inventories	(4)				
1. Raw materials and supplies		10.830.410		5.658	
2. Work in progress		48.581.960		53.602	
3. Merchandise		11.479.659		13.739	
4. Other inventories		621.100		1.466	
			71.513.129		74.465
II. Receivables and other assets	(5)				
1. Trade receivables		20.847.459		19.708	
2. Receivables from shareholders		72.531.293		0	
3. Receivables from affiliated companies		3.724.030		38.826	
4. Receivables from companies in which equity investments are held		3.639.447		3.104	
5. Other assets		13.209.670		10.216	
			113.951.899		71.854
III. Cash in hand and bank balances	(6)		83.499.884		149.707
			268.964.912		296.026
C. Prepaid expenses			2.168.648		2.900
D. Excess of plan assets over post-employment benefit liability	(7)		632.280		9.728
			2.094.652.002		**1.789.922**

Shareholders' Equity and Liabilities

	Note	€	€	31 Dec. 2016 €k	31 Dec. 2016 €k
A. Shareholders' equity	(8)				
I. Subscribed capital		110.324.332		110.324	
II. Capital reserve		783.703.068		603.703	
III. Revenue reserves		727.116.685		604.208	
			1.621.144.085		1.318.235
B. Provisions	(9)				
1. Provisions for pensions and similar obligations		9.103.303		6.339	
2. Tax provisions		1.002.789		957	
3. Other provisions		259.362.706		271.481	
			269.468.798		278.777
C. Liabilities	(10)				
1. Payments received on account of orders		25.162.482		14.351	
2. Trade payables		73.899.518		41.869	
3. Liabilities to shareholders		0		50.732	
4. Liabilities to affiliated companies		76.765.860		49.527	
5. Liabilities to companies in which equity investments are held		18.395.232		17.270	
6. Other liabilites		9.623.841		12.138	
			203.846.933		185.887
D. Deferred income			192.186		7.023
			2.094.652.002		**1.789.922**

Open Grid Europe GmbH, Essen

Income Statement
for the period from 1 January to 31 December 2017

		Note	€	€	2016 €k
1.	Revenues	(11)		973.169.909	993.795
2.	Change in finished goods and work in progress			-5.019.611	-2.860
3.	Other own work capitalised	(12)		17.819.986	17.745
4.	Other operating income - of which income from currency translation € 3,648 (previous year € 13k)	(13)		18.091.133	12.953
5.	Cost of materials	(14)			
	a) Cost of raw materials and supplies		-66.390.661		-78.061
	b) Cost of purchased services		-380.970.923		-360.295
				-447.361.584	-438.356
6.	Personnel expenses				
	a) Wages and salaries		-121.239.549		-118.297
	b) Social security, pensions and other benefits - of which for pensions € 7,082,259 (previous year € 7,437k)		-25.335.696		-25.238
				-146.575.245	-143.535
7.	Amortisation of intangible assets and depreciation of tangible assets	(15)		-84.831.280	-90.497
8.	Other operating expenses - of which expenses from currency translation € 7,002 (previous year € 28k)	(16)		-73.219.226	-75.418
9.	Income from equity investments - of which from affiliated companies € 76,326,528 (previous year € 61,770k)	(17)		95.555.367	87.037
10.	Other interest and similar income - of which from affiliated companies € 4,326 (previous year € 7k) - of which interest income from discounting of provisions € 23,672 (previous year € 0)	(18)		148.533	13.310
11.	Interest and similar expenses - of which interest expense from unwinding of discounting of provisions € 49,576,166 (previous year € 26,426k)	(19)		-33.236.598	-25.436
12.	Income taxes	(20)		-91.131.718	-103.251
13.	**Profit after tax**			**223.409.666**	**245.487**
14.	Other taxes	(21)		-501.172	-526
15.	Transfers under profit-and-loss transfer agreements	(22)		-100.000.000	-80.000
16.	**Net income for the year**			**122.908.494**	**164.961**
17.	Transfers to revenue reserves	(23)		-122.908.494	-164.961
18.	**Unappropriated profit**			**0**	**0**

Open Grid Europe GmbH, Essen

Notes to the financial statements for the 2017 financial year

I. General information on the annual financial statements

Open Grid Europe GmbH (OGE), Essen, is entered in the commercial register at Essen local court under commercial register number HRB 17487.

The annual financial statements have been prepared in accordance with the accounting principles laid down in section 242 ff of the German Commercial Code (HGB) as amended by the Accounting Directive Implementation Act (BilRUG), taking the supplementary requirements for corporations (section 264 ff HGB) of the Limited Liability Companies Act (GmbHG) and the Energy Industry Act (EnWG) into account.

In the reporting year, the company fulfilled the size requirements to be classified as a large corporation pursuant to section 267, para. 3 HGB in conjunction with section 267, para. 4 HGB.

The income statement has been prepared in accordance with the type of expenditure format (section 275, para. 2 HGB).

Vier Gas Transport GmbH (VGT), Essen, is the sole shareholder of OGE. A profit-and-loss transfer agreement has been concluded with VGT with effect from 1 January 2013. Fiscal unity for corporate income tax purposes has also existed between the two companies since 1 January 2013.

II. Explanations on the accounting, measurement and disclosure methods

Fixed assets

The development of the fixed asset items in the balance sheet as defined by section 266 HGB in the financial year is shown in detail in the statement of changes in fixed assets, which is presented in the annex to the Notes (section 284, para. 3 HGB).

Intangible and tangible assets are measured at acquisition or production cost less scheduled amortisation/depreciation.

The production cost consists of the mandatory elements in accordance with commercial law pursuant to section 255, para. 2, sentence 2 HGB plus general administrative expenses. In addition to the straight-line depreciation method, the declining-balance method of depreciation has been used. Appropriate expenses within the meaning of section 255, para. 2, sentence 3 HGB for social amenities of the company, for voluntary benefits to personnel and for company pensions are included in production cost to the extent that they were incurred during the period of production.

For tangible assets which already existed at the beginning of the 2009 financial year and had been depreciated using the declining-balance method, the retention option is exercised in accordance with section 67, para. 4, sentence 1 of the Introductory Law to the German Commercial Code (EGHGB) and declining-balance depreciation is continued. Additions since 1 January 2009 are only depreciated on a straight-line basis over the respective asset's customary useful life following the revocation of the principle of reverse authoritativeness in the German Accounting Law Modernisation Act (BilMoG). The useful life is 3 years for purchased intangible assets and ranges from 2 to 10 years for internally generated intangible assets. For tangible assets the useful life is between 5 and 50 years.

The company exercises the option in accordance with section 248, para. 2, sentence 1 HGB and recognises internally generated intangible assets classified as fixed assets. Due to the amount of freely available reserves (capital reserve and revenue reserves), the restriction on distribution and/or transfer pursuant to section 268, para. 8 HGB does not apply.

The company uses the component approach within the meaning of the IDW Accounting Rule HFA 1.016. According to this method, a tangible asset subject to wear and tear is theoretically broken down into its main components with different useful lives in order to determine the amount of the scheduled depreciation for each period for the asset as a whole as the sum of the scheduled depreciation for each period for the individual components of said asset. The component approach is only applicable to such cases where physically separable components are replaced which are material in relation to the total tangible asset. The expense for replacing a component does not affect income as a maintenance expense at the time of incurrence but is capitalised as subsequent acquisition or production cost and depreciated thereafter over the useful life of the respective component.

Due to their minor importance, assets of minor value costing more than € 150 and up to € 1,000 are posted to an asset pool and depreciated on a straight-line basis over a period of five years in line with the tax regulations (section 6, para. 2a Income Tax Law (EStG)).

Shares in affiliated companies and equity investments are stated at acquisition cost. If permanent value impairment is probable, in accordance with section 253, para. 3, sentence 5 HGB the lower fair value is recognised.

Other loans shown under financial assets relate to non-interest-bearing loans granted to employees, which are stated at their present value as of the balance-sheet date. The present values are calculated using an interest rate which is adequate for the remaining term.

Inventories

Raw materials and supplies stated under inventories are generally recognised at average acquisition cost in accordance with section 240, para. 4 HGB or the lower market value, with the strict lower-of-cost-or-market principle in accordance with section 253, para. 4 HGB being applied. Appropriate write-downs are made for inventory risks arising from storage periods and reduced usability.

Work in progress is stated at production cost. Production cost is stated with the mandatory elements under commercial law, plus general administrative expenses as defined by section 255, para. 2, sentence 2 HGB. Appropriate expenses within the meaning of section 255, para. 2, sentence 3 HGB for social amenities of the company, for voluntary benefits to personnel and for company pensions are included in production cost to the extent that they were incurred during the period of production.

The gas stocks in the transmission network recognised under merchandise are measured at acquisition cost. Measurement is generally made using the LIFO method, the strict lower-of-cost-or-market-principle being applied.

Emission rights are stated at acquisition cost, the strict lower-of-cost-or-market principle being applied.

Receivables and other assets

Receivables and other assets are capitalised at nominal value and measured taking into account all discernible (individual) risks. In addition to individual valuation adjustments, the measurement of trade receivables allows for the general credit risk by making a general valuation adjustment of 1.50% on net receivables reduced by receivables for which individual valuation adjustments have been made.

Unless stated otherwise in section III, the company's receivables and other assets have a remaining term of less than one year.

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value.

Provisions

In accordance with section 253, para. 1, sentence 2 HGB, provisions are stated at the settlement amounts considered necessary when applying sound business judgement, future price and cost increases being taken into account. Provisions with a remaining term of more than one year are discounted in accordance with section 253, para. 2, sentence 1 HGB in conjunction with section 253, para. 2, sentences 4 and 5 HGB, subject to the remaining-term-specific average interest rate (euro zone) for the previous seven - in the case of pensions and gas allowances (pension obligations) ten - financial years published monthly by Deutsche Bundesbank. The individual provisions are discounted taking into account the remaining term of the respective provision as of the balance-sheet date.

Aggregated other provisions of not insignificant importance are explained in accordance with section 285, No. 12 HGB.

Income from the discounting of provisions as well as expenses from the subsequent unwinding of discounting are stated in the income statement under "Other interest and similar income" and "Interest and similar expenses", respectively, and disclosed as "thereof" items pursuant to section 277, para. 5 HGB.

As in the previous year, the 2005 G mortality tables of Dr. Klaus Heubeck have been used as a biometric basis for calculating pension provisions.

In deviation from the discounting of provisions generally based on their remaining terms in accordance with section 253, para. 2, sentence 1 HGB, the company exercises the option in accordance with section 253, para. 2, sentence 2 HGB. Accordingly, pension and gas allowance provisions are discounted assuming a term of fifteen years and using an average interest rate of the last ten financial years determined by the Bundesbank.

The difference between the value based on an average market rate of the past ten financial years and that based on the past seven financial years is to be determined in accordance with section 253, para. 6 HGB and is in principle subject to the restriction on distribution.

Due to the amount of freely available reserves, the restriction on distribution in section 253, para. 6, sentence 2 HGB does not apply.

Pension and gas allowance provisions are measured on the basis of actuarial principles using the projected unit credit method (BilMoG value) and taking into account the above-mentioned average interest rate of the past ten financial years in the amount of 3.68% p.a. In doing so, the following dynamic components are taken into account, in addition to the estimated duration of the beneficiary employees:

- Wage and salary trend: 2.75% p.a.
- Pension trend: 2.00% p.a.

The market rate of 3.68% p.a. corresponds to the discount rate published for December 2017.

Effects resulting from the change in the discount rate are recognised in the interest result.

To secure against insolvency and to finance the employees' claims under retirement pensions, part-time phased-retirement obligations and long-term working-time accounts, a double-sided CTA trust relationship exists between OGE as the trustor and Helaba Pension Trust e. V. (Helaba), Frankfurt am Main, as the trustee.

The trustee holds and administers the trust assets for the trustor in a fiduciary capacity ring-fenced and separate from the trust assets of other trustors and the trustee's own assets.

The trust assets fulfil the requirements for recognition as plan assets in accordance with section 246, para. 2, sentence 2 HGB as they are protected from all other creditors and serve exclusively to meet the liabilities from retirement pension benefits or similar long-term obligations. In accordance with section 253, para. 1, sentence 4 HGB, the plan assets are stated at fair value (corresponding to market value) and, in accordance with section 246, para. 2, sentence 2 HGB, are offset against the provisions for pensions, the provisions for performance arrears in connection with part-time phased-retirement programmes and the provisions for long-term working-time accounts. Should an asset surplus result from the offsetting of provisions against the relevant plan assets, this surplus is shown on the assets side under "Surplus arising from offsetting".

Provisions for obligations to reduce fees in future are stated at their settlement amount. When the provisions are measured in accordance with section 5 of the German Incentive Regulation Ordinance (ARegV), advantages from hitherto unrealised future claims are taken into account provided that they will definitely be realised when the obligation is fulfilled.

Liabilities

Liabilities are stated at their settlement amounts in accordance with section 253, para. 1, sentence 2 HGB.

Deferred taxes

OGE and VGT have formed a fiscal unit since 1 January 2013 with VGT as the controlling company. Therefore, OGE as the controlled company does not fall within the scope of section 285, No. 29 HGB, has not established any deferred taxes and has also not made any disclosures in accordance with section 285, No. 30 HGB.

III. Notes to the Balance Sheet

(1) Intangible assets

Additions to intangible assets mainly include software in the amount of € 12.0 million as well as construction cost subsidies in the amount of € 0.1 million.

In the financial year, additions to internally generated intangible assets amounted to € 1.4 million. Total research and development expenses pursuant to section 285, no. 22 HGB also amounted to € 1.4 million in the financial year as no research expenses were incurred. Of this figure, € 0.9 million relates to assets which are still under development.

(2) Tangible assets

As at the reporting date, the net book value of tangible assets amounted to € 1,252.7 million (previous year: € 959.3 million). Additions to tangible assets break down as follows:

• Land, land rights and buildings	0.87 %
• Technical equipment and machinery	28.24 %
• Other tangible assets and assets under construction	70.89 %
	100.00 %

Additions result mainly from the construction of a new compressor station in Herbstein (€ 94.2 million) and the construction of the new Schwandorf-to-Forchheim-to-Finsing pipeline (€ 70.1 million) as well as the installation of three compressor units in Werne (€ 61.6 million).

(3) Financial assets

The list of shareholdings (section 285, no. 11 HGB) is attached to the notes.

Additions to financial assets relate mainly to contributions of € 60.4 million to Zeelink GmbH & Co. KG (Zeelink), Essen, and contributions of € 4.0 million to Line WORX GmbH (Line WORX), Essen. The disposals of financial assets relate exclusively to a withdrawal of € 18.0 million from jordgasTransport GmbH (JGT), Hanover.

Other loans mainly comprise non-interest-bearing loans to employees.

(4) Inventories

The items disclosed under inventories relate to work in progress (€ 48.6 million), merchandise (gas stocks in the transmission network) (€ 11.5 million), raw materials and supplies (€ 10.8 million) and emission rights (€ 0.6 million).

The difference resulting from application of the LIFO method for the measurement of gas stocks is € 3.3 million.

(5) Receivables and other assets

Trade receivables result from the service and transport businesses.

Receivables from shareholders are mainly from a resolved contribution to the capital reserve in the amount of € 100.0 million netted against liabilities under the Group tax levy in the amount of € 29.1 million.

Receivables from affiliated companies result mainly in the amount of € 11.1 million from the profit-and-loss transfer agreement with Line WORX, netted against liabilities arising from clearing transactions in the amount of € 8.5 million, as well as imputable taxes from Vier Gas Services GmbH & Co. KG (VGS), Essen, in the amount of € 1.1 million.

Receivables from companies in which equity investments are held mainly comprise trade receivables from GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen, in the amount of € 2.8 million and from NetConnect Germany GmbH & Co. KG, Ratingen, in the amount of € 0.8 million.

Other assets comprise mainly value-added tax refund claims of € 4.0 million, gas tax refund claims of € 2.5 million, and market area changeover and biogas levy accruals of € 3.4 million. Other assets amounting to € 1.0 million (previous year: € 1.0 million) are due after more than one year.

(6) Cash in hand and bank balances

Cash and cash equivalents relate to cash in hand at the operating sites and credit balances with banks.

(7) Excess of plan assets over post-employment liability

This item includes the excess of plan assets from the offsetting of the plan assets at Helaba (€ 0.9 million) against the corresponding provisions for obligations arising from part-time phased-retirement programmes (€ 0.3 million).

The plan asset acquisition costs for provisions for part-time phased-retirement obligations amount to € 0.3 million. In the 2017 financial year, € 1.1 million was paid out of plan assets.

(8) Shareholders' equity

As in the prior year, the **subscribed capital** (share capital) amounts to € 110.3 million. The sole shareholder of OGE is VGT.

€ 180.0 million was paid into the **capital reserve**.

Revenue reserves in the amount of € 75.4 million result from the direct transfer of reversed amounts from the first-time valuation of provisions in accordance with the provisions of BilMoG and refer to the financial years 2009 and 2010. Furthermore, a total of € 528.8 million was transferred to revenue reserves in the 2014, 2015 and 2016 financial years.

In the 2017 financial year, in line with the profit-and-loss transfer agreement existing with VGT, on the basis of sound commercial judgement economically sensible transfers of € 122.9 million were made to revenue reserves with a view to future investment projects in connection with the network development plan.

Revenue reserves refer exclusively to other revenue reserves according to section 266, para. 3 HGB.

(9) Provisions

Provisions for pensions and similar obligations contain provisions for pensions (€ 336.6 million), netted against the corresponding plan assets at Helaba (€ 334.2 million), as well as provisions for gas allowances.

The difference between the recognition of provisions for pensions and gas allowances based on the average market rate of the past ten financial years and recognition of the provisions based on the average market rate of the past seven financial years is € 59.0 million and € 1.0 million, respectively.

The plan asset acquisition costs for provisions for pensions amount to € 273.3 million. In the 2017 financial year, payments of € 7.1 million were made into these plan assets.

Tax provisions comprise mainly provisions for corporate and trade tax.

Other provisions (€ 259.4 million) mainly comprise provisions for the removal of disused pipelines amounting to € 96.9 million, provisions for the removal of above-ground facilities amounting to € 96.4 million and staff-related provisions amounting to € 40.5 million. In addition, there are obligations amounting to € 10.6 million to hand over gas in the pipelines. Staff-related provisions include the excess of provisions from the offsetting of the plan assets at Helaba (€ 25.5 million) against the corresponding provisions for long-term working-time account obligations (€ 25.7 million). The plan asset acquisition costs amount to € 22.0 million. In the 2017 financial year, payments of € 6.5 million were made into the plan assets.

(10) Liabilities

	Total **31 Dec. 2017**	Remaining term of up to 1 year	Remaining term of more than 1 year	**Total** **31 Dec. 2016**
Payments received on account of orders	**€ 25,162,482**	€ 25,162,482	€ 0	**€ 14,351,342**
Trade payables	**€ 73,899,518**	€ 72,671,565	€ 1,227,953	**€ 41,868,951**
Liabilities to shareholders	**€ 0**	€ 0	€ 0	**€ 50,731,662**
Liabilities to affiliated companies	**€ 76,765,860**	€ 76,765,860	€ 0	**€ 49,527,342**
Liabilities to companies in which equity investments are held	**€ 18,395,232**	€ 18,395,232	€ 0	**€ 17,270,191**
Other liabilities	**€ 9,623,841**	€ 9,454,862	€ 168,979	**€ 12,137,209**
(of which taxes)	(€ 1,743,065)	(€ 1,743,065)	(€ 0)	(€ 5,947,317)
	€ 203,846,933	€ 202,450,001	€ 1,396,932	**€ 185,886,697**

There are no liabilities with a remaining term of more than five years nor liabilities secured by liens or other rights.

Trade payables result mainly from the transport business and the services business.

Liabilities to affiliated companies comprise mainly advance payments received, liabilities resulting from the capital increase at Zeelink, called in December 2017, and liabilities arising from clearing transactions and are netted against receivables under profit-and-loss transfer agreements. The amount of trade payables included in this line item is insignificant.

Liabilities to companies in which equity investments are held contain mainly liabilities arising from clearing transactions amounting to € 1.6 million and advance payments received amounting to € 3.3million and are netted against receivables under profit-and-loss transfer agreements amounting to € 2.4 milion and trade receivables amounting to € 6.2 million. Trade payables are largely to Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Essen, in the amount of € 6.6 million.

Other liabilities result mainly from construction cost subsidies received of € 7.2 million and taxes of € 1.7 million.

Contingent liabilities, off-balance-sheet transactions and other financial obligations

The syndicated credit line in the amount of € 200.0 million concluded by VGT as per 20 December 2013 was replaced with effect from 4 August 2017 by a new syndicated loan in the amount of € 200.0 million.

OGE is also a borrower under the loan agreement and therefore entitled to use this credit line. No collateral security was provided for this syndicated credit line. For the provision of sureties and guarantees in operational business, there is also still an ancillary facility amounting to € 1.5 million under the syndicated loan facility. This ancillary facility is used as a guarantee line. As of the reporting date 31 December 2017, the syndicated credit line had been drawn down in the amount of € 1.0 million through the issue of a bank guarantee.

The financial impact of transactions not contained in the balance sheet within the meaning of section 285, no. 3a HGB amounts to € 183.5 million p.a. at the balance-sheet date from long-term contracts for the leasing of the pipeline network, of which € 123.3 million p.a. relates to affiliated companies.

Outstanding capital contribution liabilities for uncalled capital contributions with respect to Zeelink exist in the amount of € 67.5 million.

Furthermore, other financial obligations of € 365.4 million exist and relate to purchase commitments. Of this amount, € 13.8 million relate to affiliated companies.

OGE is connected with the partner of the jointly held subsidiary JGT through a consortium agreement. Under this agreement, the parties have mutual guarantee obligations, the infringement of which could lead to mutual claims in the amount of € 5.0 million. As almost all underlying obligations are fulfilled by both partners, it is considered improbable that a guarantee will be infringed.

IV. Notes to the income statement

(11) Revenues

In the 2017 financial year, revenues were recognised in accordance with ection 277, para. 1 HGB.

Revenues result from the gas transport business and transport-related services (€ 782.5 million) and from technical and commercial services (€ 190.6 million); they are mainly generated in Germany. € 164.6 million of the revenues was generated with affiliated or associated companies. The decrease in revenues compared with the previous year is mainly due to the termination of contracts for the transport of gas.

(12) Other own work capitalised

The company capitalised own work for intangible assets in the amount of € 3.2 million in the financial year.

(13) Other operating income

This item results mainly from income from the market area changeover and biogas levies in the amount of € 3.4 million and income not relating to the accounting period from the reversal of write-downs of inventories in the amount of € 4.8 million and income from the reversal of provisions in the amount of € 4.1 million. Furthermore, this item contains an insignificant amount of income not relating to the accounting period.

(14) Cost of materials

Cost of materials covers expenses for beneficial use fees, also in regard to affiliated companies and companies in which equity investments are held, expenses for fuel energy, natural gas tax as well as expenses arising from the market area conversion and biogas levies. Furthermore, this item also includes repair and maintenance expenses as well as other purchased services.

(15) Depreciation and amortisation

In the reporting year, amortisation of intangible assets and depreciation of tangible assets amounted to € 84.8 million (previous year: € 90.5 million). Of this figure, amortisation of intangible assets amounted to € 11.7 million and depreciation of tangible assets to € 73.1 million.

(16) Other operating expenses

Other operating expenses mainly comprise IT costs, other administrative expenses and market area changeover and biogas levy expenses. This item contains an insignificant amount of expenses not relating to the accounting period.

(17) Income from equity investments

	2017	2016
Income from equity investments	€ 27.4 m	€ 30.8 m
Income from profit-and-loss transfer agreements	€ 69.3 m	€ 56.7 m
Cost of loss absorption	€ -1.1 m	€ -0.5 m
	€ 95.6 m	€ 87.0 m

(18) Other interest and similar income

Other interest and similar income comprise mainly interest income from the unwinding of discounting of loans, interest income on bank balances and interest on arrears received.

(19) Interest and similar expenses

The unwinding of discounting of provisions to be disclosed separately in the income statement pursuant to section 277, para. 5, sentence 1 HGB, amounts to € 49.6 million. Of this figure, € 33.1 million relates to the unwinding of discounting of provisions for pension obligations and long-term working-time accounts. This item also includes income in the amount of € 16.4 million from the measurement of the corresponding plan assets at fair value in accordance with section 285, no. 25 in conjunction with section 246, para. 2, sentence 2 HGB. Given the amount of freely available reserves, the restriction on distribution and/or transfer under section 268, para. 8 HGB does not apply.

(20) Income taxes

The taxes on income relate mainly to Group tax levies of the financial year (€ 91.1 million).

(21) Other taxes

This item includes real estate tax, non-deductible value-added tax and motor vehicle tax.

(22) Transfers under profit-and-loss transfer agreements

The transfers under the profit-and-loss transfer agreements result from the profit-and-loss transfer agreement concluded with VGT.

(23) Transfers to revenue reserves

In the financial year, in line with the profit-and-loss transfer agreement, € 122.9 million were transferred to revenue reserves for future investment projects in connection with the network development plan.

V. Other disclosures

Restriction on distribution or transfer

Capitalisation of internally generated intangible assets (€ 8.8 million) and accounting for plan assets at fair value (€ +65.0 million compared with the acquisition costs) according to section 268, para. 8 HGB and application of an average market interest rate for provisions for pensions based on the last ten financial years (difference of € 60.0 million) according to section 253, para. 6 sentence 2 HGB result in a total amount of € 133.8 million, which is subject to a restriction on transfer. Due to the amount of freely available reserves (capital reserve and revenue reserves), this restriction on transfer does not apply.

Number of employees on annual average

In the financial year, the number of employees, as defined by section 285, no. 7 in conjunction with section 267, para. 5 of the German Commercial Code (HGB), i.e. excluding management and apprentices, totalled an average of 322 industrial workers and 1,035 salaried employees (previous year: 322 industrial workers and 1,032 salaried employees).

Transactions with related parties

Related natural persons within the meaning of section 285, no. 21 HGB are the management and the members of the Supervisory Board. Related legal entities are, in particular, VGT and VGS, as well as the equity investments.

Material transactions agreed on terms and conditions unusual in the market have neither taken place with natural persons nor with legal entities in the reporting year.

Auditor’s fee

The company does not disclose the auditor's fee in accordance with section 285, no. 17 HGB as this figure is disclosed in the consolidated financial statements of VGT.

Large-volume transactions pursuant to section 6b, para. 2 of the Energy Industry Act (EnWG)

Large-volume transactions were carried out mainly with the equity investments of OGE and primarily relate to income from services (€ 130.9 million) as well as expenses for the lease of the pipeline network (€ 183.5 million).

Supervisory Board of Open Grid Europe GmbH, Essen

The following were members of the Supervisory Board in the 2017 financial year:

Hilko Schomerus
Chairman
Darmstadt
Managing Director, Macquarie Capital (Europe) Limited

Frank Lehmann
Deputy Chairman
Moers
Chairman of the Works Council of Open Grid Europe GmbH

Önder Ata
Mülheim an der Ruhr
Deputy Chairman of the Works Council of Open Grid Europe GmbH

Dominik Damaschke
Munich
Senior Investment Manager, MEAG Munich ERGO AssetManagement GmbH

Guy Lambert
Abu Dhabi/United Arab Emirates
Head of Utilities, Abu Dhabi Investment Authority (ADIA)

Lincoln Hillier Webb
Victoria/Canada
Vice President, British Columbia Investment Management Corporation

The members of the Supervisory Board received remuneration of € 0.1 million for their work in the 2017 financial year.

Management of Open Grid Europe GmbH

The Members of the Management in the reporting year were:

Stephan Kamphues until 30 June 2017
Essen
Managing Director responsible for Operations and Chairman of the Board of Management

Dr Jörg Bergmann
Bochum
Managing Director responsible for Finance and Regulation until 30 June 2017
Managing Director responsible for Operations and Chairman of the Board of Management from 1 July 2017

Wolfgang Anthes
Moers
Managing Director responsible for Business Services and Human Resources

Dr Thomas Hüwener
Haltern
Managing Director responsible for Technology

Dr. Frank Reiners from 1 February 2018
Düsseldorf
Managing Director responsible for Finance and Regulation

In the reporting year, the Board of Management received total remuneration of € 3.2 million (previous year: € 2.7 million) as defined by section 285, no. 9a HGB for its work. For the total remuneration of former managing directors as defined by section 285, no. 9b HGB, the company has made use of the protection-of-interests clause under section 286, para. 4 HGB.

Events after the reporting date

There have been no events of particular importance as defined by section 285, no. 33 HGB that occurred after the reporting date and are neither taken into account in the income statement nor in the balance sheet.

Group

With reference to section 291 HGB, OGE itself does not prepare consolidated financial statements and a Group management report but is included with exempting effect in the consolidated financial statements prepared by VGT in accordance with IFRS, as they are to be applied in the European Union. VGT, as the parent company, prepares consolidated financial statements for the smallest group of companies. Vier Gas Holdings S.à r.l., Luxembourg, as the parent company, prepares consolidated financial statements for the largest group of companies. Both financial statements are published in the electronic Federal Gazette in accordance with section 325 HGB.

Essen, 14 März 2018

Open Grid Europe GmbH
The Board of Management

Dr Bergmann	Anthes	Dr Hüwener	Dr Reiners

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2017 financial year

	Acquisition and production costs					Cumulative amortisation/depreciation				Net book values	
	1 Jan. 2017	Additions	Disposals	Transfers	31 Dec. 2017	1 Jan. 2017	Additions	Disposals	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
	€	€	€	€	€	€	€	€	€	€	€
Intangible assets											
Internally generated intangible assets	10.012.007,76	1.372.472,57	0,00	0,00	11.384.480,33	1.744.275,88	853.568,70	0,00	2.597.844,58	8.786.635,75	8.267.731,88
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	136.536.425,78	1.366.525,44	-527.223,09	892.752,45	138.268.480,58	91.005.691,36	10.828.493,65	-527.223,09	101.306.961,92	36.961.518,66	45.530.734,42
Prepayments	4.968.076,37	10.831.268,73	0,00	-892.752,45	14.906.592,65	0,00	0,00	0,00	0,00	14.906.592,65	4.968.076,37
	151.516.509,91	**13.570.266,74**	**-527.223,09**	**0,00**	**164.559.553,56**	**92.749.967,24**	**11.682.062,35**	**-527.223,09**	**103.904.806,50**	**60.654.747,06**	**58.766.542,67**
Tangible assets											
Land, land rights and buildings, including buildings on third-party land	191.554.216,82	3.181.500,02	-120.619,11	538.037,57	195.153.135,30	129.554.828,90	3.117.893,28	0,00	132.672.722,18	62.480.413,12	61.999.387,92
Technical equipment and machinery	4.005.498.318,95	103.584.778,24	-5.131.650,35	65.624.211,84	4.169.575.658,68	3.372.277.489,59	64.960.206,45	-5.080.380,28	3.432.157.315,76	737.418.342,92	633.220.829,36
Operating and office equipment	81.870.202,81	3.851.610,71	-3.653.309,66	4.048.260,95	86.116.764,81	59.663.738,13	5.071.117,91	-3.541.165,35	61.193.690,69	24.923.074,12	22.206.464,68
Prepayments and assets under constuction	245.906.670,10	256.188.968,38	0,00	-70.210.510,36	431.885.128,12	3.993.387,64	0,00	0,00	3.993.387,64	427.891.740,48	241.913.282,46
	4.524.829.408,68	**366.806.857,35**	**-8.905.579,12**	**0,00**	**4.882.730.686,91**	**3.565.489.444,26**	**73.149.217,64**	**-8.621.545,63**	**3.630.017.116,27**	**1.252.713.570,64**	**959.339.964,42**
Financial assets											
Shares in affiliated companies	341.978.272,39	64.375.000,00	0,00	0,00	406.353.272,39	499.999,00	0,00	0,00	499.999,00	405.853.273,39	341.478.273,39
Equity investments	118.950.002,58	0,00	-18.000.000,00	0,00	100.950.002,58	0,00	0,00	0,00	0,00	100.950.002,58	118.950.002,58
Other loans	3.110.626,55	379.885,00	-462.735,41	0,00	3.027.776,14	377.287,78	0,00	-64.079,37	313.208,41	2.714.567,73	2.733.338,77
	464.038.901,52	**64.754.885,00**	**-18.462.735,41**	**0,00**	**510.331.051,11**	**877.286,78**	**0,00**	**-64.079,37**	**813.207,41**	**509.517.843,70**	**463.161.614,74**
	5.140.384.820,11	**445.132.009,09**	**-27.895.537,62**	**0,00**	**5.557.621.291,58**	**3.659.116.698,28**	**84.831.279,99**	**-9.212.848,09**	**3.734.735.130,18**	**1.822.886.161,40**	**1.481.268.121,83**

List of shareholdings in accordance with section 285, no. 11 HGB
as of 31 December 2017

Consecutive number	Company	Share of Open Grid Europe GmbH or subsidiary in the company's equity in %	Share-holding companies (consecutive number)	Equity (in €k) 1) 31 Dec. 2017	Annual result (in €k) 1) 2017
Major affiliated companies					
1	Open Grid Europe GmbH, Essen 2)			1.621.144	222.908
2	Open Grid Regional GmbH, Essen 2)	100,00	1	500	-790
3	Mittelrheinische Erdgastransportleitungsgesellschaft mbH, Essen 2)	100,00	1	64.150	55.852
4	MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, Essen	51,00	1	88.334	26.783
5	Line Worx GmbH, Essen 2)	100,00	1	84.725	11.115
6	Zeelink GmbH & Co. KG, Essen	75,00	1	127.948	-403
Other major equity investments					
7	Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, Dortmund 3)	50,00	1	28.383	4.864
8	NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, Schneiderkrug	40,55	1	63.754	37.693
9	Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Essen	51,00	1	86.542	1.793
10	GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen 3)	29,24	5	36.213	36.213
11	jordgasTransport GmbH (formerly Norddeutsche Erdgastransport Infrastruktur GmbH), Hanover 3)	50,00	1	112.188	4
Affiliated companies of minor importance					
12	MEGAL Verwaltungs-GmbH, Essen	51,00	1	49	2
13	PLEdoc GmbH, Essen 2)	100,00	1	589	2.314
14	Open Grid Service GmbH, Essen 2)	100,00	1	153	-316
15	NEL Beteiligungs GmbH, Essen 2)	100,00	1	25	1
16	Zeelink-Verwaltungs-GmbH, Essen	75,00	1	28	2
Other equity investments of minor importance					
17	Trans Europa Naturgas Pipeline Verwaltungs-GmbH, Essen	50,00	1	46	2
18	Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, Dortmund 3)	50,00	1	38	1
19	DEUDAN-Deutsch/Dänische Erdgastransport-gesellschaft mbH & Co. Kommanditgesellschaft, Handewitt	24,99	1	4.833	318
20	NetConnect Germany GmbH & Co. KG, Ratingen 3)	35,00	1	5.000	0
21	NetConnect Germany Management GmbH, Ratingen 3)	35,00	1	75	3
22	NETRA GmbH Norddeutsche Erdgas Transversale, Schneiderkrug 3)	33,33	1	111	2
23	caplog-x GmbH, Leipzig 3)	31,33	1	653	453
24	Liwacom Informationstechnik GmbH, Essen 3)	33,33	1	486	157
25	GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen 3)	29,24	5	65	2
26	GasLINE CP Customer Projects GmbH, Straelen 3)	100,00	10	304	48
27	DEUDAN-Deutsch/Dänische Erdgastransport-Gesellschaft mbH, Handewitt 3)	24,99	1	77	2
28	PRISMA European Capacity Platform GmbH, Leipzig 3)	1,33	1	374	112

1) Equity and annual result based on accounting principles in accordance with HGB
2) Profit-and-loss transfer agreement (result before profit transfer or loss absorption)
3) Equity and annual result relate to the previous year

Activity Reports 2017

Open Grid Europe GmbH, Essen

Unbundling balance sheets as of 31 December 2017

Assets €			Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	**Fixed assets**						
	I.	Intangible assets					
		1. Internally generated intangible assets	7.778.942	203.897	803.797	0	8.786.636
		2. Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	35.035.970	95.757	1.829.792	0	36.961.519
		3. Advance payments made	12.919.484	568.963	1.418.146	0	14.906.593
			55.734.396	868.617	4.051.735	0	60.654.748
	II.	Tangible assets					
		1. Land, similar rights and buildings	51.002.369	178.987	11.299.057	0	62.480.413
		2. Technical equipment and machinery	736.930.782	4.329	483.232	0	737.418.343
		3. Other equipment, factory and office equipment	14.568.501	46.786	10.307.787	0	24.923.074
		4. Advance payments made and construction in progress	426.887.871	39.799	964.070	0	427.891.740
			1.229.389.523	269.901	23.054.146	0	1.252.713.570
	III.	Financial assets					
		1. Shares in affiliated companies	0	0	405.853.273	0	405.853.273
		2. Equity investments	0	0	100.950.003	0	100.950.003
		3. Other loans	1.604.076	32.874	1.077.618	0	2.714.568
			1.604.076	32.874	507.880.894	0	509.517.844
			1.286.727.995	1.171.392	534.986.775	0	1.822.886.162
B.	**Current assets**						
	I.	Inventories					
		1. Raw materials and supplies	9.763.615	2.166	1.064.629	0	10.830.410
		2. Work in progress	6.897.329	0	41.684.631	0	48.581.960
		3. Merchandise	11.479.659	0	0	0	11.479.659
		4. Other inventories	621.100	0	0	0	621.100
			28.761.703	2.166	42.749.260	0	71.513.129
	II.	Receivables and other assets					
		1. Trade receivables	16.291.133	685.218	3.871.108	0	20.847.459
		2. Receivables from shareholders	53.898.310	0	18.847.781	-214.798	72.746.091
		3. Receivables from affiliated companies	673.869	11.352	3.038.809	0	3.724.030
		4. Receivables from companies in which equity investments are held	863.127	31	2.776.289	0	3.639.447
		5. Other assets	11.712.887	41.040	1.455.743	0	13.209.670
		from that receivables with a residual term of one year	*1.025.017*	*0*	*0*	*0*	*1.025.017*
			83.439.326	737.641	29.989.730	-214.798	113.951.899
	III.	Cash on hand and bank balances	47.239.754	802.669	35.457.461	0	83.499.884
			159.440.783	1.542.476	108.196.451	-214.798	268.964.912
C.	**Prepaid expenses**		1.313.270	24.765	830.613	0	2.168.648
D.	**Asset surplus arising from offsetting**		376.396	7.714	248.170	0	632.280
E.	**Capital clearing item**		248.103.947	0	0	-248.103.947	0
			1.695.962.391	**2.746.347**	**644.262.009**	**-248.318.745**	**2.094.652.002**

Open Grid Europe GmbH, Essen

Unbundling balance sheets as of 31 December 2017

Shareholders' equity and Liabilities €		Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	**Shareholders' equity**					
	I. Capital shares Share capital	77.875.081	70.895	32.378.356	0	110.324.332
	II. Capital reserve	553.195.641	503.609	230.003.818	0	783.703.068
	III. Revenue reserves	704.927.388	48.479	22.140.818	0	727.116.685
		1.335.998.110	622.983	284.522.992	0	1.621.144.085
B.	**Provisions**					
	1. Provisions for pensions and similar obligations	5.419.196	111.060	3.573.047	0	9.103.303
	2. Tax provisions	599.705	9.925	393.159	0	1.002.789
	3. Other provisions	241.007.367	549.982	17.805.357	0	259.362.706
		247.026.268	670.967	21.771.563	0	269.468.798
C.	**Liabilities**					
	1. Advance payments received on orders	19.251.851	0	5.910.631	0	25.162.482
	from that with a residual term of one year	*19.251.851*	*0*	*5.910.631*	*0*	*25.162.482*
	2. Trade payables	65.999.781	330.600	7.569.137	0	73.899.518
	from that with a residual term of up to one year	*64.986.610*	*324.632*	*7.360.323*	*0*	*72.671.565*
	from that with a residual term between one and five years	*1.013.171*	*5.968*	*208.814*	*0*	*1.227.953*
	from that with a residual term of more than five years	*0*	*0*	*0*	*0*	*0*
	3. Liabilities to shareholders	0	214.798	0	-214.798	0
	from that with a residual term of up to one year	*0*	*214.798*	*0*	*-214.798*	*0*
	4. Liabilities to affiliated companies	4.801.206	3.661	61.460.993	0	66.265.860
	from that with a residual term of up to one year	*4.801.206*	*3.661*	*61.460.993*	*0*	*66.265.860*
	5. Liabilities to companies in which equity investments are held	13.945.137	6.791	14.943.304	0	28.895.232
	from that with a residual term of up to one year	*13.945.137*	*6.791*	*14.943.304*	*0*	*28.895.232*
	6. Other liabiliites	8.827.077	23.311	773.453	0	9.623.841
	from that with a residual term of up to one year	*8.658.098*	*23.311*	*773.453*	*0*	*9.454.862*
	from that taxes	*1.037.647*	*21.265*	*684.153*	*0*	*1.743.065*
		112.825.052	579.161	90.657.518	-214.798	203.846.933
D.	**Deferred income**	112.961	0	79.225	0	192.186
E.	**Capital clearing item**	0	873.234	247.230.713	-248.103.947	0
		1.695.962.391	**2.746.347**	**644.262.009**	**-248.318.745**	**2.094.652.002**

Contingent liabilities, off-balance-sheet transactions and other financial obligations

The syndicated credit line in the amount of € 200.0 million concluded by VGT as per 20 December 2013 was replaced with effect from 4 August 2017 by a new syndicated loan in the amount of € 200.0 million. OGE is also a borrower under the loan agreement and therefore entitled to use this credit line. No collateral security was provided for this syndicated credit line. For the provision of sureties and guarantees in operational business, there is still an ancillary facility amounting to € 1.5 million under the syndicated loan facility. This ancillary facility is used as a guarantee line. The ancillary facility will be allocated to the Activities outside Gas Sector.
As at the reporting date 31 December 2017, the syndicated credit line had been drawn down in the amount of € 1.0 million through the issue of a bank guarantee.

The financial impact of transactions not contained in the balance sheet within the meaning of section 285, No. 3a HGB amounts to € 183.5 million p.a. as at the balance-sheet date from long-term contracts for the leasing of the pipeline network (Grid Business), of which € 123.3 million p.a. relates to affiliated companies.
Outstanding capital contribution liabilities for uncalled capital contributions with respect to Zeelink exist in the amount of € 67.5 million (Activities outside Gas Sector).
Furthermore, other financial obligations of € 365.4 million exist and relate to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid Business € 329.4 million, Other Activities within Gas Sector € 0.1 million and Activities outside Gas Sector € 35.9 million. € 13.8 million of other financial obligations relate to affiliated companies.

OGE is connected with the partner of the jointly held subsidiary JGT through a consortium agreement. Under this agreement, the parties have mutual guarantee obligations, the infringement of which could lead to mutual claims in the amount of € 5.0 million. As almost all underlying obligations are fulfilled by both partners, it is considered improbable that a guarantee will be infringed. The guarantee obligation will be allocated to the Activities outside Gas Sector.

Open Grid Europe GmbH, Essen

Unbundling Income Statements
for the period from 1 January to 31 December 2017

€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1. Revenues	795,953,259	6,392,152	170,824,498	**973,169,909**
2. Change in finished goods and work in progress	-881,033	0	-4,138,578	**-5,019,611**
3. Other own work capitalised	17,819,986	0	0	**17,819,986**
4. Other operating income	16,030,405	8,465	2,052,263	**18,091,133**
- of which income from currency translation	3,305	8	335	**3,648**
5. Cost of materials	-403,278,916	-81,663	-44,001,005	**-447,361,584**
a) Cost of raw materials and supplies	-59,305,284	-14,788	-7,070,589	**-66,390,661**
b) Cost of purchased services	-343,973,632	-66,875	-36,930,416	**-380,970,923**
6. Personnel expenses	-87,265,440	-1,783,195	-57,526,610	**-146,575,245**
a) Wages and salaries	-72,325,478	-1,459,702	-47,454,369	**-121,239,549**
b) Social security, pensions and other benefits	-14,939,962	-323,493	-10,072,241	**-25,335,696**
- of which for pensions	-4,204,632	-91,489	-2,786,138	**-7,082,259**
7. Amortisation of intangible assets and depreciation of tangible assets	-80,502,538	-190,399	-4,138,343	**-84,831,280**
8. Other operating expenses	-51,419,114	-1,082,182	-20,717,930	**-73,219,226**
- of which expenses from currency translation	-4,813	-53	-2,136	**-7,002**
9. Income from equity investments	0	0	95,555,367	**95,555,367**
a) Income from investments	0	0	27,405,207	**27,405,207**
- of which from affiliated companies	0	0	8,176,369	**8,176,369**
b) Income from profit transfer agreement	0	0	69,281,390	**69,281,390**
- of which from affiliated companies	0	0	69,281,390	**69,281,390**
c) Expenses from transfer of losses	0	0	-1,131,230	**-1,131,230**
- of which from affiliated companies	0	0	-1,131,230	**-1,131,230**
10. Other interest and similar income	88,354	1,650	58,529	**148,533**
- of which from affiliated companies	2,569	41	1,716	**4,326**
- of which interest income from discounting	14,095	286	9,291	**23,672**
11. Write-downs of long-term financial assets and securities classified as current assets	0	0	0	**0**
12. Interest and similar expenses	-25,955,424	-217,731	-7,063,443	**-33,236,598**
- of which interest expense from unwinding of discounting of provisions	-35,681,663	-415,530	-13,478,973	**-49,576,166**
13. Income taxes	-54,093,987	-910,362	-36,127,369	**-91,131,718**
14. Profit after tax	**126,495,552**	**2,136,735**	**94,777,379**	**223,409,666**
15. Other taxes	-419,249	-2,437	-79,486	**-501,172**
16. Transfers under profit-and-loss transfer agreements	-56,560,000	-960,000	-42,480,000	**-100,000,000**
17. Net income for the year	**69,516,303**	**1,174,298**	**52,217,893**	**122,908,494**
18. Transfers to revenue reserves	-69,516,303	-1,174,298	-52,217,893	**-122,908,494**
19. Unappropriated profit	**0**	**0**	**0**	**0**

Explanation of accounting unbundling

Preliminary note

Due to the German Energy Industry Act (Energiewirtschaftsgesetz – EnWG) as amended on 20 July 2017, Open Grid Europe GmbH is, in compliance with the provisions of section 6b, para. 3 EnWG, obliged to provide separate balance sheets and income statements presenting the segments grid business, other activities within the gas sector and activities outside the gas sector.

For information regarding the accounting and measurement methods (incl. depreciation and amortisation methods), we refer to the explanation included in the notes to the financial statements.

In addition, in the 2017 financial year, in line with the profit-and-loss transfer agreement existing with VGT, on the basis of sound commercial judgement economically sensible transfers of € 122.9 million were made to revenue reserves with a view to future investment projects in connection with the network development plan.

Rules in accordance with section 6b, para. 3 EnWG

In the balance sheet and the income statement, assets, liabilities, revenues and expenses are generally assigned directly to each segment. Where direct assignment to certain activities is not possible or would require unreasonable effort, items are assigned on the basis of keys that represent the underlying cost causalities. In comparison to the previous year particular keys have been slightly developed to reflect the organisational and economical conditions and source-related allocation of costs. The result is a slightly modified allocation to the segments grid business, other activities within gas sector and activities outside gas sector.

In detail the following allocation bases are primarily used for calculating the keys:

- Full-Time Equivalent (FTE)
- Keys based on costs (personnel costs, material and maintenance costs)
- Technical parameters (e.g. pipeline length, compressor capacity)
- Total costs
- Profit/loss on ordinary activities
- Net income for the year
- Fixed assets book value

The above-mentioned keys are primarily derived from the corresponding revenues and expenses in the income statement and the items of the balance sheet of Open Grid Europe GmbH.

Business relations between different segments are shown according to the gross method and are assessed on the basis of the costs incurred. In the first step, the gross method assigns total revenues and total expenses by functional reference to activities. In the second step, the actual economic success of the respective activity is derived by using internal cost allocation to the individual segments based on the respective consumption of resources (personnel, equipment etc.).

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2017 financial year
- Unbundling Statement of changes in fixed assets -

	Acquisition and production costs					Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2017	Additions	Disposals	Transfers	31 Dec. 2017	1 Jan. 2017	Additions	Disposals	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
	€	€	€	€	€	€	€	€	€	€	€
Intangible assets											
Internally generated intangible assets	10,012,007.76	1,372,472.57	0.00	0.00	11,384,480.33	1,744,275.88	853,568.70	0.00	2,597,844.58	8,786,635.75	8,267,731.88
from that Grid Business	8,681,292.73	911,087.17	0.00	0.00	9,592,379.90	1,201,441.37	611,996.55	0.00	1,813,437.92	7,778,941.98	7,513,901.96
from that Other Activities within Gas Sector	192,514.84	62,190.06	0.00	0.00	254,704.90	19,419.15	31,388.93	0.00	50,808.08	203,896.82	200,300.80
from that Activities outside Gas Sector	1,138,200.19	399,195.34	0.00	0.00	1,537,395.53	523,415.36	210,183.22	0.00	733,598.58	803,796.95	553,529.12
Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	136,536,425.78	1,366,525.44	-527,223.09	892,752.45	138,268,480.58	91,005,691.36	10,828,493.65	-527,223.09	101,306,961.92	36,961,518.66	45,530,734.42
from that Grid Business	115,229,838.72	1,082,125.36	-323,712.29	677,596.78	116,665,848.57	72,191,534.03	9,762,056.61	-323,712.29	81,629,878.35	35,035,970.22	43,346,814.81
from that Other Activities within Gas Sector	5,466,776.03	38,342.55	-5,363.29	881.40	5,500,636.69	5,280,500.69	129,742.66	-5,363.29	5,404,880.06	95,756.63	227,274.56
from that Activities outside Gas Sector	15,839,811.03	246,057.53	-198,147.51	214,274.27	16,101,995.32	13,533,656.64	936,694.38	-198,147.51	14,272,203.51	1,829,791.81	1,956,645.05
Advance payments made	4,968,076.37	10,831,268.73	0.00	-892,752.45	14,906,592.65	0.00	0.00	0.00	0.00	14,906,592.65	4,968,076.37
from that Grid Business	4,542,838.49	9,054,242.57	0.00	-677,596.78	12,919,484.28	0.00	0.00	0.00	0.00	12,919,484.28	4,630,199.44
from that Other Activities within Gas Sector	22,267.01	547,577.19	0.00	-881.40	568,962.80	0.00	0.00	0.00	0.00	568,962.80	28,882.24
from that Activities outside Gas Sector	402,970.87	1,229,448.97	0.00	-214,274.27	1,418,145.57	0.00	0.00	0.00	0.00	1,418,145.57	308,994.69
	151,516,509.91	**13,570,266.74**	**-527,223.09**	**0.00**	**164,559,553.56**	**92,749,967.24**	**11,682,062.35**	**-527,223.09**	**103,904,806.50**	**60,654,747.06**	**58,766,542.67**
Tangible assets											
Land, similar rights and buildings including buildings on leasehold land	191,554,216.82	3,181,500.02	-120,619.11	538,037.57	195,153,135.30	129,554,828.90	3,117,893.28	0.00	132,672,722.18	62,480,413.12	61,999,387.92
from that Grid Business	163,240,488.62	2,811,990.15	-120,619.11	508,572.00	166,440,431.66	112,974,210.64	2,463,851.36	0.00	115,438,062.00	51,002,369.66	50,323,650.48
from that Other Activities within Gas Sector	355,643.31	0.00	0.00	0.00	355,643.31	164,519.59	12,136.87	0.00	176,656.46	178,986.85	235,350.70
from that Activities outside Gas Sector	27,958,084.89	369,509.87	0.00	29,465.57	28,357,060.33	16,416,098.67	641,905.05	0.00	17,058,003.72	11,299,056.61	11,440,386.74
Technical equipment and machinery	4,005,498,318.95	103,584,778.24	-5,131,650.35	65,624,211.84	4,169,575,658.68	3,372,277,489.59	64,960,206.45	-5,080,380.28	3,432,157,315.76	737,418,342.92	633,220,829.36
from that Grid Business	3,999,462,622.18	103,464,396.33	-5,131,650.35	65,570,302.16	4,163,365,670.32	3,366,657,237.93	64,858,030.81	-5,080,380.28	3,426,434,888.46	736,930,781.86	632,571,911.76
from that Other Activities within Gas Sector	615,539.54	0.00	0.00	0.00	615,539.54	608,774.52	2,436.13	0.00	611,210.65	4,328.89	8,376.78
from that Activities outside Gas Sector	5,420,157.23	120,381.91	0.00	53,909.68	5,594,448.82	5,011,477.14	99,739.51	0.00	5,111,216.65	483,232.17	640,540.82
Factory and office equipment	81,870,202.81	3,851,610.71	-3,653,309.66	4,048,260.95	86,116,764.81	59,663,738.13	5,071,117.91	-3,541,165.35	61,193,690.69	24,923,074.12	22,206,464.68
from that Grid Business	46,079,631.18	2,643,770.17	-2,207,623.69	2,533,405.92	49,049,183.58	33,816,132.94	2,806,603.27	-2,142,053.39	34,480,682.82	14,568,500.76	14,458,279.23
from that Other Activities within Gas Sector	150,303.15	8,739.13	-16,941.14	3.86	142,105.00	97,252.72	14,694.21	-16,627.90	95,319.03	46,785.97	65,255.41
from that Activities outside Gas Sector	35,640,268.48	1,199,101.41	-1,428,744.83	1,514,851.17	36,925,476.23	25,750,352.47	2,249,820.43	-1,382,484.06	26,617,688.84	10,307,787.39	7,682,930.04
Advance payments made and construction in progress	245,906,670.10	256,188,968.38	0.00	-70,210,510.36	431,885,128.12	3,993,387.64	0.00	0.00	3,993,387.64	427,891,740.48	241,913,282.46
from that Grid Business	244,281,926.69	255,265,620.15	0.00	-68,666,287.69	430,881,259.15	3,993,387.64	0.00	0.00	3,993,387.64	426,887,871.51	241,768,776.20
from that Other Activities within Gas Sector	4,734.15	35,065.08	0.00	0.00	39,799.23	0.00	0.00	0.00	0.00	39,799.23	9,122.43
from that Activities outside Gas Sector	1,620,009.26	888,283.15	0.00	-1,544,222.67	964,069.74	0.00	0.00	0.00	0.00	964,069.74	135,383.83
	4,524,829,408.68	**366,806,857.35**	**-8,905,579.12**	**0.00**	**4,882,730,686.91**	**3,565,489,444.26**	**73,149,217.64**	**-8,621,545.63**	**3,630,017,116.27**	**1,252,713,570.64**	**959,339,964.42**

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2017 financial year
- Unbundling Statement of changes in fixed assets -

	Acquisition and production costs					Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2017	Additions	Disposals	Transfers	31 Dec. 2017	1 Jan. 2017	Additions	Disposals	31 Dec. 2017	31 Dec. 2017	31 Dec. 2016
	€	€	€	€	€	€	€	€	€	€	€
Financial assets											
Shares in affiliated companies	341,978,272.39	64,375,000.00	0.00	0.00	406,353,272.39	499,999.00	0.00	0.00	499,999.00	405,853,273.39	341,478,273.39
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	341,978,272.39	64,375,000.00	0.00	0.00	406,353,272.39	499,999.00	0.00	0.00	499,999.00	405,853,273.39	341,478,273.39
Equity investments	118,950,002.58	0.00	-18,000,000.00	0.00	100,950,002.58	0.00	0.00	0.00	0.00	100,950,002.58	118,950,002.58
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	118,950,002.58	0.00	-18,000,000.00	0.00	100,950,002.58	0.00	0.00	0.00	0.00	100,950,002.58	118,950,002.58
Other loans	3,110,626.55	379,885.00	-462,735.41	0.00	3,027,776.14	377,287.78	0.00	-64,079.37	313,208.41	2,714,567.73	2,733,338.77
from that Grid Business	1,851,755.99	214,239.54	-275,466.39	0.00	1,790,529.14	224,599.42	0.00	-38,146.45	186,452.97	1,604,076.17	1,644,554.63
from that Other Activities within Gas Sector	37,949.64	4,390.60	-5,645.37	0.00	36,694.87	4,602.91	0.00	-781.77	3,821.14	32,873.73	40,428.75
from that Activities outside Gas Sector	1,220,920.92	161,254.86	-181,623.65	0.00	1,200,552.13	148,085.45	0.00	-25,151.15	122,934.30	1,077,617.83	1,048,355.39
	464,038,901.52	**64,754,885.00**	**-18,462,735.41**	**0.00**	**510,331,051.11**	**877,286.78**	**0.00**	**-64,079.37**	**813,207.41**	**509,517,843.70**	**463,161,614.74**
	5,140,384,820.11	**445,132,009.09**	**-27,895,537.62**	**0.00**	**5,557,621,291.58**	**3,659,116,698.28**	**84,831,279.99**	**-9,212,848.09**	**3,734,735,130.18**	**1,822,886,161.40**	**1,481,268,121.83**

Activity Reports 2016

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of 31 December 2016

Assets €			Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	**Fixed assets**						
	I.	Intangible assets					
		1. Internally generated intangible assets	7,513,902	200,301	553,529	0	8,267,732
		2. Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	43,346,815	227,275	1,956,645	0	45,530,735
		3. Advance payments made	4,630,199	28,882	308,995	0	4,968,076
			55,490,916	456,458	2,819,169	0	58,766,543
	II.	Tangible assets					
		1. Land, similar rights and buildings	50,323,650	235,351	11,440,387	0	61,999,388
		2. Technical equipment and machinery	632,571,911	8,377	640,541	0	633,220,829
		3. Other equipment, factory and office equipment	14,458,280	65,255	7,682,930	0	22,206,465
		4. Advance payments made and construction in progress	241,768,776	9,122	135,384	0	241,913,282
			939,122,617	318,105	19,899,242	0	959,339,964
	III.	Financial assets					
		1. Shares in affiliated companies	0	0	341,478,273	0	341,478,273
		2. Equity investments	0	0	118,950,003	0	118,950,003
		3. Other loans	1,644,554	40,429	1,048,356	0	2,733,339
			1,644,554	40,429	461,476,632	0	463,161,615
			996,258,087	814,992	484,195,043	0	1,481,268,122
B.	**Current assets**						
	I.	Inventories					
		1. Raw materials and supplies	5,121,393	1,132	535,848	0	5,658,373
		2. Work in progress	7,778,362	0	45,823,210	0	53,601,572
		3. Merchandise	13,739,143	0	0	0	13,739,143
		4. Other inventories	1,466,163	0	0	0	1,466,163
			28,105,061	1,132	46,359,058	0	74,465,251
	II.	Receivables and other assets					
		1. Trade receivables	14,359,461	679,841	4,668,687	0	19,707,989
		2. Receivables from shareholders	0	0	0	0	0
		3. Receivables from affiliated companies	0	35,094	40,945,911	-2,154,812	38,826,193
		4. Receivables from companies in which equity investments are held	115,266	12	2,988,618	0	3,103,896
		5. Other assets	10,176,005	1,059	38,575	0	10,215,639
		from that receivables with a residual term of one year	*1,030,471*	*0*	*0*	*0*	*1,030,471*
			24,650,732	716,006	48,641,791	-2,154,812	71,853,717
	III.	Cash on hand and bank balances	90,602,741	1,722,919	57,380,881	0	149,706,541
			143,358,534	2,440,057	152,381,730	-2,154,812	296,025,509
C.	**Prepaid expenses**		1,792,675	39,951	1,067,169	0	2,899,795
D.	**Asset surplus arising from offsetting**		5,896,344	144,952	3,687,040	0	9,728,336
E.	**Capital clearing item**		275,453,873	0	0	-275,453,873	0
			1,422,759,513	**3,439,952**	**641,330,982**	**-277,608,685**	**1,789,921,762**

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of 31 December 2016

Shareholders' equity and Liabilities €			Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	**Shareholders' equity**						
	I.	Capital shares Share capital	74,200,954	60,700	36,062,678	0	110,324,332
	II.	Capital reserve	406,033,220	332,157	197,337,691	0	603,703,068
	III.	Revenue reserves	579,506,471	41,508	24,660,212	0	604,208,191
			1,059,740,645	434,365	258,060,581	0	1,318,235,591
B.	**Provisions**						
	1.	Provisions for pensions and similar obligations	3,841,899	94,447	2,402,376	0	6,338,722
	2.	Tax provisions	614,699	11,465	330,699	0	956,863
	3.	Other provisions	252,089,186	683,426	18,708,317	0	271,480,929
			256,545,784	789,338	21,441,392	0	278,776,514
C.	**Liabilities**						
	1.	Advance payments received on orders	10,946,746	0	3,404,596	0	14,351,342
		from that with a residual term of one year	*10,946,746*	*0*	*3,404,596*	*0*	*14,351,342*
	2.	Trade payables	35,143,256	176,181	6,549,514	0	41,868,951
		from that with a residual term of up to one year	*33,539,705*	*176,181*	*6,499,266*	*0*	*40,215,152*
		from that with a residual term between one and five years	*1,603,551*	*0*	*50,248*	*0*	*1,653,799*
		from that with a residual term of more than five years	*0*	*0*	*0*	*0*	*0*
	3.	Liabilities to shareholders	32,417,532	613,853	17,700,277	0	50,731,662
		from that with a residual term of up to one year	*32,417,532*	*613,853*	*17,700,277*	*0*	*50,731,662*
	4.	Liabilities to affiliated companies	2,315,845	5,831	49,360,478	-2,154,812	49,527,342
		from that with a residual term of up to one year	*2,315,845*	*5,831*	*49,360,478*	*-2,154,812*	*49,527,342*
	5.	Liabilities to companies in which equity investments are held	9,263,445	38	8,006,708	0	17,270,191
		from that with a residual term of up to one year	*9,263,445*	*38*	*8,006,708*	*0*	*17,270,191*
	6.	Other liabiliites	9,448,254	78,978	2,609,977	0	12,137,209
		from that with a residual term of up to one year	*9,310,684*	*78,978*	*2,609,977*	*0*	*11,999,639*
		from that taxes	*3,741,729*	*77,012*	*2,128,576*	*0*	*5,947,317*
			99,535,078	874,881	87,631,550	-2,154,812	185,886,697
D.	**Deferred income**		6,938,006	36,125	48,829	0	7,022,960
E.	**Capital clearing item**		0	1,305,243	274,148,630	-275,453,873	0
			1,422,759,513	**3,439,952**	**641,330,982**	**-277,608,685**	**1,789,921,762**

Contingent liabilities, off-balance-sheet transactions and other financial obligations

The syndicated credit line in the amount of € 200.0 million concluded by VGT as per 20 December 2013 (maturing in 2018) still exists. OGE is also a borrower under the loan agreement and therefore entitled to use this credit line. No collateral security was provided for this syndicated credit line. For the provision of sureties and guarantees in operational business, there is still an ancillary facility amounting to € 1.5 million under the syndicated loan facility. This ancillary facility is used as a guarantee line. The ancillary facility wil be allocated to the Activities outside Gas Sector. As at the reporting date 31 December 2016, the syndicated credit line had been drawn down in the amount of € 973k through the issue of a bank guarantee.

The financial impact of transactions not contained in the balance sheet within the meaning of section 285, No. 3a HGB amounts to € 184.4 million p.a. as at the balance-sheet date from long-term contracts for the leasing of the pipeline network (Grid Business), of which € 123.3 million p.a. relates to affiliated companies.

Outstanding capital contribution liabilities for uncalled capital contributions with respect to Zeelink exist in the amount of € 48.4 million (Activities outside Gas Sector).

Furthermore, other financial obligations of € 531.5 million exist and relate to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid Business € 480.8 million, Other Activities within Gas Sector € 0.1 million and Activities outside Gas Sector € 50.6 million.

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2016 financial year

	Acquisition and production costs					Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2016	Additions	Disposals	Transfers	31 Dec. 2016	1 Jan. 2016	Additions	Disposals	31 Dec. 2016	31 Dec. 2016	31 Dec. 2015
	€	€	€	€	€	€	€	€	€	€	€
Intangible assets											
Internally generated intangible assets	7,477,390.03	2,534,617.73	0.00	0.00	10,012,007.76	1,120,642.53	623,633.35	0.00	1,744,275.88	8,267,731.88	6,356,747.50
from that Grid Business	6,622,153.45	2,120,065.23	0.00	0.00	8,742,218.68	787,139.32	441,177.40	0.00	1,228,316.72	7,513,901.96	5,856,875.03
from that Other Activities within Gas Sector	27,318.50	194,880.47	0.00	0.00	222,198.97	10,646.10	11,252.07	0.00	21,898.17	200,300.80	20,334.47
from that Activities outside Gas Sector	827,918.08	219,672.03	0.00	0.00	1,047,590.11	322,857.11	171,203.88	0.00	494,060.99	553,529.12	479,538.00
Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	129,970,100.88	4,828,556.53	-148,033.03	1,885,801.40	136,536,425.78	77,465,309.83	13,613,525.87	-73,144.34	91,005,691.36	45,530,734.42	52,504,791.05
from that Grid Business	110,137,069.92	4,262,809.65	-103,785.05	1,711,307.84	116,007,402.36	60,689,895.93	12,029,086.64	-58,395.02	72,660,587.55	43,346,814.81	49,587,826.72
from that Other Activities within Gas Sector	6,107,117.71	46,602.50	-1,673.76	41,913.62	6,193,960.07	5,649,668.18	317,575.25	-557.92	5,966,685.51	227,274.56	508,046.78
from that Activities outside Gas Sector	13,725,913.25	519,144.38	-42,574.22	132,579.94	14,335,063.35	11,125,745.72	1,266,863.98	-14,191.40	12,378,418.30	1,956,645.05	2,408,917.55
Advance payments made	3,258,346.85	3,595,530.92	0.00	-1,885,801.40	4,968,076.37	0.00	0.00	0.00	0.00	4,968,076.37	3,258,346.85
from that Grid Business	3,042,933.36	3,267,325.59	0.00	-1,680,059.51	4,630,199.44	0.00	0.00	0.00	0.00	4,630,199.44	3,046,710.19
from that Other Activities within Gas Sector	47,936.14	24,487.33	0.00	-43,541.23	28,882.24	0.00	0.00	0.00	0.00	28,882.24	46,271.17
from that Activities outside Gas Sector	167,477.35	303,718.00	0.00	-162,200.66	308,994.69	0.00	0.00	0.00	0.00	308,994.69	165,365.49
	140,705,837.76	**10,958,705.18**	**-148,033.03**	**0.00**	**151,516,509.91**	**78,585,952.36**	**14,237,159.22**	**-73,144.34**	**92,749,967.24**	**58,766,542.67**	**62,119,885.40**
Tangible assets											
Land, similar rights and buildings including buildings on leasehold land	188,281,126.24	2,212,523.04	-2,030,072.74	3,090,640.28	191,554,216.82	128,434,020.96	3,150,880.68	-2,030,072.74	129,554,828.90	61,999,387.92	59,847,105.28
from that Grid Business	161,259,606.83	2,029,394.24	-2,030,072.74	1,924,988.66	163,183,916.99	112,369,543.57	2,520,795.68	-2,030,072.74	112,860,266.51	50,323,650.48	38,751,488.98
from that Other Activities within Gas Sector	393,827.96	28.78	0.00	44,084.20	437,940.94	187,644.83	14,945.41	0.00	202,590.24	235,350.70	208,950.69
from that Activities outside Gas Sector	26,627,691.45	183,100.02	0.00	1,121,567.42	27,932,358.89	15,876,832.56	615,139.59	0.00	16,491,972.15	11,440,386.74	20,886,665.61
Technical equipment and machinery	3,992,171,270.61	30,989,818.44	-37,304,840.22	19,642,070.12	4,005,498,318.95	3,341,059,372.63	68,515,609.28	-37,297,492.32	3,372,277,489.59	633,220,829.36	651,111,897.98
from that Grid Business	3,985,834,543.16	30,751,169.94	-37,304,840.22	19,642,070.12	3,998,922,943.00	3,335,234,027.39	68,414,496.17	-37,297,492.32	3,366,351,031.24	632,571,911.76	650,579,650.76
from that Other Activities within Gas Sector	711,008.41	0.00	0.00	0.00	711,008.41	699,832.58	2,799.05	0.00	702,631.63	8,376.78	24,471.01
from that Activities outside Gas Sector	5,625,719.04	238,648.50	0.00	0.00	5,864,367.54	5,125,512.66	98,314.06	0.00	5,223,826.72	640,540.82	507,776.21
Factory and office equipment	82,337,786.71	4,095,071.26	-4,684,842.96	122,187.80	81,870,202.81	59,643,113.15	4,591,885.55	-4,571,260.57	59,663,738.13	22,206,464.68	22,694,673.56
from that Grid Business	52,342,188.20	2,360,843.52	-2,739,953.57	73,995.09	52,037,073.24	37,181,418.97	3,072,896.39	-2,675,521.35	37,578,794.01	14,458,279.23	15,252,337.31
from that Other Activities within Gas Sector	191,324.37	11,723.19	-18,775.45	1,065.05	185,337.16	120,378.10	17,926.04	-18,222.39	120,081.75	65,255.41	70,886.20
from that Activities outside Gas Sector	29,804,274.14	1,722,504.55	-1,926,113.94	47,127.66	29,647,792.41	22,341,316.08	1,501,063.12	-1,877,516.83	21,964,862.37	7,682,930.04	7,371,450.05
Advance payments made and construction in progress	92,980,457.06	175,781,111.24	0.00	-22,854,898.20	245,906,670.10	3,993,387.64	0.00	0.00	3,993,387.64	241,913,282.46	88,987,069.42
from that Grid Business	91,691,068.21	175,710,821.35	0.00	-21,639,725.72	245,762,163.84	3,993,387.64	0.00	0.00	3,993,387.64	241,768,776.20	87,728,139.93
from that Other Activities within Gas Sector	45,177.41	9,122.43	0.00	-45,177.41	9,122.43	0.00	0.00	0.00	0.00	9,122.43	45,661.41
from that Activities outside Gas Sector	1,244,211.44	61,167.46	0.00	-1,169,995.07	135,383.83	0.00	0.00	0.00	0.00	135,383.83	1,213,268.08
	4,355,770,640.62	**213,078,523.98**	**-44,019,755.92**	**0.00**	**4,524,829,408.68**	**3,533,129,894.38**	**76,258,375.51**	**-43,898,825.63**	**3,565,489,444.26**	**959,339,964.42**	**822,640,746.24**

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2016 financial year

	Acquisition and production costs					Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2016	Additions	Disposals	Transfers	31 Dec. 2016	1 Jan. 2016	Additions	Disposals	31 Dec. 2016	31 Dec. 2016	31 Dec. 2015
	€	€	€	€	€	€	€	€	€	€	€
Financial assets											
Shares in affiliated companies	338,444,522.39	36,033,750.00	-32,500,000.00	0.00	341,978,272.39	499,999.00	0.00	0.00	499,999.00	341,478,273.39	337,944,523.39
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	338,444,522.39	36,033,750.00	-32,500,000.00	0.00	341,978,272.39	499,999.00	0.00	0.00	499,999.00	341,478,273.39	337,944,523.39
Equity investments	62,849,395.86	56,100,606.72	0.00	0.00	118,950,002.58	0.00	0.00	0.00	0.00	118,950,002.58	62,849,395.86
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	62,849,395.86	56,100,606.72	0.00	0.00	118,950,002.58	0.00	0.00	0.00	0.00	118,950,002.58	62,849,395.86
Other loans	3,273,572.14	305,810.00	-468,755.59	0.00	3,110,626.55	467,886.90	0.00	-90,599.12	377,287.78	2,733,338.77	2,805,685.24
from that Grid Business	1,984,112.08	173,229.44	-284,112.76	0.00	1,873,228.76	283,586.25	0.00	-54,912.12	228,674.13	1,644,554.63	1,714,867.83
from that Other Activities within Gas Sector	48,776.22	4,258.57	-6,984.46	0.00	46,050.33	6,971.51	0.00	-1,349.93	5,621.58	40,428.75	42,063.85
from that Activities outside Gas Sector	1,240,683.84	128,321.99	-177,658.37	0.00	1,191,347.46	177,329.14	0.00	-34,337.07	142,992.07	1,048,355.39	1,048,753.56
	404,567,490.39	**92,440,166.72**	**-32,968,755.59**	**0.00**	**464,038,901.52**	**967,885.90**	**0.00**	**-90,599.12**	**877,286.78**	**463,161,614.74**	**403,599,604.49**
	4,901,043,968.77	**316,477,395.88**	**-77,136,544.54**	**0.00**	**5,140,384,820.11**	**3,612,683,732.64**	**90,495,534.73**	**-44,062,569.09**	**3,659,116,698.28**	**1,481,268,121.83**	**1,288,360,236.13**

Open Grid Europe GmbH, Essen

Unbundling Income Statement
for the period from 1 January to 31 December 2016

€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1. Revenues	829,239,390	7,516,380	157,039,277	**993,795,047**
2. Change in finished goods and work in progress	-2,644,863	0	-215,439	**-2,860,302**
3. Other own work capitalised	17,744,607	0	0	**17,744,607**
4. Other operating income	11,263,044	332,195	1,357,931	**12,953,170**
- of which income from currency translation	9,194	125	3,792	**13,111**
5. Cost of materials	-396,743,777	-99,260	-41,512,622	**-438,355,659**
a) Cost of raw materials and supplies	-73,666,239	-17,810	-4,376,552	**-78,060,601**
b) Cost of purchased services	-323,077,538	-81,450	-37,136,070	**-360,295,058**
6. Personnel expenses	-87,000,012	-2,135,205	-54,398,943	**-143,534,160**
a) Wages and salaries	-71,793,678	-1,746,412	-44,756,464	**-118,296,554**
b) Social security, pensions and other benefits	-15,206,334	-388,793	-9,642,479	**-25,237,606**
- of which for pensions	-4,490,139	-125,870	-2,820,990	**-7,436,999**
7. Amortisation of intangible assets and depreciation of tangible assets	-86,478,452	-364,498	-3,652,585	**-90,495,535**
8. Other operating expenses	-54,301,590	-1,334,631	-19,781,971	**-75,418,192**
- of which expenses from currency translation	-20,046	-256	-7,776	**-28,078**
9. Income from equity investments	0	0	87,036,629	**87,036,629**
a) Income from investments	0	0	30,830,746	**30,830,746**
- of which from affiliated companies	0	0	5,564,017	**5,564,017**
b) Income from profit transfer agreement	0	0	56,680,291	**56,680,291**
- of which from affiliated companies	0	0	56,680,290	**56,680,290**
c) Expenses from transfer of losses	0	0	-474,408	**-474,408**
- of which from affiliated companies	0	0	-474,408	**-474,408**
10. Other interest and similar income	8,068,561	197,728	5,043,561	**13,309,850**
- of which from affiliated companies	1,600	27	5,611	**7,238**
- of which interest income from discounting	0	0	0	**0**
11. Write-downs of long-term financial assets and securities classified as current assets	0	0	0	**0**
12. Interest and similar expenses	-24,533,326	-34,054	-868,331	**-25,435,711**
- of which interest expense from unwinding of discounting of provisions	-25,130,039	-49,004	-1,246,466	**-26,425,509**
13. Income taxes	-65,967,438	-1,253,365	-36,030,221	**-103,251,024**
14. Profit after tax	**148,646,144**	**2,825,290**	**94,017,286**	**245,488,720**
15. Other taxes	-405,553	-3,857	-118,147	**-527,557**
16. Transfers under profit-and-loss transfer agreements	-48,416,000	-920,000	-30,664,000	**-80,000,000**
17. Net income for the year	**99,824,591**	**1,901,433**	**63,235,139**	**164,961,163**
18. Transfers to revenue reserves	-99,824,591	-1,901,433	-63,235,139	**-164,961,163**
19. Unappropriated profit	**0**	**0**	**0**	**0**

Explanation of accounting unbundling

Preliminary note

Due to the German Energy Industry Act (Energiewirtschaftsgesetz – EnWG) as amended on 22 December 2016, Open Grid Europe GmbH is, in compliance with the provisions of section 6b para. 3 EnWG, obliged to provide separate balance sheets and income statements presenting the segments grid business, other activities within the gas sector and activities outside the gas sector.

For information regarding the accounting and measurement methods (incl. depreciation and amortisation methods), we refer to the explanation included in the notes to the financial statements.

In addition, in the 2016 financial year, in line with the profit-and-loss transfer agreement existing with VGT, on the basis of sound commercial judgement economically sensible transfers of € 165.0 million were made to revenue reserves with a view to future investment projects in connection with the network development plan.

Rules in accordance with section 6b para. 3 EnWG

In the balance sheet and the income statement, assets, liabilities, revenues and expenses are generally assigned directly to each segment. Where direct assignment to certain activities is not possible or would require unreasonable effort, items are assigned on the basis of keys that represent the underlying cost causalities. In comparison to the previous year particular keys have been slightly developed to reflect the organisational and economical conditions and source-related allocation of costs. The result is a slightly modified allocation to the segments grid business, other activities within gas sector and activities outside gas sector.

In detail the following allocation bases are primarily used for calculating the keys:

- Full-Time Equivalent (FTE)
- Keys based on costs (personnel costs, material and maintenance costs)
- Technical parameters (e.g. pipeline length, compressor capacity)
- Total costs
- Profit/loss on ordinary activities
- Net income for the year
- Fixed assets book value

The above-mentioned keys are primarily derived from the corresponding revenues and expenses in the income statement and the items of the balance sheet of Open Grid Europe GmbH.

Business relations between different segments are shown according to the gross method and are assessed on the basis of the costs incurred. In the first step, the gross method assigns total revenues and total expenses by functional reference to activities. In the second step, the actual economic success of the respective activity is derived by using internal cost allocation to the individual segments based on the respective consumption of resources (personnel, equipment etc.).

INDEPENDENT AUDITOR'S REPORT

To Open Grid Europe GmbH, Essen

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Open Grid Europe GmbH, Essen, which comprise the balance sheet as of December 31, 2017 and the income statement for the period from January 1 through December 31, 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Open Grid Europe GmbH, Essen for the financial year from January 1 through December 31, 2017. We have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures regarding women's quota) in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2017 and of its financial performance for the financial year from January 1 through December 31, 2017 in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not include the content of the above-mentioned corporate governance statement.

Pursuant to [§ [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code]], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures regarding women's quota).

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of Compliance with the Accounting Obligations pursuant to § 6b Abs. 3 EnWG

We have audited the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG [Energiewirtschaftsgesetz: German Energy Industry Act], which require separate accounts to be maintained for the activities pursuant to § 6b Abs. 3 EnWG. We have also audited the activity statements for the activities „Gas pipelines", „Other activities within the gas sector" and „Activities outside the gas sector" – which comprise the balance sheet as of December 31, 2017 and the statement of profit and loss for the financial year from January 1 through December 31, 2017 including the disclosures relating to the rules under which the assets and liabilities as well as income and expenses were classified to the accounts maintained pursuant to § 6b (3) clause 1 to 4 EnWG.

In our opinion

- the accounting obligations pursuant to § 6b Abs. 3 EnWG, which require separate accounts to be maintained for the activities pursuant to § 6b Abs. 3 EnWG, have been fulfilled in all material respects and

- the accompanying activity statements comply in all material respects with the requirements of § 6b Abs. 3 EnWG.

We conducted our audit in accordance with § 6b Abs. 5 EnWG and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described below and in sec-tion "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report.

The executive directors are responsible for the compliance with the obligations pursuant to § 6b Abs. 3 EnWG as well as for such arrangements and measures (systems) as they have considered necessary to comply with these obligations.

Our objectives are to obtain reasonable assurance about whether the accounting obligations pursuant to § 6b Abs. 3 EnWG have been fulfilled, in all material respects, as well as to issue a report that includes our audit opinions on the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG. The audit comprises an assessment of whether the amounts stated and the classification of the accounts pursuant to § 6b Abs. 3 EnWG are appropriate and comprehensible and whether the principle of consistency has been observed.

Essen, March 14, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Bernhard Klinke)
Wirtschaftsprüfer
(German Public Auditor)

(sgd. ppa. Dr. Robert Vollmer)
Wirtschaftsprüfer
(German Public Auditor)