

Annual Report 2015

Open Grid Europe GmbH

Translation the German text is authoritative

Open Grid Europe GmbH, Essen

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INDEPENDENT AUDITOR'S REPORT

Open Grid Europe GmbH, Essen
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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 – OGE accounts for approx. 50% of the capital expenditure on expansion measures provided for in the 2015 network development plan.

General economic development

According to the annual report by the German Council of Experts assessing overall economic development, the German economy recovered compared with 2014. Real GDP in Germany is expected to grow by 1.7% in 2015 and 1.6% in 2016. The German Council of Experts is forecasting real growth of 1.6% for the eurozone in 2015 and 1.5% in 2016.

Two events dominated politics in the reporting year: the crisis in Greece and the rising numbers of refugees fleeing to Germany. According to the German Council of Experts' annual report, Germany's good overall economic performance will continue in the foreseeable future but the need to focus political action on the future sustainability of the economy has been further heightened by the two events.

Primary energy consumption in Germany

Energy consumption increased in Germany by some 1.3% in 2015 and totalled roughly 13,335 petajoules (PJ) or 455 million tonnes of coal equivalent (mtce). According to calculations of the Working Group on Energy Balances (AGEB), the increase was a result of the slightly cooler weather compared with 2014 and the resulting higher demand for heating energy. AGEB stated that there was no direct connection with the positive economic trend. On the contrary, energy efficiency measures had helped to offset the higher energy demand resulting from economic growth.

Parallel to higher demand for heating energy, gas consumption rose overall by some 5% in 2015, particularly as a result of the cooler first six months year on year. Consumption totalled approx. 2,804 PJ or 95.7 mtce. However, the importance of gas for power generation declined again. The share of gas in gross power generation was 8.8% in 2015.

Energy policy developments in Europe

The changes necessary by 1 November 2015 under the EU Regulation No. 984/2013 (Network Code on Capacity Allocation Mechanisms) were implemented by the deadline. They include both the network operator-specific measures implemented by OGE and the necessary changes to the joint capacity trading platform, PRISMA European Capacity Platform GmbH, Leipzig (PRISMA). Intraday capacity products can now be booked with OGE using this platform.

The requirements of the EU Regulation No. 312/2014 (Network Code on Gas Balancing) and the Basic Model for Balancing Services and Rules in the Gas Sector (GABi Gas 2.0) were also implemented by the deadline, 1 October 2015. The most fundamental change for NCG was an amendment to the balancing energy procurement system, as a result of which greater importance is now attached to spot products. OGE is aiming to implement the provision of intraday information by the deadline, 1 October 2016.

The European Network of Transmission System Operators for Gas (ENTSOG) submitted the revised Network Code on Transmission Tariffs to the Agency for the Cooperation of Energy Regulators (ACER). The aim of this Network Code is to harmonise transmission tariff structures in Europe. ACER has not yet accepted it. The EU Commission is currently making necessary adjustments. As it has already announced, entry and exit points to gas storage facilities are, in principle, to receive a lumpsum discount and, in addition, stricter transparency obligations will have to be met. For example, information on both fixed assets and the setting of network fees will have to be published. Implementation is currently planned for the end of 2017.

ENTSOG has submitted a proposal for an amendment to the Network Code on Capacity Allocation Mechanisms regarding incremental capacity to the Agency for the Cooperation of Energy Regulators. Judicialisation will take place in a comitology procedure commencing in spring 2016; it is planned that this amendment will come into force at the end of 2016. The changes necessary for implementation are currently being discussed within PRISMA together with OGE.

The relevant regulation establishing the Network Code on Interoperability and Data Exchange Rules was published in the Official Journal of the European Un-

ion in May 2015. OGE is currently working on completing the necessary changes.

The EN 16726 standard of the European Committee for Standardisation relates to gas quality standards and will be included in the Network Code on Interoperability in the coming years and thus become legally binding. The EU Commission has asked ENTSOG to conduct an analysis to show the effects which the standard will have. On the basis of the results, the proposal for an amendment to the Network Code on Interoperability is to be submitted by 30 June 2017 at the latest.

The Gas Target Model II (GTM) was finalised in January 2015. The subject of a well-functioning wholesale market in Europe and the criteria for its assessment remain at the core of the GTM. The regulatory authorities are to examine fulfilment of these criteria by means of an action plan. According to ACER, this is to be performed on a voluntary basis without a corresponding law. However, public pressure is to be exerted on national regulatory authorities and network operators by including this examination in the annual monitoring report.

In June 2015, OGE successfully registered with ACER as a market participant within the meaning of the REMIT Regulation. The first phase of reporting energy wholesale data to ACER began on 7 October 2015. OGE is making intensive preparations for the second phase of data reporting starting on 7 April 2016; from this date OGE will also transmit data to ACER as a so-called registered reporting mechanism.

Energy policy developments in Germany

The German government continued working in 2015 on the "Action Programme on Climate Protection 2020" of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) and on implementation of the "10 Point Energy Agenda" of the Federal Ministry for Economic Affairs and Energy (BMWi). This 10 Point Energy Agenda describing the key energy transition plans for the 18th legislative period was further updated a second time in January 2016.

The electricity sector remains the focus. For example, the German government passed a new electricity market design in summer 2015, deciding in favour of continuing the energy only market, where generators only get paid for the electricity they generate. The amendment to the Combined Heat and Power Generation Act (KWKG) was also implemented in 2015. Here, the German government decided to focus on promoting gas-fired combined heat and power plants. However, the 10 Point Energy Agenda is now also expressing an opinion on other subjects which are relevant to the gas industry. For example, as part of

climate protection, there are plans to reform European emission trading. In a separate chapter on the gas supply strategy, reference is made to the need for greater diversification of supply countries – in particular access to LNG terminals.

Furthermore, the Federal Ministry for Economic Affairs and Energy (BMWi) presented the key principles for measures to further improve the security of gas supply.

The measures described which are to be implemented by the market area companies, NCG and Gaspool, cover two elements. The first element is to enable market area managers to enter into contracts for a higher volume of existing long-term supply products should any abnormal regional bottlenecks occur. This takes into account any possible illiquidity of the short-term balancing energy market. The second element is the introduction of a new demand-side management (DSM) which is to help industrial customers to participate in the balancing energy market by voluntarily reducing their gas demand on a temporary basis. The Federal Ministry for Economic Affairs and Energy has asked the Federal Network Agency to develop this DSM product together with the market players affected and have it ready for introduction in the 2016/2017 winter. All in all, the past year showed that the discussion surrounding the exit from coal has started and the process is irreversible. This opens up new opportunities for the gas industry if it succeeds in contributing to the political dialogue in a better and clearer way. A sensible complement to wind and solar energy is needed if the energy transition is to be successful. It is up to the entire gas industry and therefore also to OGE to show that gas is the ideal partner.

The focus of the changes to entry and exit capacity pricing stipulated by the Federal Network Agency and effective 1 January 2016 is on the fee system for intra-year capacity contracts, interruptible capacities as well as capacity rights to gas storage facilities. Accordingly, the prices for capacity contracts with shorter terms are to be significantly higher. By contrast, the fee for the use of capacity rights to gas storage facilities is to be reduced by 50% and, where justified, even by up to 90%, related to the annual fee for firm, freely allocable capacity rights. OGE already recognised at an early stage that the network-benefitting use of gas storage facilities offers potential for optimisation and has taken action by introducing a temperature-dependent capacity product (TdC). OGE welcomes the Federal Network Agency's stipulation on entry and exit capacity pricing as it gives an economic incentive for longer-term bookings and ensures uniform and transparent network access.

Under the market area cooperation, it has so far been agreed that provision of load flows between upstream and downstream network operators to supply end

customers is free of charge. However, in the Federal Network Agency's opinion the free-of-charge provision contradicts the principle of cost causality under section 15, paras 1 to 3 of the German Incentive Regulation Ordinance (ARegV). In the Federal Network Agency's view, the network operators should, in future, charge other network operators the cost of the gas industry service provided. On this point, several models are currently under discussion whereby the general view seems to be favour of charging both upstream and downstream network operators for the services provided. In OGE's view, the charging of prices for the provision of gas industry services is basically to be welcomed as an allocation mechanism between the network operators based on the principle of cost causality. In OGE's opinion, the introduction of such a mechanism for passing on costs may, after the introduction phase, have a stabilising effect on the gas transmission business and the fees but there is a considerable need for consultation between the network operators and the Federal Network Agency and the network operators have to take it into account in their liquidity planning.

On 21 January 2015, the Federal Network Agency submitted its report on the evaluation of the incentive regulation including proposals for its further development (evaluation report). The aims included analysing the effects of the present regulation framework on the investment behaviour of the network operators, preparing potential improvements to the efficiency comparison methods and, if necessary, developing the fundamental concept of the incentive regulation for the coming regulatory periods. Following this, the Federal Ministry for Economic Affairs and Energy published a paper on 17 March 2015 presenting the key elements for "A modern regulatory framework for modern distribution grids". In this paper, the basic statement of the evaluation report that the incentive regulation had proved its worth was confirmed. In addition, the paper makes clear that it will above all be a question of partial amendments at the distribution network level for which efficiency incentives are to be increased and investment conditions improved. The amendment to the Incentive Regulation Ordinance announced for 2015 has not come so far. The reason for this is the lack of a consensual draft amendment which the Bundesrat (German upper house) would agree to. The discussions centre in particular around a solution to the time delay problems at the distribution network operator level. The Federal Ministry for Economic Affairs and Energy has declared it wants to find a solution together with the Bundesrat in the first quarter of 2016.

In addition to the amendment to the Incentive Regulation Ordinance, it is expected that in 2016 the Federal Network Agency will also set the return on equity or the risk allowances and the general sectoral productivity factor for the third regulatory period (2018-2022). Both parameters have a direct effect on the cap on revenues to be received by OGE as from 2018. In early November 2015, the

Federal Network Agency announced a call for tenders for the expert report on the determination of risk allowances for gas network and electricity grid operators for the third regulatory period. The expert report is to serve as a basis for setting the return on equity. It is planned to complete the expert report by mid-2016 and make the final determination in September 2016.

A call for tenders for determining the general sectoral productivity factor (Xgen) followed on 6 January 2016. The Federal Network Agency has to determine and set this factor as from the third regulatory period.

Network development plans

The expansion of the network is particularly important for the energy transition which has been decided by the German government. Both European and national regulations oblige transmission system operators to draw up plans which contain a forecast of future network expansion requirements.

The Energy Industry Act specified hitherto that natural gas transmission system operators are to jointly submit a ten-year network development plan every year. Preparation of the Gas Network Development Plan is performed in close cooperation with all market participants affected in a public consultation process. All market participants are to be integrated into the preparation process of the Gas Network Development Plan by being provided with the opportunity to submit comments. In compliance with timetable requirements, the German transmission system operators published the draft network development plan 2015 for the national gas transmission pipeline network (NEP Gas 2015) on 1 April 2015 and submitted it to the Federal Network Agency. In this draft network development plan, the forecast gas supply sources, the identifiable requirements and resulting gas flows in the German gas network are modelled for the next ten years in order to establish the expansion of and/or potential investments in the German transmission networks. The basis for this model is the scenario framework which was prepared by the transmission system operators and Prognos AG on behalf of the transmission system operators, then discussed with market participants in a public consultation process and subsequently amended accordingly.

On 1 September 2015, the Federal Network Agency published an amendment request in respect of the Gas Network Development Plan 2015 as submitted by the transmission system operators on 1 April 2015. With the exception of the advance details (provided for information purposes) on future projects for the change-over of the areas currently supplied with low-calorific gas (L gas) to high-calorific gas (H gas), the Federal Network Agency confirmed the measures

proposed by OGE. The final Gas Network Development Plan 2015 was published on 16 November 2015. Parallel to this, the transmission system operators are required to have already drawn up and conducted consultations on the Gas Network Development Plan 2016 by 1 April 2016. The overlapping of these two processes highlighted the urgent need to extend the time given for preparing the plans and bring them into line with the European Gas Network Development Plan, which is drawn up every two years. In October 2015, the Bundesrat passed the change to a two-year rhythm; a plan is now to be submitted for every even calendar year starting in 2016. Therefore, following the Gas Network Development Plan 2016, a new Gas Network Development Plan will not be prepared until 2018.

In July 2015, the transmission system operators published the scenario framework for the Gas Network Development Plan 2016 and made it available for consultation. At the end of the submission period, all comments received were passed on to the Federal Network Agency pursuant to section 15a EnWG for the evaluation of the scenario framework. On 14 December 2015, the Federal Network Agency confirmed the scenario framework with amendments. This time the primary focus of the gas network modelling for the Gas Network Development Plan 2016 is on examining different scenarios for the provenance of gas supplies for Germany's additional H-gas requirements. In the 2015 financial year, ENTSOG published the European Network Development Plan for the EU-wide development of the gas grid. This plan has to be prepared every two years and is taken into account in the scenario framework for the Gas Network Development Plan 2016.

The overarching political goal of achieving the energy transition, which is actively supported by the gas transmission network operators, must not jeopardise or even reduce the profitability of the companies. The extensive expansion obligations resulting from the annual network development plans require a massive injection of capital which can only be obtained in line with requirements and on competitive conditions if the investors consider the regulatory framework to be appropriate. This presupposes that politicians permanently ensure that the regulations in Germany offer a reliable and attractive framework to guarantee that the energy transition is achieved according to plan. In addition to setting an appropriate return on equity – above all with a view to the 3rd regulatory period – this also presupposes adequate allowance for the business risk as regards the given capacity utilisation risks and the service lives of the new energy infrastructure components which may be limited by the energy policy goals. The investments made to ensure supply security must also not be negatively impacted by disproportionate efficiency requirements – either through a comparison of the network operators or a sectoral productivity increase reset by politicians after

two regulatory periods. The joint aim of all those involved should be to steer all investments towards a macroeconomic optimum and thus to strengthen Germany as an industrial location in the long term through the efficient, economic, reliable and ecologically suitable provision of energy.

Business review

With effect from 1 January 2015, OGE reduced the transport fees overall compared with the previous year. In addition to meeting the regulatory efficiency requirements, the aim of this reduction was to reimburse the shippers with the excess income generated in 2013 by lowering fees. As a provision had already been established in 2013 for this case, the transport fee reduction had no effect on sales revenue. Furthermore, with effect from 1 January 2015, OGE changed the transport fees over to the so-called "postage stamp fee" so since then there has been only one fee for entry into the OGE transmission system and one fee for exit. This change also had no impact on sales revenue.

Owing to lower short-term transmission capacity bookings, particularly from the third quarter of 2015 onwards, due to the mild weather, sales revenues from the transport business fell short of expectations. The lower cost of fuel gas required for gas plant as a result of the fall in volumes had the opposite effect so sales from the gas transport business were slightly lower than the revenue cap approved and permitted under section 4 of the Incentive Regulation Ordinance (ARegV). Transport operations ran to schedule without any unusual occurrences.

The services business had another successful year in 2015 with sales overall on a par with the previous year.

OGE made extensive investments in new and existing plant in the 2015 financial year with a view to supply security. The investments included conversion work on the Werne compressor station. Furthermore, OGE acquired the remaining 25.2% share in the Etzel-Gas-Lager pipeline. The pipeline is now wholly owned by OGE.

In 2015, work also began on significant investments required for the implementation of the network development plan. The main projects under this investment programme are listed in the following chapter.

Technology and environmental protection

Technical operation and expansion of the gas transmission network ran to schedule in the 2015 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 modernise and expand its technical infrastructure in 2015. These include measures of the equity investments integrated in the OGE network, Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP), Mittelrheinische Erdgastransportleitungsgesellschaft mbH (METG) and Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (NETG).

MEGAL, a joint venture of OGE and GRTgaz Deutschland GmbH, intends to expand the Rothenstadt compressor station (3 x 13 MW). The planning and construction supervision services will all be performed by OGE. After the basic engineering had been successfully completed, the detailed engineering started according to schedule in 2015. In addition, a contract was awarded for the compressor units and turbine drives.

At the OGE Werne compressor station, the two network development plan projects (expansion and flow reversal) are running to schedule. The first measures were performed to integrate the extension (2 x 12 MW and 1 x 25 MW) into the existing compressor station. 2015 also saw the start of prefabrication of the pipeline components for the Werne flow reversal project.

Basic engineering for the new OGE compressor station in Herbstein (3 x 13 MW) was completed and work was started on the detailed engineering. The supply contracts were signed for the compressor units and turbine drives for the Werne and Herbstein stations.

The regulatory approval processes for the OGE gas transmission pipelines from Schwandorf via Forchheim to Finsing with a total length of approx. 140 km (DN 1000) and from Epe to Legden with a total length of approx. 15 km (DN 1100) were initiated according to schedule. The main materials were ordered for both pipelines.

A successful start was made on the planning work for the ZEELINK & Verdichterstation Verlautenheide project, a joint project of OGE and Thyssengas GmbH. The project consists of the construction of an approx. 200 km pipeline (DN 1000) running from the Aachen region to west Münsterland and the construction of a new compressor station (3 x 13 MW) in the metropolitan area of Aachen.

In 2015, OGE and Gasunie Deutschland GmbH & Co. KG (GUD) were involved in the completion of an approx. 1,520 m tunnel with an outside diameter of 3 m running under Elbe near Hamburg and two gas pipelines with a nominal diameter of DN 750 were successfully laid in the tunnel.

Furthermore, together with GUD, following the successful construction of the replacement crossing of the Weser in 2014, the new pipeline sections laid in the crossing were commissioned and the old joint Weser crossing and embankments removed. The Weser river crossing was dismantled by using explosives and then exposing and removing the pipeline pieces from the Weser with a crane. This blasting method, which was used for the first time in Germany for dismantling a river crossing, was selected so as not to impede shipping on the Weser during the removal of the pipes and to minimise the impact on the EU bird sanctuary from the landside of the Weser as far as possible. The work was successfully completed in December 2015.

In September 2015, OGE successfully passed the external monitoring audits and confirmed the certifications for the integrated management system according to DIN EN ISO 9001 (Quality Management), OHSAS 18001 (Occupational Health & Safety Management) and DIN EN 14001 (Environmental Management) valid until August/September 2017. The additional confirmation to DVGW G 1000 (Technical Safety Management) is still valid until October 2016. To meet new statutory requirements, it was decided to introduce and certify an energy management system in accordance with DIN EN ISO 50001 in 2016 as part of the existing integrated management system.

OGE attaches very high importance to environmental protection. There were no relevant environmental incidents in the reporting year.

The compressor stations continue to be 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 and reporting of changes in operation due to conversion measures as well as the annual reporting of emissions were routinely met. The certificates for 2014 were submitted via the EU register in April 2015.

OGE works continuously on developing procedures required for gas transportation, plant and pipeline construction and the safe operation of the transmission pipeline network. One of the focuses of this work remains the challenge of linking the gas and electricity grids, which is necessary for the energy transition. In this connection, OGE is actively supporting the conversion of surplus renewable energy into hydrogen, the development of a hydrogen economy and the con-

version of hydrogen into methane (SNG) to feed into the gas transmission network. A further focus is to clarify the question of how the OGE transmission system can be integrated into a demand-side management system to reduce the load on local or regional power grids. This could be achieved by the limited replacement of gas-driven compressor drives as part of new build or reinvestment projects or by doubling pre-heaters, in each case by means of electric components. The dual-fuel mode of operation, either with electricity or gas, would make it possible to react to any electricity surplus and reduce the load on the power grids.

Employees

At the end of 2015, OGE had 1,357 employees (excluding management and apprentices). Personnel expenses during the financial year amounted to € 145.5 million (previous year: € 140.8 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).

As in previous years, OGE again implemented efficiency enhancement measures in 2015, including in particular the further optimisation of the company's organisational structure and the continuation of existing early-retirement programmes.

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. As a result of these efforts, the targets were achieved in the 2015 financial year. The number of work-related accidents, measured in terms of TRIFcomb¹, is continuing to fall on a long-term average and stood at 5.7 in 2015. The external auditors of the occupational health and safety management system also noticed a further improvement in the safety culture. The HSE sub-contractor management activities were extended.

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.

Corporate governance statement in accordance with section 289a HGB

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, OGE has set the following targets for the percentage of women on the Supervisory Board, in the Management as well as in the top two management levels by 30 September 2015 and, at the same time, stipulated when these targets are to be achieved:

Supervisory Board: 0%

Management: 0%

Senior Vice President: 8%

Head of Department: 5%

All four targets are to be achieved by 31 December 2016.

In view of legal aspects such as the contract periods, OGE currently sees hardly any possibility of substantially changing the percentage of women in the above-mentioned bodies and management levels in the maximum period until mid-2017 set by the Act. However, OGE already initiated suitable promotion and career advancement measures in 2014 and stepped these measures up in 2015 so that it can fill more management positions with women in the medium term.

Investments

OGE invested a total of € 138.0 million in the reporting year (previous year: € 246.8 million), thereof € 51.8 million in the expansion and modernisation of compressor stations. Of this figure, € 19.0 million was spent on the installation of a new compressor unit in Werne; work was also started on a new compressor station in Herbstein and a further € 8.8 million expended. Both projects are part of the network development plan. A total of € 46.1 million was invested in expanding and modernising pipelines. This includes the acquisition of 25.2% in the Etzel-Gas-Lager pipeline (€ 9.1 million), the acquisition of the Badenwerk pipeline (€ 1.8 million), the rehabilitation of the Hanover pipeline in Seelze (€ 3.2 million) and the construction of the Schwandorf-to-Arresting and Arresting-to-Finsing pipelines (total of € 6.0 million). The last two pipelines are also measures under the network development plan. Other investments accounted for € 39.6 million and included IT projects (total of € 18.0 million) and investments in measurement and control systems (€ 7.9 million).

Investments relating to obligations under the network development plan accounted for a total of € 38.6 million.

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 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 expense that OGE 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 whole net income for the year (€ 103.8 million) to revenue reserves in order to be able to make these future investments from the company's own funds.

The syndicated loan facility for € 200.0 million concluded by VGT on 20 December 2013 and maturing in 2018 still exists. OGE is also a borrower under this loan and therefore entitled to use the credit line. The credit line includes an ancillary facility in the amount of € 1.5 million, which is reserved for surety (e.g. bank guarantees). As at 31 December 2015, the drawings on the syndicated loan facility totalled € 30 k for a bank guarantee.

In order to cover its obligations arising from pension entitlements, OGE uses 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. Plan assets at Helaba have been netted with the corresponding pension obligations in the balance sheet. In December 2015, € 41.3 million was added to the plan assets for pension obligations and € 2.2 million for long-term working-time account obligations. Furthermore, the equivalent of the remuneration payments of € 4.7 million made in 2015 for fulfilment shortfalls in connection with part-time phased-retirement programmes was taken from the trust assets over the course of the year. As at the reporting date, the fund's assets exceeded the provisions set up at OGE for pension obligations and long-term working-time account obligations by € 1.5 million.

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

There are foreign exchange risks for OGE from procurement transactions with business partners outside the eurozone. If required, derivative financial instruments are concluded exclusively for hedging purposes. As at 31 December 2015, OGE had no hedges in its financial portfolio.

Net assets, financial position and results of operations

In the following, OGE's main earnings drivers and income statement items are compared with the figures and the prior year's forecast in order to provide a better analysis of the company's situation.

Overall, OGE posted a decline in sales in the 2015 financial year by 7.7% to € 962.6 million (previous year: € 1,042.9 million). Total sales comprise sales from the gas transport business and the services business. Revenues from the gas transport business as well as from gas transport-related services amounted to € 787.1 million (previous year: € 868.1 million). The decrease in sales largely forecast in the previous year mainly results from a lower permitted revenue cap in accordance with section 4 of the German Incentive Regulation Ordinance. At € 175.4 million, sales of the services business were at the prior-year level (€ 174.8 million) and slightly higher than expected.

Total revenue decreased overall year on year with finished goods and work in progress increasing by € 4.7 million, income from the disposal of property, plant and equipment rising by € 9.0 million and income from the reversal of provisions falling by € 9.7 million. Cost of materials increased year on year by some € 38.7 million, particularly as a result of higher expenses rendered by third parties. Personnel expenses rose by € 4.8 million compared with the previous year. Interest expense increased year on year by € 35.7 million, in particular due to the development of the discount rate for the unwinding of discounting of non-current provisions.

OGE's profit on ordinary activities fell year on year by € 179.1 million to € 220.2 million, primarily as a result of the above-mentioned effects. Net income before distribution of profit amounted to € 173.8 million (previous year: € 330.0 million). As expected, net income for the 2015 financial year was well below the figure for 2014, largely as a result of the effect of the above-mentioned facts.

OGE's total assets amounted to € 1,496.1 million as at the reporting date of 31 December 2015 (previous year: € 1,446.8 million). This gives an equity ratio of 77.1%. Of the external funds, provisions account for 79.1%, liabilities for 19.3% and deferrals for 1.6%. Cash and cash equivalents totalled € 94.9 million as at 31 December 2015, increasing by € 9.8 million compared with the previous year.

Of OGE's total assets, fixed assets accounted for € 1,288.4 million (previous year: € 1,244.7 million) as at the reporting date. Of OGE's total assets, fixed assets accounted for 86.1% as at the reporting date (previous year: 86.0%).

In the 2015 financial year, OGE generated cash flow from operating activities of € 242.4 million (previous year: € 259.7 million). Cash flow from investing activities amounted to € -133.9 million (previous year: € -244.7 million). Cash flow from financing activities totalled € -99.5 million (previous year: € -158.6 million) and mainly related to the cash outflow for profit transfer of € 70.0 million (previous year: € -198.4 million) to the parent company, VGT. Measured by cash and cash equivalents, cash flow developed as expected.

In summary, it can be said that the Group's net assets, financial position and results of operations were positive and secure in the financial year - as forecast in 2014.

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

Open Grid Europe achieved the majority of its sales and income within the gas sector, particularly in the function of a transport system operator "Grid Business". Activities in this sector mainly include the marketed transport capacities in the pipeline network as well as the planning and construction, operation, dispatching and maintenance of this network.

With revenues of € 803.1 million in the past financial year (previous year: € 881.7 million), the segment "Grid Business" achieved a profit on ordinary activities of € 81.0 million (previous year: € 235.5 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 on ordinary activities of € 1.6 million (previous year: € 3.6 million) from sales of € 7.4 million (previous year: € 7.7 million).

"Activities outside Gas Sector" consists primarily of equity income, technical and engineering services, business and IT services as well as rental and leasing. In the past financial year, the segment "Activities outside Gas Sector" achieved a profit on ordinary activities of € 137.6 million (previous year: € 160.1 million) from sales of € 152.1 million (previous year: € 153.5 million) and income from equity investments of € 117.4 million (previous year: € 115.6 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 Con-

trol 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. As part of this process, the Management and the Supervisory Board are regularly informed. 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 incident 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 incident 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. Furthermore, 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
	Moderate	> 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 sales 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 sales, earnings and liquidity situation.

Probability of occurrence: moderate; net impact: high

Investment requirements: Changes in the network development plan may make additional expansion measures necessary. However, while additional funding would be required in the medium term, there would also be opportunities for increasing transport sales.

Probability of occurrence: low; net impact: high

Information technology: OGE uses complex information technology (IT) to operate and control the pipeline network. As a consequence, there is fundamentally a risk 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 to a total failure of the gas supply system for several days. OGE safeguards against this risk with redundant systems as well as comprehensive quality assurance and access protection systems.

Probability of occurrence: low; net impact: medium to high

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: moderate; net impact: high

Technical plant and on-site conditions: 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. A temporary loss of sales revenue, a write-off of the remaining book value and the necessary installation of new plant lead to profit losses and additional financing requirements.

Furthermore, local site conditions may 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: medium to high

Risks which are not significant

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

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

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. In 2015, OGE hedged foreign exchange risks from procurement transactions in US dollars and Swiss francs. The relevant currency hedges already expired during the financial year so the company no longer had such contracts in existence as at the reporting date.

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. Cor-

responding to the risk of high expansion obligations in line with a changed network development plan, there is also the opportunity of 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 capacity to be fully ensured.

Material legal disputes

Owing to a dispute in connection with the Gas Cooperation Agreement, a municipal utility filed a compensation claim for alleged breach of duty in an arbitration action against OGE and another network operator at the end of 2014. It was disputed whether the arbitration action constituted the correct legal process. However, in December the Düsseldorf higher regional court formally confirmed that the case falls within the jurisdiction of the court of arbitration. A date for the arbitration court hearing is expected for the first half of 2016.

Events after the reporting date

No events of particular importance occurred after the reporting date.

Forecast report

According to the German Council of Economic Experts' forecast on the overall economic situation, in 2016 the German economy is expected to show continued stable growth at the 2015 level. Gross domestic product (GDP) is forecast to grow by an average of 1.6% in 2016.

With effect from 1 January 2016, OGE raised its transport fees overall. Compared with 2015, entry fees were lowered by 1.6% and exit fees were increased by 12.1%. The regular adjustment of the authority-regulated fees is largely due to the mechanisms of the regulator's account, as stipulated in the Incentive Regulation Ordinance. These mechanisms led to the fees being considerably reduced in 2015 in order to reimburse market participants with the excess generated in the 2013 financial year.

Furthermore, the fee adjustment contains effects of new regulations of the Federal Network Agency's stipulation on the pricing of entry and exit capacities ("BEATE"), which had to be implemented with effect from 1 January 2016.

Overall, the Management is expecting transport sales in 2016 to be slightly higher than in 2015.

Sales of the services business in 2016 are expected to be slightly below the level of the reporting year.

Cost of materials will be much lower than in the reporting year. Furthermore, the Management expects that the efficiency measures introduced will largely offset the normal cost increases (for example in the construction industry or capital goods industry).

Therefore, the Management anticipates that net income for 2016 will be significantly higher than in 2015.

Investments are expected to be much higher than in the reporting year due to higher investments in network development plan measures.

Overall, a balanced cash flow is expected for 2016 so that cash and cash equivalents should be roughly at the level of the 2015 financial year.

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

In the field of occupational safety, the Management's aim is to continue the 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

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2015 financial year

	Acquisition and production costs				Cumulative amortisation/depreciation				Net book values	
	1 Jan. 2015	Additions	Disposals	Transfers	31 Dec. 2015	1 Jan. 2015	Additions	Disposals	31 Dec. 2015	31 Dec. 2014
	€	€	€	€	€	€	€	€	€	€
Intangible assets										
Internally generated intangible assets	2.876.812,53	870.616,87	0,00	3.729.960,63	7.477.390,03	608.705,35	511.937,18	0,00	1.120.642,53	2.268.107,18
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	118.175.790,25	11.480.803,94	-5.156.635,71	5.470.142,40	129.970.100,88	69.037.906,79	13.584.038,75	-5.156.635,71	77.465.309,83	49.137.883,46
Prepayments	12.711.744,43	1.935.652,26	-2.188.948,81	-9.200.103,03	3.258.346,85	0,00	0,00	0,00	0,00	12.711.744,43
	133.764.347,21	14.287.073,07	-7.345.582,52	0,00	140.705.837,76	69.646.612,14	14.095.975,93	-5.156.635,71	78.585.952,36	64.117.735,07
Tangible assets										
Land, land rights and buildings, including buildings on third-party land	182.264.336,31	3.427.062,74	-58.295,35	2.648.022,54	188.281.126,24	126.057.923,06	2.429.815,25	-53.717,35	128.434.020,96	56.206.413,25
Technical equipment and machinery	3.878.285.804,39	56.890.239,88	-14.184.124,93	71.179.351,27	3.992.171.270,61	3.290.385.680,22	63.171.555,80	-12.497.863,39	3.341.059.372,63	587.900.124,17
Operating and office equipment	77.949.749,43	6.355.935,90	-2.865.771,63	697.873,01	82.337.786,71	56.727.221,42	5.502.980,25	-2.587.088,52	59.643.113,15	21.222.528,01
Prepayments and assets under construction	111.157.996,01	56.677.308,55	-329.600,68	-74.525.246,82	92.980.457,06	0,00	3.993.387,64	0,00	3.993.387,64	111.157.996,01
	4.249.657.886,14	123.350.547,07	-17.237.792,59	0,00	4.355.770.640,62	3.473.170.824,70	75.097.738,94	-15.138.669,26	3.533.129.894,38	776.487.061,44
Financial assets										
Shares in affiliated companies	338.444.522,39	0,00	0,00	0,00	338.444.522,39	0,00	499.999,00	0,00	499.999,00	338.444.522,39
Equity investments	62.849.396,86	0,00	-1,00	0,00	62.849.395,86	0,00	0,00	0,00	0,00	62.849.395,86
Other loans	3.344.547,90	372.282,00	-443.257,76	0,00	3.273.572,14	574.660,15	0,00	-106.773,25	467.886,90	2.769.887,75
	404.638.467,15	372.282,00	-443.258,76	0,00	404.567.490,39	574.660,15	499.999,00	-106.773,25	967.885,90	404.063.807,00
	4.788.060.700,50	138.009.902,14	-25.026.633,87	0,00	4.901.043.968,77	3.543.392.096,99	89.693.713,87	-20.402.078,22	3.612.683.732,64	1.244.668.603,51

Open Grid Europe GmbH, Essen
Income Statement
for the periods from 1 January to 31 December 2015

	Note	€	€	2014 €k
1. Sales	(11)		962.585.109	1.042.934
2. Change in finished goods and work in progress			7.285.095	2.537
3. Other own work capitalised	(12)		18.261.659	18.154
4. Other operating income	(13)		12.919.126	16.841
- of which income from currency translation € 30,484 (previous year: € 51k)				
5. Cost of materials	(14)			
a) Cost of raw materials and supplies		-99.769.025		-95.025
b) Cost of purchased services		-419.783.433		-385.821
			-519.552.458	-480.846
6. Personnel expenses				
a) Wages and salaries		-118.007.899		-116.430
b) Social security, pensions and other benefits				
- of which for pensions € 10,001,801 (previous year: € 6,893k)		-27.504.863		-24.327
			-145.512.762	-140.757
7. Amortisation of intangible assets and depreciation of tangible assets	(15)		-89.193.715	-85.216
8. Other operating expenses	(16)		-82.391.764	-65.358
- of which expenses from currency translation € 96,773 (previous year: € 14k)				
9. Income from equity investments	(17)		117.408.210	115.579
- of which from affiliated companies € 72,148,390 (previous year: € 75,050k)				
10. Other interest and similar income	(18)		419.867	1.178
- of which from affiliated companies € 12,949 (previous year: € 200k)				
- of which interest income from discounting of provisions € 41,898 (previous year: € 0)				
11. Write-downs of long-term financial assets and securities classified as current assets	(19)		-499.999	0
12. Interest and similar expenses	(20)		-61.567.587	-25.821
- of which to affiliated companies € 0 (previous year: € 40k)				
- of which interest expense from unwinding of discounting of provisions € 69,600,537 (previous year: € 25,780k)				
13. Profit on ordinary activities			220.160.781	399.225
14. Income taxes	(21)		-45.750.510	-68.861
15. Other taxes	(22)		-640.128	-328
16. Transfers under profit-and-loss transfer agreement	(23)		-70.000.000	-70.000
17. Net income for the year			103.770.143	260.036
18. Transfers to revenue reserves	(24)		-103.770.143	-260.036
19. Unappropriated profit			0	0

Open Grid Europe GmbH, Essen

Notes to the financial statements for the 2015 financial year

I. General information on the annual financial statements

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) 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 Open Grid Europe GmbH (OGE), Essen. 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 (section 268, para. 2 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 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 the freely available reserves (capital reserve and revenue reserves), the prohibition of 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 3 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. In addition to this, the LIFO method in accordance with section 256, sentence 1 HGB is applied when determining acquisition cost. 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 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.

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 provisions are discounted assuming a term of 15 years and using an average interest rate determined by the Bundesbank.

Pensions and similar obligations 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 3.89% 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: 2.50% p.a.
- Pension trend: 2.00% p.a.

The market rate of 3.89% p.a. corresponds to the discount rate published for December 2015.

To secure against insolvency and to finance the employees' claims stemming from retirement pension commitments and similar obligations, 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 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".

Due to the amount of freely available reserves, the prohibition of distribution and/or transfer in section 268, para. 8 HGB does not apply.

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.

The liabilities denominated in foreign currency stated at their respective current exchange rate on the closing date (average spot rate) which remain in existence on the closing date and have a remaining term of up to one year on the closing date are shown in accordance with section 256a HGB at the average spot rate, taking realised and unrealised exchange rate gains and losses into account. Unrealised gains on receivables and liabilities in foreign currency with a remaining term of more than one year are, in accordance with section 252, para. 1, No. 4 HGB, not recognised.

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 has not established any deferred taxes and has also not made any disclosures in accordance with section 285, No. 29 HGB.

III. Notes to the Balance Sheet

(1) Intangible assets

Additions to intangible assets mainly include software in the amount of € 11.1 million as well as construction cost subsidies in the amount of € 2.0 million.

In the financial year, additions to internally generated intangible assets amounted to € 0.9 million. Total research and development expenses pursuant to section 285, No. 22 HGB also amounted to € 0.9 million in the financial year as no research expenses were incurred. Of this figure, € 0.6 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 € 822.6 million (previous year: € 776.5 million). Additions to tangible assets break down as follows:

• Land, land rights and buildings	2.78 %
• Technical equipment and machinery	46.12 %
• Other tangible assets and assets under construction	51.10 %
	100 %

Additions mainly result from the installation of a new compressor unit in Werne (€ 19.0 million), the acquisition of shares in the Etzel Gas-Lager pipeline (€ 9.1 million) and the construction of a new compressor station in Herbstein (€ 8.8 million).

(3) Financial assets

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

Of the write-downs of long-term financial assets, € 0.5 million relates to the investment book value of Open Grid Regional GmbH, Essen.

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

(4) Inventories

The items disclosed under inventories relate to work in progress (€ 56.5 million), merchandise (gas stocks in the transmission network) (€ 13.3 million), raw materials and supplies (€ 6.3 million) and emission rights (€ 0.6 million).

If the LIFO method had been applied when measuring gas stocks, an amount of € 19.1 million would have resulted. Due to application of the strict lower-of-cost-or-market principle, gas stocks were measured at the lower current market prices.

(5) Receivables and other assets

Trade receivables mainly result from the transport business.

Receivables from shareholders result exclusively from imputable taxes and overpayments in connection with tax receivables from the Group tax levy.

Receivables from affiliated companies mainly result from imputable taxes of € 3.1 million from Vier Gas Services GmbH & Co. KG (VGS), Essen.

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 € 1.0 million.

Other assets mainly comprise VAT tax refund claims of € 1.6 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 credit balances with banks and cash in hand at the operating sites.

(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 (€ 318.3 million) against the corresponding pension provisions (€ 294.7 million), the provisions for obligations arising from part-time phased-retirement programmes (€ 5.5 million) and the provisions for long-term working-time accounts (€ 16.6 million).

The plan asset acquisition costs amount to € 287.3 million. In the 2015 financial year, payments of € 44.2 million were made into plan assets and € 5.0 million were 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.

The **capital reserve** is unchanged at € 603.7 million.

The **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, € 260.0 million was transferred to revenue reserves in the 2014 financial year.

In the 2015 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 € 103.8 million were made to revenue reserves with a view to future investment projects in connection with the network development plan.

(9) Provisions

Provisions for pensions and similar obligations exclusively contain provisions for gas allowances.

Tax provisions exclusively comprise provisions for value-added tax and property transfer tax.

Other provisions (€ 265.0 million) mainly comprise provisions for the removal of disused pipelines amounting to € 80.3 million, provisions for the removal of above-ground facilities amounting to € 70.7 million, provisions for future fee reduction disgorgement amounting to € 49.5 million and staff-related provisions amounting to € 44.0 million. In addition, there are obligations amounting to € 12.4 million to hand over gas in the pipelines.

(10) Liabilities

	Total 31 Dec. 2015	Remaining term of up to 1 year	Remaining term of between 1 and 5 years	Remaining term of more than 5 years	Total 31 Dec. 2014
Payments received on account of orders	€ 15,003,795	€ 15,003,795	€ 0	€ 0	€ 16,350,580
Trade payables	€ 10,570,799	€ 9,969,184	€ 518,065	€ 83,550	€ 8,468,506
Liabilities to shareholders	€ 0	€ 0	€ 0	€ 0	€ 22,666,459
Liabilities to affiliated companies	€ 23,823,217	€ 23,823,217	€ 0	€ 0	€ 16,986,914
Liabilities to companies in which equity investments are held	€ 8,492,111	€ 8,492,111	€ 0	€ 0	€ 9,930,981
Other Liabilities	€ 8,289,380	€ 8,261,803	€ 27,577	€ 0	€ 4,067,948
(of which taxes)	(€ 4,781,972)	(€ 4,781,972)	(€ 0)	(€ 0)	(€ 2,210,918)
	<u>€ 66,179,302</u>	<u>€ 65,550,110</u>	<u>€ 545,642</u>	<u>€ 83,550</u>	<u>€ 78,471,388</u>

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

Liabilities to affiliated companies mainly comprise advance payments received and liabilities arising from clearing transactions and are netted with receivables under profit-and-loss transfer agreements.

Liabilities to companies in which equity investments are held mainly contain advance payments received and are netted with the receivables under profit-and-loss transfer agreements and ongoing clearing transactions. The amount of trade payables included in this line item is insignificant.

Other liabilities mainly result from taxes of € 4.8 million and construction cost subsidies of € 3.2 million.

Contingent liabilities 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. As at the reporting date 31 December 2015, the syndicated credit line had been drawn down in the amount of € 30k through the issue of a bank guarantee.

Other financial obligations not shown in the balance sheet amounting to € 199.0 million p.a. as at the balance-sheet date relate to long-term contracts for the leasing of the pipeline network, of which € 123.8 million p.a. relates to affiliated companies.

Furthermore, other financial obligations of € 387.1 million exist and relate to purchase commitments.

IV. Notes to the income statement

(11) Sales

Sales result from the gas transport business and transport-related services (€ 787.1 million) and from technical and commercial services (€ 175.5 million); they are mainly generated in Germany. € 136.8 million of the sales was generated with affiliated or associated companies. The decline in sales compared with the previous year is mainly due to the revenue cap approved by the Federal Network Agency, which was lower than in the previous year.

(12) Other own work capitalised

The company capitalised own work for intangible assets in the amount of € 2.6 million.

(13) Other operating income

This item mainly results from income from the disposal of tangible assets in the amount of € 9.1 million and income from the release of provisions in the amount of € 2.0 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 load flow commitments and fuel energy as well as beneficial use fees, also in regard to affiliated companies and companies in which equity investments are held. 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 € 85.2 million (previous year: € 85.2 million). Amortisation of intangible assets amounted to € 14.1 million and depreciation of tangible assets to € 71.1 million. In addition, write-downs of tangible assets under construction were performed in the amount of € 4.0 million in the reporting year.

(16) Other operating expenses

Other operating expenses mainly comprise IT costs, social security expenses and other administrative expenses.

(17) Income from equity investments

	2015	2014
Income from equity investments	€ 53.0 m	€ 43.6 m
Income from profit-and-loss transfer agreements	€ 66.2 m	€ 73.2 m
Cost of loss absorption	€ -1.8 m	€ -1.2 m
	€ 117.4 m	€ 115.6 m

(18) Other interest and similar income

Other interest and similar income mainly comprise interest income of € 0.1 million from the unwinding of discounting on loans as well as interest on arrears and interest income on bank balances, each in the amount of € 0.1 million.

(19) Write-downs of long-term financial assets and securities classified as current assets

The write-downs of long-term financial assets relate exclusively to the equity investment in Open Grid Regional GmbH, Essen.

(20) 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 € 69.6 million. This item also includes income in the amount of € 8.0 million from the measurement of 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 prohibition of distribution and/or transfer under section 268, para. 8 HGB does not apply.

(21) Income taxes

The taxes on income mainly relate to Group tax levies of the financial year (€ 45.8 million).

(22) Other taxes

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

(23) Transfers under profit-and-loss transfer agreement

The transfers under the profit-and-loss transfer agreement result from the profit-and-loss transfer agreement concluded with VGT and relate solely to advance transfers within the financial year amounting to € 70.0 million.

(24) Transfers to revenue reserves

The portion of net income exceeding advance transfers was transferred in full to revenue reserves in the financial year for future investment projects in connection with the network development plan.

V. Other disclosures

Distribution prohibition in accordance with section 268, para. 8 HGB

Capitalisation of internally generated intangible assets (€ 6.4 million) and accounting for plan assets at fair value (+ € 31.0 million in comparison to the acquisition costs) result in a total amount of € 37.4 million, which is subject to a prohibition on distribution pursuant to section 268, para. 8 HGB. Due to the amount of the freely available reserves (capital reserve and revenue reserves), this prohibition on distribution does not apply.

Number of employees on annual average

In the financial year, the number of employees excluding management and apprentices amounted to an average of 328 industrial workers and 1,029 salaried employees (previous year: 333 industrial workers and 1,018 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 (€ 106.9 million) as well as expenses for the lease of the pipeline network (€ 199.0 million).

Supervisory Board of Open Grid Europe GmbH, Essen

The following were members of the Supervisory Board in the 2015 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

Thomas Engelkamp

Offenhausen

Master in Occupational Safety at Open Grid Europe GmbH

Frank Rothäusler

until 31 October 2015

Munich

Senior Investment Manager, MEAG Munich ERGO AssetManagement GmbH

Dominik Damaschke

from 1 November 2015

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 2015 financial year.

Management of Open Grid Europe GmbH

The Members of the Management in the reporting year were:

Stephan Kamphues

Essen

Chairman of the Management Board

Dr Jörg Bergmann

Bochum

Commercial Managing Officer

Wolfgang Anthes

Moers

Managing Director responsible for Business Services

Dr Thomas Hübener

Haltern

Managing Director responsible for the Technical Area

In the reporting year, the Management received total remuneration of € 3.1 million within the meaning of section 285, No. 9a HGB for its work. For the total remuneration of former managing directors within the meaning of section 285, No. 9b HGB, the company has made use of the protection-of-interests clause under section 286, para. 4 HGB.

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 con-

solidated 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 German in the electronic Federal Gazette.

Essen, 14 March 2016

Open Grid Europe GmbH
The Management

Kamphues

Dr Bergmann

Anthes

Dr Hübener

**List of shareholdings in accordance with section 285 No. 11 HGB
as of 31 December 2015**

Consecutive number	Company	Share of Open Grid Europe GmbH or subsidiary in the company's equity in %	Shareholding companies (consecutive number)	Equity (in €k) ¹⁾ 31 Dec. 2015	Annual result (in €k) ¹⁾ 2015
Major affiliated companies					
1	Open Grid Europe GmbH, Essen ²⁾	100,00		1.153.274	173.770
2	Open Grid Regional GmbH, Essen ²⁾	100,00	1	500	-1.848
3	Mittelrheinische Erdgastransportleitungsgesellschaft mbH, Essen ²⁾	100,00	1	64.150	52.947
4	MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, Essen	51,00	1	118.947	24.895
5	Line Worx GmbH, Essen ²⁾	100,00	1	80.725	12.549
Other major equity investments					
6	Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, Dortmund ³⁾	50,00	1	28.985	5.466
7	NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, Schneiderkrug	40,55	1	61.716	63.767
8	Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Essen	51,00	1	100.497	13.249
9	GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen ³⁾	25,00	5	0	48.962
Affiliated companies of minor importance					
10	MEGAL Verwaltungs-GmbH, Essen	51,00	1	45	2
11	PLEdoc GmbH, Essen ²⁾	100,00	1	589	71
12	Open Grid Service GmbH, Essen ²⁾	100,00	1	100	703
13	NEL Beteiligungs GmbH, Essen ²⁾	100,00	1	25	0
Other equity investments of minor importance					
14	Trans Europa Naturgas Pipeline Verwaltungs-GmbH, Essen	50,00	1	43	2
15	Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, Dortmund ³⁾	50,00	1	36	1
16	DEUDAN-Deutsch/Dänische Erdgastransport-gesellschaft mbH & Co. Kommanditgesellschaft, Handewitt	24,99	1	5.334	828
17	DEUDAN-HOLDING-GmbH, Hannover ³⁾	49,00	1	21	-1
18	NetConnect Germany GmbH & Co. KG, Ratingen ³⁾	35,00	1	5.000	0
19	NetConnect Germany Management GmbH, Ratingen ³⁾	35,00	1	69	3
20	NETRA GmbH Norddeutsche Erdgas Transversale, Schneiderkrug ³⁾	33,33	1	107	2
21	caplog-x GmbH, Leipzig ³⁾	31,33	1	647	447
22	Liwacom Informationstechnik GmbH, Essen ³⁾	33,33	1	490	165
23	GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen ³⁾	25,00	5	62	1
24	GasLINE CP Customer Projects GmbH, Straelen ³⁾	100,00	9	226	42

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
for the Period from
January 1 to December 31, 2015**

Consolidated sector balance sheet as of 31 December 2015

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		5.856.876	20.334	479.538	0	6.356.748
2. Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets		49.587.826	508.047	2.408.918	0	52.504.791
3. Advance payments made		3.046.711	46.271	165.365	0	3.258.347
		58.491.413	574.652	3.053.821	0	62.119.886
II. Tangible assets						
1. Land, similar rights and buildings		38.751.488	208.951	20.886.666	0	59.847.105
2. Technical equipment and machinery		650.579.650	24.471	507.777	0	651.111.898
3. Other equipment, factory and office equipment		15.252.338	70.886	7.371.450	0	22.694.674
4. Advance payments made and construction in progress		87.728.140	45.661	1.213.268	0	88.987.069
		792.311.616	349.969	29.979.161	0	822.640.746
III. Financial assets						
1. Shares in affiliated companies		0	0	337.944.523	0	337.944.523
2. Equity investments		0	0	62.849.396	0	62.849.396
3. Other loans		1.714.868	42.064	1.048.753	0	2.805.685
		1.714.868	42.064	401.842.672	0	403.599.604
		852.517.897	966.685	434.875.654	0	1.288.360.236
B. Current assets						
I. Inventories						
1. Raw materials and supplies		5.799.661	3.162	521.090	0	6.323.913
2. Work in progress		10.423.224	0	46.038.650	0	56.461.874
3. Merchandise		13.316.036	0	0	0	13.316.036
4. Other inventories		556.387	0	0	0	556.387
		30.095.308	3.162	46.559.740	0	76.658.210
II. Receivables and other assets						
1. Trade receivables		20.116.165	1.291	1.643.131	0	21.760.587
2. Receivables from shareholders		1.501.804	28.761	1.595.590	0	3.126.155
3. Receivables from affiliated companies		1.478.658	28.338	1.584.369	0	3.091.365
4. Receivables from companies in which equity investments are held		18.050	0	1.047.338	0	1.065.388
5. Other assets		2.084.568	4.569	2.217.851	0	4.306.988
<i>from that receivables with a residual term of one year</i>		1.035.518	0	0	0	1.035.518
		25.199.245	62.959	8.088.279	0	33.350.483
III. Cash on hand and bank balances		31.971.503	617.386	62.321.308	0	94.910.197
		87.266.056	683.507	116.969.327	0	204.918.890
C. Prepaid expenses		825.865	18.212	449.861	0	1.293.938
D. Asset surplus arising from offsetting		914.705	22.437	548.733	0	1.485.875
E. Capital clearing item		222.860.442	534.141	0	-223.394.583	0
		1.164.384.965	2.224.982	552.843.575	-223.394.583	1.496.058.939

Consolidated sector balance sheet as of 31 December 2015

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	73.002.460	82.779	37.239.093	0	110.324.332
II. Capital reserve	399.474.973	452.972	203.775.123	0	603.703.068
III. Revenue reserves	413.725.759	56.605	25.464.664	0	439.247.028
	886.203.192	592.356	266.478.880	0	1.153.274.428
B. Provisions					
1. Provisions for pensions and similar obligations	3.853.729	94.528	2.311.863	0	6.260.120
2. Tax provisions	12.211	59	1.901	0	14.171
3. Other provisions	245.889.640	1.447.455	17.682.441	0	265.019.536
	249.755.580	1.542.042	19.996.205	0	271.293.827
C. Liabilities					
1. Advance payments received on orders	11.463.282	0	3.540.513	0	15.003.795
<i>from that with a residual term of one year</i>	11.463.282	0	3.540.513	0	15.003.795
2. Trade payables	5.313.466	29.218	5.228.115	0	10.570.799
<i>from that with a residual term of up to one year</i>	4.725.273	29.019	5.214.892	0	9.969.184
<i>from that with a residual term between one and five years</i>	504.643	199	13.223	0	518.065
<i>from that with a residual term of more than five years</i>	83.550	0	0	0	83.550
3. Liabilities to shareholders	0	0	0	0	0
<i>from that with a residual term of up to one year</i>	0	0	0	0	0
4. Liabilities to affiliated companies	757	15	23.822.445	0	23.823.217
<i>from that with a residual term of up to one year</i>	757	15	23.822.445	0	23.823.217
5. Liabilities to companies in which equity investments are held	54.392	3.949	8.433.770	0	8.492.111
<i>from that with a residual term of up to one year</i>	54.392	3.949	8.433.770	0	8.492.111
6. Other liabilities	6.328.060	57.402	1.903.918	0	8.289.380
<i>from that with a residual term of up to one year</i>	27.577	0	0	0	27.577
<i>from that taxes</i>	2.856.464	55.964	1.869.545	0	4.781.973
	23.159.957	90.584	42.928.761	0	66.179.302
D. Deferred income	5.266.236	0	45.146	0	5.311.382
E. Capital clearing item	0	0	223.394.583	-223.394.583	0
	1.164.384.965	2.224.982	552.843.575	-223.394.583	1.496.058.939

Contingent liabilities 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 will be allocated to the Activities outside Gas Sector. As at the reporting date 31 December 2015, the syndicated credit line had been drawn down in the amount of € 30k through the issue of a bank guarantee.

Other financial obligations not shown in the balance sheet amounting to € 199.0 million p.a. as at the balance-sheet date relate to long-term contracts for the leasing of the pipeline network (grid business), of which € 123.8 million p.a. relates to affiliated companies.

Furthermore, other financial obligations of € 387.1 million exist and relate to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid Business € 355.0 million, Other Activities within Gas Sector € 0.2 million and Activities outside Gas Sector € 31.9 million.

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2015 financial year

	Acquisition and production costs						Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2015	Additions	Disposals	Transfers	31 Dec. 2015	1 Jan. 2015	Additions	Disposals	31 Dec. 2015	1 Jan. 2015	31 Dec. 2015	
	€	€	€	€	€	€	€	€	€	€	€	
Intangible assets												
Internally generated intangible assets	2,876,812.53	870,616.87	0.00	3,729,960.63	7,477,390.03	608,705.35	511,937.18	0.00	1,120,642.53	6,356,747.50	2,266,107.18	
from that Grid Business	2,028,494.46	899,567.29	0.00	3,729,960.63	6,658,022.38	435,163.46	365,983.89	0.00	801,147.35	5,856,875.03	1,605,521.55	
from that Other Activities within Gas Sector	34,362.83	-1,028.91	0.00	0.00	33,333.92	7,060.98	5,938.47	0.00	12,999.45	20,334.47	23,332.70	
from that Activities outside Gas Sector	813,955.24	-27,921.51	0.00	0.00	786,033.73	166,480.91	140,014.82	0.00	306,495.73	479,538.00	639,252.93	
Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets												
from that Grid Business	118,175,790.25	11,480,603.94	-5,156,635.71	5,470,142.40	129,970,100.88	69,037,906.79	13,564,038.75	-5,156,635.71	77,465,309.83	52,504,791.05	49,137,883.46	
from that Other Activities within Gas Sector	99,790,020.62	10,607,499.01	-4,114,794.66	4,217,400.88	110,500,125.85	53,109,136.31	11,917,955.48	-4,114,794.66	60,912,299.13	49,587,826.72	46,295,300.63	
from that Activities outside Gas Sector	6,802,703.74	107,243.03	-38,721.84	95,095.69	6,966,320.62	5,866,971.16	6,10,024.52	-38,721.84	6,458,273.84	508,046.78	926,594.31	
Advance payments made	12,711,744.43	1,935,652.26	-2,168,946.81	-9,200,103.03	3,256,346.85	0.00	0.00	0.00	0.00	3,256,346.85	12,711,744.43	
from that Grid Business	11,181,358.31	2,014,409.93	-2,188,946.81	-7,960,111.24	3,046,710.19	0.00	0.00	0.00	0.00	3,046,710.19	11,328,776.01	
from that Other Activities within Gas Sector	134,461.37	6,847.86	0.00	-95,038.06	46,271.17	0.00	0.00	0.00	0.00	46,271.17	126,529.90	
from that Activities outside Gas Sector	1,395,924.75	-85,605.53	0.00	-1,144,953.73	165,365.49	0.00	0.00	0.00	0.00	165,365.49	1,256,438.52	
	133,764,347.21	14,287,073.07	-7,345,582.52	0.00	140,705,837.76	69,646,812.14	14,095,875.93	-5,156,635.71	78,585,952.36	62,119,885.40	64,117,735.07	
Tangible assets												
Land, similar rights and buildings including buildings on leasehold land	182,264,336.31	3,427,062.74	-58,295.35	2,648,022.54	188,281,126.24	126,057,923.06	2,429,815.25	-53,717.35	128,434,020.96	59,847,105.28	56,206,413.25	
from that Grid Business	143,331,538.01	3,414,744.60	-58,295.35	2,608,961.94	149,296,949.20	108,993,604.87	1,605,572.70	-53,717.35	110,545,460.22	38,751,488.98	34,490,859.96	
from that Other Activities within Gas Sector	399,114.24	0.00	0.00	0.00	399,114.24	181,723.30	8,440.25	0.00	190,163.55	208,950.69	187,157.77	
from that Activities outside Gas Sector	38,533,684.06	12,318.14	0.00	39,060.60	38,585,062.80	16,862,594.89	815,802.30	0.00	17,698,397.19	20,886,665.61	21,528,395.52	
Technical equipment and machinery	3,878,285,804.39	56,890,239.88	-14,184,124.93	71,179,351.27	3,992,171,270.61	3,290,385,680.22	63,171,555.80	-12,497,863.39	3,341,059,372.63	651,111,897.98	587,900,124.17	
from that Grid Business	3,871,977,419.72	56,886,346.99	-14,184,124.93	71,179,351.27	3,985,659,995.05	3,284,672,193.69	63,105,013.99	-12,497,863.39	3,335,279,344.29	650,579,650.76	586,915,333.56	
from that Other Activities within Gas Sector	627,813.29	0.00	0.00	0.00	627,813.29	613,524.52	-10,182.24	0.00	603,342.28	24,471.01	12,299.38	
from that Activities outside Gas Sector	5,680,571.38	3,890.89	0.00	0.00	5,684,462.27	5,099,962.01	76,724.05	0.00	5,176,686.06	507,776.21	972,491.21	
Factory and office equipment	77,949,749.43	6,355,935.90	-2,665,771.63	697,873.01	82,337,786.71	56,727,221.42	5,502,980.25	-2,587,088.52	59,643,113.15	22,694,673.56	21,222,528.01	
from that Grid Business	49,252,850.73	4,318,350.89	-1,613,727.96	520,333.69	52,478,807.35	35,331,019.02	3,470,137.27	-1,574,686.25	37,226,470.04	15,252,337.31	12,546,662.83	
from that Other Activities within Gas Sector	163,154.02	33,575.29	-880.11	0.00	195,849.20	103,770.34	22,072.77	-880.11	124,963.00	70,886.20	41,747.69	
from that Activities outside Gas Sector	28,533,744.68	2,003,009.72	-1,051,163.56	177,539.32	29,863,130.16	21,292,432.06	2,010,770.21	-1,011,522.16	22,291,680.11	7,371,450.05	8,634,097.49	
Advance payments made and construction in progress	111,157,996.01	56,677,308.55	-329,600.68	-74,525,246.82	92,980,457.06	0.00	0.00	0.00	3,993,387.64	88,987,069.42	111,157,996.01	
from that Grid Business	110,912,565.74	55,449,026.36	-329,600.68	-74,310,463.85	91,721,527.57	0.00	0.00	0.00	3,993,387.64	87,728,139.93	110,451,211.94	
from that Other Activities within Gas Sector	0.00	45,661.41	0.00	0.00	45,661.41	0.00	0.00	0.00	0.00	45,661.41	-9,686.88	
from that Activities outside Gas Sector	245,430.27	1,182,620.78	0.00	-214,782.97	1,213,268.08	0.00	0.00	0.00	0.00	1,213,268.08	716,470.95	
	4,249,657,886.14	123,350,547.07	-17,237,792.59	0.00	4,355,770,640.62	3,473,170,824.70	75,097,735.94	-15,138,669.26	3,533,129,894.38	822,640,745.24	776,487,061.44	

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2015 financial year

	Acquisition and production costs						Accumulated amortisation/depreciation				Net book values	
	1 Jan, 2015	Additions	Disposals	Transfers	31 Dec, 2015	1 Jan, 2015	Additions	Disposals	31 Dec, 2015	31 Dec, 2015	31 Dec, 2014	
	€	€	€	€	€	€	€	€	€	€	€	
Financial assets												
Shares in affiliated companies	338,444,522.39	0.00	0.00	0.00	338,444,522.39	0.00	499,999.00	0.00	499,999.00	337,944,523.39	338,444,522.39	
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 Other Activities outside Gas Sector	338,444,522.39	0.00	0.00	0.00	338,444,522.39	0.00	499,999.00	0.00	499,999.00	337,944,523.39	338,444,522.39	
Equity investments	62,849,396.86	0.00	-1.00	0.00	62,849,395.86	0.00	0.00	0.00	0.00	62,849,395.86	62,849,396.86	
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 Other Activities outside Gas Sector	62,849,396.86	0.00	-1.00	0.00	62,849,395.86	0.00	0.00	0.00	0.00	62,849,395.86	62,849,396.86	
Other loans	3,344,547.90	372,282.00	-443,257.76	0.00	3,273,572.14	574,660.15	0.00	-106,773.25	467,886.90	2,805,685.24	2,769,887.75	
from that Grid Business	2,058,903.69	216,864.80	-272,869.48	0.00	2,002,899.01	353,760.79	0.00	-65,729.61	288,031.18	1,714,867.83	1,729,240.93	
from that Other Activities within Gas Sector	50,502.67	5,319.46	-6,693.19	0.00	49,128.94	8,677.37	0.00	-1,612.28	7,065.09	42,063.85	36,008.69	
from that Other Activities outside Gas Sector	1,235,141.54	150,097.74	-163,695.09	0.00	1,221,544.19	212,221.99	0.00	-39,431.36	172,790.63	1,048,753.56	1,004,638.29	
	404,638,467.15	372,282.00	-443,258.76	0.00	404,567,490.39	574,660.15	499,999.00	-106,773.25	967,885.90	403,599,604.49	404,063,807.00	
	4,786,060,700.50	138,009,502.14	-25,026,633.87	0.00	4,901,043,968.77	3,543,392,096.99	89,693,713.87	-20,402,078.22	3,612,683,732.64	1,288,360,236.13	1,244,668,603.51	

Unbundling Income Statement
for the periods from 1 January to 31 December 2015

€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1. Sales	803,060,049	7,393,211	152,131,849	962,585,109
2. Change in finished goods and work in progress	1,481,166	0	5,803,929	7,285,095
3. Other own work capitalised	18,261,659	0	0	18,261,659
4. Other operating income	11,911,107	14,090	993,929	12,919,126
- of which income from currency translation	21,851	351	8,282	30,484
5. Cost of materials	-476,474,103	-254,255	-42,824,100	-519,552,458
a) Cost of raw materials and supplies	-94,225,176	-14,389	-5,529,460	-99,769,025
b) Cost of purchased services	-382,248,927	-239,866	-37,294,640	-419,783,433
6. Personnel expenses	-89,582,674	-2,195,008	-53,735,080	-145,512,762
a) Wages and salaries	-72,690,689	-1,822,262	-43,494,948	-118,007,899
b) Social security, pensions and other benefits	-16,891,985	-372,746	-10,240,132	-27,504,863
- of which for pensions	-6,216,049	-119,476	-3,666,276	-10,001,801
7. Amortisation of intangible assets and depreciation of tangible assets	-84,458,051	-636,294	-4,099,370	-89,193,715
8. Other operating expenses	-57,327,228	-2,163,734	-22,900,802	-82,391,764
- of which expenses from currency translation	-69,546	-1,108	-26,119	-96,773
9. Income from equity investments	0	0	117,408,210	117,408,210
a) Income from Investments	0	0	53,007,620	53,007,620
- of which from affiliated companies	0	0	7,747,799	7,747,799
b) Income from Profit Transfer Agreement	0	0	66,249,059	66,249,059
- of which from affiliated companies	0	0	66,249,059	66,249,059
c) Expenses from transfer of losses	0	0	-1,848,468	-1,848,468
- of which from affiliated companies	0	0	-1,848,468	-1,848,468
10. Other interest and similar income	223,928	3,603	192,336	419,867
- of which from affiliated companies	0	0	12,949	12,949
- of which interest income from the discounting of provisions	41,898	0	0	41,898
11. Write-downs of long-term financial assets and securities classified as current assets	0	0	-499,999	-499,999
12. Interest and similar expenses	-46,114,612	-607,021	-14,845,954	-61,567,587
- of which from affiliated companies	0	0	0	0
- of which interest expense from unwinding of discounting of provisions	-51,058,873	-728,354	-17,813,310	-69,600,537
13. Profit on ordinary activities	80,981,241	1,554,592	137,624,948	220,160,781
14. Income taxes	-21,976,157	-421,693	-23,352,660	-45,750,510
15. Other taxes	-483,425	-4,760	-151,943	-640,128
16. Expenses from profit-and-loss transfer	-23,569,000	-455,000	-45,976,000	-70,000,000
17. Net income for the year	34,952,659	673,139	68,144,345	103,770,143
18. Transfers to revenue reserves	-34,952,659	-673,139	-68,144,345	-103,770,143
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 10 December 2015, 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 2015 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 € 103.8 million were made to revenue reserves with a view to future investment projects. Therefore this amount is completely assigned to the segment “Grid Business”.

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.).

**Activity Reports
for the Period from
January 1 to December 31, 2014**

Consolidated sector balance sheet as of 31 December 2014

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		1,605,521	23,333	639,253	0	2,268,107
2. Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets		46,295,301	926,594	1,915,989	0	49,137,884
3. Advance payments made		11,328,776	126,530	1,256,438	0	12,711,744
		59,229,598	1,076,457	3,811,680	0	64,117,735
II. Tangible assets						
1. Land, similar rights and buildings		34,490,860	187,158	21,528,396	0	56,206,414
2. Technical equipment and machinery		586,915,334	12,299	972,491	0	587,900,124
3. Other equipment, factory and office equipment		12,546,683	41,748	8,634,097	0	21,222,528
4. Advance payments made and construction in progress		110,451,212	-9,687	716,471	0	111,157,996
		744,404,089	231,518	31,851,455	0	776,487,062
III. Financial assets						
1. Shares in affiliated companies		0	0	338,444,522	0	338,444,522
2. Equity investments		0	0	62,849,397	0	62,849,397
3. Other loans		1,729,241	36,009	1,004,638	0	2,769,888
		1,729,241	36,009	402,298,557	0	404,063,807
		805,362,928	1,343,984	437,961,692	0	1,244,668,604
B. Current assets						
I. Inventories						
1. Raw materials and supplies		5,994,294	643	432,571	0	6,427,508
2. Work in progress		8,942,057	0	40,234,721	0	49,176,778
3. Merchandise		15,701,528	0	0	0	15,701,528
4. Other inventories		707,150	0	0	0	707,150
		31,345,029	643	40,667,292	0	72,012,964
II. Receivables and other assets						
1. Trade receivables		18,885,524	84,813	5,729,378	0	24,699,715
2. Receivables from affiliated companies		-73,551	0	1,964,118	0	1,890,567
3. Receivables from companies in which equity investments are held		21,270	51,189	2,820,649	0	2,893,108
4. Other assets <i>from that receivables with a residual term of one year</i>		2,103,647 1,037,738	10,148 0	6,228,708 0	0 0	8,342,503 1,037,738
		20,936,890	146,150	16,742,853	0	37,825,893
III. Cash on hand and bank balances		49,512,242	767,851	34,866,630	0	85,146,723
		101,794,161	914,644	92,276,775	0	194,985,580
C. Prepaid expenses		958,710	32,067	481,592	0	1,472,369
D. Asset surplus arising from offsetting		3,555,314	74,033	2,065,533	0	5,694,880
E. Capital clearing item		180,148,569		-6,659,090	-173,489,479	
		1,091,819,682	2,364,728	526,126,502	-173,489,479	1,446,821,433

Consolidated sector balance sheet as of 31 December 2014

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	71,385,369	119,127	38,819,836	0	110,324,332
II.	Capital reserve	390,626,122	651,874	212,425,072	0	603,703,068
III.	Revenue reserves	308,849,824	81,461	26,545,600	0	335,476,885
		770,861,315	852,462	277,790,508	0	1,049,504,285
B.	Provisions					
1.	Provisions for pensions and similar obligations	3,387,204	70,533	1,967,866	0	5,425,603
2.	Tax provisions	3,628,100	56,115	2,080,508	0	5,764,723
3.	Other provisions	284,751,009	567,619	16,685,320	0	302,003,948
		291,766,313	694,267	20,733,694	0	313,194,274
C.	Liabilities					
1.	Advance payments received on orders <i>from that with a residual term of one year</i>	2,255,725 2,255,725	0 0	14,094,855 14,094,855	0 0	16,350,580 16,350,580
2.	Trade payables <i>from that with a residual term of up to one year</i> <i>from that with a residual term between one and five years</i> <i>from that with a residual term of more than five years</i>	3,575,392 3,373,641 201,751 0	30,744 30,716 28 0	4,862,370 4,842,303 20,067 0	0 0 0 0	8,468,506 8,246,660 221,846 0
3.	Liabilities to shareholders <i>from that with a residual term of up to one year</i>	14,288,935 14,288,935	219,865 219,865	8,157,659 8,157,659	0 0	22,666,459 22,666,459
4.	Liabilities to affiliated companies <i>from that with a residual term of up to one year</i>	141,325 141,325	2,881 2,881	16,842,708 16,842,708	0 0	16,986,914 16,986,914
5.	Liabilities to companies in which equity investments are held <i>from that with a residual term of up to one year</i>	44,390 44,390	197 197	9,886,394 9,886,394	0 0	9,930,981 9,930,981
6.	Other liabilities <i>from that with a residual term of up to one year</i> <i>from that taxes</i>	3,282,667 3,282,667 1,488,261	25,499 25,499 24,524	759,782 759,782 698,133	0 0 0	4,067,948 4,067,948 2,210,918
		23,588,434	279,186	54,603,768	0	78,471,388
D.	Deferred income	5,603,620	0	47,866	0	5,651,486
E.	Capital clearing item		538,813	172,950,666	-173,489,479	
		1,091,819,682	2,364,728	526,126,502	-173,489,479	1,446,821,433

Contingent liabilities and other financial obligations

The syndicated credit line concluded by Vier Gas Transport GmbH as per 20 December 2013 amounting to €200 million (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 will be allocated to the Activities outside Gas Sector.
As at the closing date 31 December 2014, neither the syndicated credit line nor the guarantee line had been used so the full amount is still freely available.

Other financial obligations not shown in the balance sheet amounting to €197.8 million p.a. as of the balance-sheet date relate to long-term contracts for the lease of the pipeline network (grid business), of which €116.4 million p.a. relates to affiliated companies.

Furthermore, other financial obligations of €144.1 million exist and relate to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid Business €134.4 million and Activities outside Gas Sector €9.7 million.

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2014 financial year

	Acquisition and production costs					Accumulated amortisation/depreciation					Net book values	
	1 Jan. 2014	Additions	Disposals	Transfers	31 Dec. 2014	1 Jan. 2014	Additions	Disposals	31 Dec. 2014	31 Dec. 2014	31 Dec. 2013	
	€	€	€	€	€	€	€	€	€	€	€	
Intangible assets												
Internally generated intangible assets	2,234,638.21	558,640.59	0.00	83,533.73	2,876,812.53	241,399.68	367,305.67	0.00	608,705.35	2,268,107.18	1,993,238.53	
from that Grid Business	1,608,492.58	375,047.50	0.00	60,127.58	2,043,667.66	173,759.49	264,386.62	0.00	438,146.11	1,605,521.55	1,399,511.95	
from that Other Activities within Gas Sector	22,122.92	6,408.99	0.00	826.98	29,358.89	2,389.86	3,636.33	0.00	6,026.19	14,586.83	14,586.83	
from that Activities outside Gas Sector	604,022.71	177,184.10	0.00	22,579.17	803,785.98	65,250.33	99,282.72	0.00	164,533.05	639,252.93	579,139.75	
Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets												
from that Grid Business	102,493,733.62	9,956,998.10	-1,894,258.41	7,619,316.94	118,175,790.25	55,711,667.18	15,220,498.02	-1,894,258.41	69,037,906.79	49,137,883.46	46,782,066.44	
from that Other Activities within Gas Sector	86,986,004.73	8,305,926.71	-1,762,607.45	6,166,728.94	99,696,050.93	43,200,117.20	11,963,240.55	-1,762,607.45	53,400,750.30	46,295,300.63	42,798,785.83	
from that Activities outside Gas Sector	5,918,706.87	406,962.58	0.00	405,026.86	6,730,686.31	4,951,223.39	852,878.61	0.00	5,804,102.00	926,594.31	1,013,493.68	
Advance payments made	13,717,807.02	6,896,788.08	0.00	-7,702,850.67	12,711,744.43	0.00	0.00	0.00	0.00	12,711,744.43	13,717,807.02	
from that Grid Business	11,906,610.00	5,704,242.90	0.00	-6,282,076.89	11,328,776.01	0.00	0.00	0.00	0.00	11,328,776.01	11,468,620.00	
from that Other Activities within Gas Sector	490,850.98	38,274.74	0.00	-402,595.82	126,529.90	0.00	0.00	0.00	0.00	126,529.90	387,498.00	
from that Activities outside Gas Sector	1,320,346.04	954,270.44	0.00	-1,018,177.96	1,256,438.52	0.00	0.00	0.00	0.00	1,256,438.52	1,861,689.02	
	118,446,178.85	17,212,426.77	-1,894,258.41	0.00	133,764,347.21	55,953,066.86	15,587,803.69	-1,894,258.41	69,646,612.14	64,117,735.07	62,493,111.99	
Tangible assets												
Land, similar rights and buildings including buildings on leasehold land												
from that Grid Business	177,633,183.24	1,874,613.01	-82,955.57	2,839,495.63	182,264,336.31	123,790,938.86	2,349,939.77	-82,955.57	126,057,923.06	56,206,413.25	53,842,244.38	
from that Other Activities within Gas Sector	140,426,186.83	1,443,998.55	-82,955.57	1,908,471.66	143,695,701.47	107,749,059.17	1,538,737.91	-82,955.57	109,204,841.51	34,490,859.96	33,225,176.54	
from that Activities outside Gas Sector	314,804.76	1,503.53	0.00	27,300.00	343,608.29	149,184.08	7,266.44	0.00	156,450.52	187,157.77	156,702.67	
Technical equipment and machinery	36,892,191.65	429,110.93	0.00	903,723.97	38,225,026.55	15,892,695.61	803,935.42	0.00	16,696,631.03	21,528,395.52	20,460,365.17	
from that Grid Business	3,832,832,053.58	28,872,842.62	-103,636.02	16,684,544.21	3,876,285,804.39	3,228,023,059.69	62,439,893.93	-77,273.40	3,290,385,680.22	587,900,124.17	604,808,993.89	
from that Other Activities within Gas Sector	3,827,023,104.82	28,271,640.29	-103,636.02	16,684,544.21	3,871,875,653.30	3,222,695,941.73	62,341,651.39	-77,273.40	3,284,960,319.72	586,915,333.58	603,274,257.69	
from that Activities outside Gas Sector	640,288.07	0.00	0.00	0.00	640,288.07	623,037.57	4,951.12	0.00	627,988.69	12,299.38	16,083.06	
Factory and office equipment	5,168,660.69	601,202.33	0.00	0.00	5,769,863.02	4,704,080.39	93,291.42	0.00	4,797,371.81	972,491.21	1,518,653.14	
from that Grid Business	72,219,253.22	7,430,634.75	-2,523,252.99	823,114.45	77,949,749.43	54,390,082.32	4,838,532.68	-2,501,393.58	56,727,221.42	21,222,528.01	17,829,170.90	
from that Other Activities within Gas Sector	44,296,272.79	4,609,310.67	-1,882,051.27	307,437.12	47,330,969.31	33,932,263.43	2,720,714.23	-1,868,691.18	34,794,286.48	12,546,682.83	9,705,334.71	
from that Activities outside Gas Sector	111,662.62	8,895.77	-1,730.17	0.00	118,832.22	74,899.45	3,892.74	-1,707.66	77,084.53	41,747.69	32,438.02	
Advance payments made and construction in progress	27,811,317.81	2,812,424.31	-639,471.55	515,677.33	30,499,947.90	20,382,919.44	2,113,925.71	-630,994.74	21,865,850.41	8,634,097.49	8,091,398.17	
from that Grid Business	72,326,823.17	59,178,327.13	0.00	-20,347,154.29	111,157,996.01	0.00	0.00	0.00	0.00	111,157,996.01	72,326,823.17	
from that Other Activities within Gas Sector	70,520,793.60	58,951,686.61	0.00	-19,021,270.27	110,451,211.94	0.00	0.00	0.00	0.00	110,451,211.94	70,316,249.40	
from that Activities outside Gas Sector	36,986.88	-19,373.76	0.00	-27,300.00	-9,686.88	0.00	0.00	0.00	0.00	-9,686.88	25,830.00	
	1,769,042.69	246,012.28	0.00	-1,298,584.02	716,470.95	0.00	0.00	0.00	0.00	716,470.95	1,984,743.77	
	4,155,011,313.21	97,356,417.51	-2,709,844.58	0.00	4,249,657,896.14	3,406,204,080.87	69,628,366.38	-2,661,622.55	3,473,170,824.70	776,487,061.44	748,807,232.34	

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2014 financial year

	Acquisition and production costs						Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2014	Additions		Disposals	Transfers	31 Dec. 2014	1 Jan. 2014	Additions	Disposals	31 Dec. 2014	31 Dec. 2014	31 Dec. 2013
	€	€	€	€	€	€	€	€	€	€	€	€
Financial assets												
Shares in affiliated companies												
from that Grid Business	231,444,522.39	107,000,000.00	0.00	0.00	0.00	338,444,522.39	0.00	0.00	0.00	0.00	338,444,522.39	231,444,522.39
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	0.00
from that Activities outside Gas Sector	231,444,522.39	107,000,000.00	0.00	0.00	0.00	338,444,522.39	0.00	0.00	0.00	0.00	338,444,522.39	231,444,522.39
Equity investments												
from that Grid Business	37,872,705.61	25,001,091.25	-24,400.00	0.00	0.00	62,849,396.86	0.00	0.00	0.00	0.00	62,849,396.86	37,872,705.61
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	0.00
from that Activities outside Gas Sector	37,872,705.61	25,001,091.25	-24,400.00	0.00	0.00	62,849,396.86	0.00	0.00	0.00	0.00	62,849,396.86	37,872,705.61
Other loans												
from that Grid Business	3,698,896.50	184,000.00	-538,348.60	0.00	0.00	3,344,547.90	721,907.45	0.00	-147,247.30	574,660.15	2,769,887.75	2,976,989.05
from that Other Activities within Gas Sector	2,309,221.09	114,871.20	-336,091.03	0.00	0.00	2,088,001.26	450,666.82	0.00	-91,926.49	358,760.33	1,729,240.93	1,721,890.46
from that Activities outside Gas Sector	48,065.65	2,392.00	-6,998.53	0.00	0.00	43,479.12	9,384.80	0.00	-1,914.21	7,470.59	36,008.53	36,616.97
from that Other Activities within Gas Sector	1,341,589.76	66,736.80	-195,259.04	0.00	0.00	1,213,067.52	261,835.83	0.00	-53,406.60	208,429.23	1,004,638.29	1,218,481.61
from that Activities outside Gas Sector	273,016,124.50	132,185,091.25	-562,748.60	0.00	0.00	404,638,467.15	721,907.45	0.00	-147,247.30	574,660.15	404,063,807.00	272,294,217.05
	4,546,473,616.56	246,753,835.53	-5,166,851.59	0.00	0.00	4,788,060,700.50	3,462,879,055.18	85,216,170.07	-4,703,128.26	3,543,392,096.99	1,244,668,603.51	1,083,694,561.38

**Unbundling Income Statement
for the periods from 1 January to 31 December 2014**

€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1. Sales	881,746,694	7,652,250	153,535,168	1,042,934,112
2. Change in finished goods and work in progress	5,969,395	-296	-3,432,319	2,536,780
3. Other own work capitalised	18,153,895	0	0	18,153,895
4. Other operating income	10,561,932	74,700	6,204,054	16,840,686
- of which income from currency translation	35,962	516	14,130	50,608
5. Cost of materials	-448,424,851	-68,736	-32,352,404	-480,845,991
a) Cost of raw materials and supplies	-90,194,979	-14,525	-4,815,578	-95,025,082
b) Cost of purchased services	-358,229,872	-54,211	-27,536,826	-385,820,909
6. Personnel expenses	-87,875,471	-1,835,945	-51,045,371	-140,756,787
a) Wages and salaries	-72,778,180	-1,515,936	-42,136,019	-116,430,135
b) Social security, pensions and other benefits	-15,097,291	-320,009	-8,909,352	-24,326,652
- of which for pensions	-4,305,684	-95,596	-2,491,821	-6,893,101
7. Amortisation of intangible assets and depreciation of tangible assets	-78,828,731	-872,625	-5,514,814	-85,216,170
8. Other operating expenses	-44,668,137	-1,190,844	-19,499,164	-65,358,145
- of which expenses from currency translation	-9,972	-149	-4,072	-14,193
9. Income from equity investments	0	0	115,578,598	115,578,598
a) Income from Investments	0	0	43,577,435	43,577,435
- of which from affiliated companies	0	0	7,049,285	7,049,284
b) Income from Profit Transfer Agreement	0	0	73,179,598	73,179,598
- of which from affiliated companies	0	0	73,179,598	73,179,598
c) Expenses from transfer of losses	0	0	-1,178,435	-1,178,435
- of which from affiliated companies	0	0	-1,178,435	-1,178,435
10. Other interest and similar income	715,607	13,311	449,564	1,178,482
- of which from affiliated companies	117,235	1,723	80,917	199,875
- of which interest income from the discounting of provisions	0	0	0	0
11. Interest and similar expenses	-21,815,958	-138,385	-3,866,441	-25,820,784
- of which from affiliated companies	-24,276	-357	-15,460	-40,093
- of which interest expense from unwinding of discounting of provisions	-21,791,092	-138,028	-3,850,972	-25,780,092
12. Profit on ordinary activities	235,534,375	3,633,430	160,056,871	399,224,676
13. Income taxes	-43,406,203	-670,852	-24,783,712	-68,860,767
14. Other taxes	-293,376	-821	-34,299	-328,496
15. Expenses from profit-and-loss transfer	-40,691,000	-630,000	-28,679,000	-70,000,000
16. Net income for the year	151,143,796	2,331,757	106,559,860	260,035,413
17. Transfers to revenue reserves	-151,143,796	-2,331,757	-106,559,860	-260,035,413
18. Unappropriated profit	0	0	0	0

Explanation of accounting unbundling

Preliminary note

Due to the German Energy Industry Act (Energiewirtschaftsgesetz – EnWG) as amended on 21 July 2014, 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 2014 financial year, despite the profit-and-loss transfer agreement existing with VGT, on the basis of sound commercial judgement economically sensible transfers of € 260.0 million were made to revenue reserves with a view to future investment projects. Therefore this amount is completely assigned to the segment “Grid Business”.

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.).

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Open Grid Europe GmbH, Essen, for the business year from January 1 to December 31, 2015. In accordance with § (Article) 6b (5) EnWG ["Energiewirtschaftsgesetz": "German Energy Industry Act"], the audit also covered compliance with the accounting obligations pursuant to Article 6b (3) EnWG, according to which separate accounts have to be maintained and activity reports have to be prepared for the activities in accordance with Article 6b (3) EnWG. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law as well as compliance with the obligations under Article 6b (3) EnWG are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report as well as compliance with the accounting obligations in accordance with Article 6b (3) EnWG based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance, and also require that an assessment can be made with reasonable assurance to determine whether the accounting obligations pursuant to Article 6b (3) EnWG have been met in all material respects. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report and also supporting compliance with the accounting obligations in accordance with Article 6b (3) EnWG are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Managing Directors, evaluating the overall presentation of the annual financial statements and the management report, as well as an assessment as to whether the figures which are shown and the way in which the accounts have been allocated in accordance with Article 6b (3) EnWG are proper and understandable, and also whether the principle of consistency has been observed. We believe that our audit provides a reasonable basis for our opinion.

Our audit of the annual financial statements, together with the bookkeeping system, and of the management report has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements of Open Grid Europe GmbH, Essen, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

The audit of compliance with the accounting obligations in accordance with Article 6b (3) EnWG, according to which separate accounts have to be maintained and activity reports have to be prepared for the activities in accordance with Article 6b (3) EnWG, has not led to any reservations.

Essen, March 14, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Bernhard Klinke
Wirtschaftsprüfer
(German Public Auditor)

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