Annual Report 2018

Open Grid Europe GmbH

Translation – the German text is authoritative

Open Grid Europe GmbH, Essen

Contents

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Management Report for the 2018 Financial Year

Introduction

Open Grid Europe GmbH (OGE), headquartered in Essen, is Germany's leading natural gas transmission system operator and operates Germany's largest transmission network 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 markets areas of NetConnect Germany GmbH & Co. KG (NCG) and GASPOOL Balancing Services GmbH (GASPOOL), operating, maintaining and repairing the pipeline system as well as controlling and monitoring the network and storage stations. Furthermore, the core activities include the efficient further development of the gas transmission pipeline networks in line with demand on the basis of nationwide network development plans.

Overall economic development

The German economy is currently experiencing one of the longest phases of expansion since the end of World War II. The German Council of Economic Experts is expecting gross domestic product (GDP) to grow by 1.6% in 2018. Although a decline was reported in the third quarter of 2018, this was largely due to difficulties in the German automobile industry.

The number of people in employment and the number in jobs subject to social security deductions increased sharply again in 2018. The situation on the labour market is therefore very stable. According to provisional calculations of the Federal Statistical Office, the average number of people in employment rose by 562,000 to 44.83 million in 2018. The unemployment rate decreased by 0.5 percentage points to 5.2%.

Primary energy consumption in Germany

Energy consumption in Germany is at its lowest level since the beginning of the 1970s as a result of rising energy prices, the mild weather in 2018 and greater energy efficiency. This is the conclusion drawn by the Working Group on Energy Balances (AGEB) in its annual report on primary energy consumption in Germany. Therefore, according to initial estimates, consumption was down on the previous year by 5% to 12,900 petajoules. Gas consumption fell by 7.3% as a result of the aforementioned reasons and the increased generation of electricity from renewables. Total consumption of oil for heating and for petrol, diesel and aviation fuel shrank by 5.6% in 2018. Total demand for hard coal fell by 11.2%. Consumption in power stations dropped particularly sharply. Here a decrease of 16% compared with the previous year was reported. The reasons for the sharp drop are greater use of renewables and higher fuel costs. Renewable energy consumption increased overall by 2.1% compared with the previous year.

Energy policy developments in Europe

Virtual interconnection points

The Capacity Allocation Mechanism Network Code (NC CAM) provides for the introduction of so-called virtual interconnection points (VIP) at the market area borders. The marketing and handling of the transport capacities of all gas transmission operators involved is now only to take place at one point per border. Since the wording of the NC CAM regulation was open to interpretation, in the first half of the year an attempt was made at European level to amend the legal instrument in a so-called functionality process between the association of the European Network of Transmission System Operators for Gas (ENTSOG) and the Agency for the Cooperation of Energy Regulators (ACER), but in the end this was rejected by the European Commission. As a result, different VIP models are being implemented in Europe; in Germany it is the so-called dual system where existing contracts remain at the IP. OGE established the first VIP at the border with Gaspool (L-gas) on 1 November 2018, further VIPs are to follow in 2019.

Clean Energy Package and effects on the gas market

In December 2018, the Austrian Presidency of the Council and representatives of the European Parliament reached agreement on the content of the European regulation and the directive on electricity market design, which completed the political negotiations on the Clean Energy Package. The package of laws consists of eight legal texts in total and was already presented as a draft by the EU Commission in November 2016. It is to ensure the EU's competitiveness during the transition to a clean energy economy and regulates areas such as energy efficiency, renewable energies, security of supply and the framework for the electricity market.

The legislative procedure for the Clean Energy Package is in its final stages. Following the expected formal endorsement by the European Council and European Parliament, it will be published in the Official Journal of the EU and therefore transposed into European law. The other six legislative proposals in the package have already passed this step or are currently in this process.

Although the regulations of the Clean Energy Package mainly relate to the electricity market, they will also have an effect on the gas market. In the autumn of 2017, the Directorate-General for Energy announced that it was seeking to revise the legislative framework for the gas market in a similar manner to the changes in electricity market design. A draft of a gas market package is to be presented in 2020 and is based on three pillars:

(1) The mirroring of relevant electricity market regulations and processes from the Clean Energy Package in the gas market (governance, smart meters, consumer protection etc.);

(2) Adjustments to the current gas market design in order to strengthen the internal market (implementation of the network codes, comparison of the regulatory incentive systems etc.);

(3) The future role of gas and gas infrastructure in the energy transition (sector coupling, biogas, hydrogen etc.).

In 2018, the EU Commission conducted primarily preparatory work on the gas market package. Specifically, this work included the preparation or the commissioning of studies on gas market design, on the future role of gas and on the "gas infrastructure 2050“. The results of further studies are also expected in the first half of 2019, dealing with such topics as the effects of biogas and hydrogen on the gas infrastructure as well as possible distortion of competition by non-harmonised payment structures in the EU. The results are to be included in the Commission's concrete draft legislation.

Energy policy developments in Germany

Political developments in Germany

Owing to the political developments in 2018 (including delays in the formation of the government and coalition disputes), there were only a few notable energy policy initiatives by the federal government. For example, the so-called Renewable Energy Act 100 Days Act (EEG-100-Tage-Gesetz), which was supposed to come into force in the spring of 2018, was not adopted by the Bundestag as the Omnibus Energy Act until the end of November 2018.

An additional obstacle to new energy policy initiatives from the Federal Ministry for Economic Affairs and Energy (BMWi) was the fact that after the resignation of the State Secretary for Energy in the BMWi in March 2018, the post was not filled until 1 February 2019 by the former managing director of the Wuppertal municipal utilities, Andreas Feicht.

The focuses of energy policy in the coalition agreement between CDU, CSU and SPD can be split into two areas: network expansion is to be speeded up with a further Network Expansion Acceleration Law and legislation on energy efficiency in the building sector is to be reorganised and brought into line with European requirements. In addition, the new Commission on Growth, Structural Change and Employment is to develop measures to ensure the future climate protection goals can be attained as far as possible and a roadmap prepared so the phase-out of coal-based power generation can be achieved.

Commission on Growth, Structural Change and Employment

As one of many commissions laid down in the coalition agreement between CDU, CSU and SPD, the Commission on Growth, Structural Change and Employment took up work at the end of June 2018. In addition to representatives of the federal government and the federal states (Länder), representatives from business, science and civil society are also members of the Commission. One of the tasks of the Commission is to determine a final date for the exit from coal-based power generation in Germany. At the end of January 2019, the Commission made the recommendation to entirely phase out coal-fired power stations by 2038. Future challenges are to prepare a plan for the step-by-step shutdown of the power stations, to clarify financial cushioning of the effects of structural change and to establish how Germany can meet its future climate protection goals.

Federal government increases funds for energy research

In October 2018, the federal cabinet adopted the 7th Energy Research Programme and so gave energy research a new direction. € 6.4 billion will be made available in the period up to 2022. That is 45% more than was available for the 6th Energy Research Programme (2013–2017). The focus of the new programme is on the translation of research results into marketable solutions, e.g. through so-called 'living labs'.

Omnibus Energy Act

On 30 November 2018, the Bundestag adopted the biggest energy-policy plan since the current federal government took office. The so-called Omnibus Energy Act contains amendments to the Renewable Energy Act (EEG), the Combined Heat and Power Act (KWKG) and the Energy Industry Act (EnWG) as well as to other energy law regulations.

In addition to the separate calls for tender for renewable energies and the levy privileges for new combined heat and power generation plants, the subsidy rates for existing combined heat and power generation and photovoltaic plants as well as their connection to L-gas networks were regulated. The contentious issues in the coalition that could not be resolved in the legislative process were deferred to be dealt with in other legislative proposals or in a planned working group. These are, for example, amendments to the Energy Industry Act (EnWG) aimed at integrating renewables and CHPs into redispatching or measures to increase the acceptance of onshore wind power. The Act entered into force on 1 January 2019.

National regulations

By resolution of 13 June 2018, OGE received the final notification on the setting of the calendar-year revenue cap of the third regulatory period (2018-2022) in accordance with section 29, para. 1 of the Energy Industry Act (EnWG) in conjunction with section 32, para.1, No. 1, 5 and 11 and section 4, para. 2 of the German Incentive Regulation Ordinance (ARegV). This resolution became effective on 16 July 2018. With regard to the regulatory parameters rate of return on equity and general sector productivity factor (Xgen), the notification contains adjustment options in view of ongoing legal appeals against the BNetzA's stipulations. With the notification on the revenue cap, the OGE efficiency factor determined in the efficiency benchmarking in line with section 12 of the German Incentive Regulation Ordinance also became effective. OGE achieved an efficiency factor of 100%. The balance of the regulatory account (2012-2017) is not part of the resolution on the revenue cap and will be decided in separate administrative proceedings. These proceedings have not yet been completed.

In accordance with section 9, para. 3 ARegV, from the third regulatory period onwards the BNetzA must determine the Xgen factor in each case before the start of the regulatory period using state-of-the-art methods. By resolution of 21 February 2018, the Xgen factor was set at 0.49% for gas transmission system operators. Alongside a large number of other gas transmission system operators, OGE has lodged an appeal against this determination with the 3rd Antitrust Senate of the Higher Regional Court of Düsseldorf. A hearing is expected in the course of 2019.

On 5 October 2016, the BNetzA set the rates of return on equity for the third regulatory period. Alongside some 1,100 network operators, OGE also lodged an appeal against this with the 3rd Antitrust Senate of the Higher Regional Court of Düsseldorf and actively conducted these proceedings as one of the total of 29 test appeals. In its ruling of 22 March 2018, the Higher Regional Court of Düsseldorf revoked the stipulation on the rates of return on equity and obliged the BNetzA to make a new decision taking account of the legal opinion of the court. The BNetzA has filed a legal appeal against the Higher Regional Court of Düsseldorf's ruling with the Federal Court of Justice. The outcome of the proceedings is still pending, a hearing before the Federal Court of Justice (BGH) is expected during the course of 2019.

In connection with the Network Fee Modernisation Law and the discussion surrounding the refinancing of the offshore linkup costs for transmission system operators, in November 2018 the Federal Ministry for Economic Affairs and Energy (BMWi) consulted with the industry on a draft statute regarding amendments to regulatory law. The planned amendments also relate to the investment measures (IMA) instrument which was established in the Incentive Regulation Ordinance in 2012 and which regulates the remuneration of electricity and gas transmission system operators for expansion and restructuring investments. In particular, the draft statute of the BMWi provided for the operating cost allowances that had so far been flat rates to be reviewed as part of the IMA approval. In future, they are to be remunerated more on the basis of the actual costs. On 4 January 2019, the federal cabinet passed the Ordinance to Amend the Incentive Regulation Ordinance and submitted it to the Bundesrat for a vote. On 15 February 2019, the Bundesrat approved the draft ordinance of the federal government subject to certain changes including amendments relating to a differentiated approach depending on the time when applications for IMAs are submitted.

According to the latest information, the corresponding amendment to the Ordinance is to enter into force in the spring of 2019. It provides for a separate setting of the future operating cost flat rates by the BNetzA after the ordinance amendment comes into force. The cost-setting process is expected to start during the course of 2019.

Network development plans and market area conversion

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

In line with the Energy Industry Act (EnWG), natural gas transmission system operators have to jointly submit to the regulatory authority a ten-year network development plan in each even calendar year and, in each uneven calendar year, a joint implementation report on the network development plan last published. This report must contain information on the status of implementation of the last confirmed network development plan and, in the event of any delays in implementation, must also state the main reasons for such delays. The implementation reports are largely to present an update of the reporting on the implementation of the network development plans and avoid timing overlaps in the preparation of the network development plan and the preparation of the scenario framework for the next network development plan. The gas network development plan is prepared in a public consultation process in close cooperation with all market participants affected. All market participants are included in the process for preparing the gas network development plan by being given the opportunity to submit comments. In compliance with time-table requirements, the German transmission system operators published the draft of the Gas Network Development Plan 2018-2028 (NEP Gas 2018-2028) for the national gas transmission pipeline network pursuant to section 15a of the Energy Industry Act on 29 March 2018 and submitted it to the BNetzA. 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 and the expansion of and/or potential investments in the German transmission networks determined and proposed.

The transmission system operators' plans in the draft of the Gas Network Development Plan 2018-2028 for the expansion of the German gas infrastructure provide, among other things, for the extension of the gas transmission pipelines by a further 1,390 km as well as an additional 499 MW of compressor capacity. The total investment volume under the Gas Network Development Plan is therefore some € 7 billion by 2028, of which OGE will be investing some € 2.3 billion.

In the confirmation of the scenario framework for the Gas Network Development Plan 2018-2028, the BNetzA obliged the gas transmission system operators to model a separate supply security option that extrapolates the transport situation in the pipeline system caused by the temporary shutdown of sections of a pipeline leg of the Trans Europa Naturgas Pipeline I (TENP I) beyond 1 April 2019 ("Supply security option TENP").

The shutdown of the affected section of the TENP I pipeline in line with the DVGW rules was extended until 30 September 2020 and the corresponding restriction of transport capacity communicated to market players. Extensive investigations continued in 2018 and are still ongoing to permit a reliable statement to be made on the continued safe operation of this section. From the results so far it has not been possible to clearly identify the cause of the defects found.

The transmission system operators had already published the necessary modelling parameters of the requested supply security option in the draft of the Gas Network Development Plan 2018-2028. After prior consultation, the modelling result was sent to the BNetzA on 1 August 2018. On the basis of this result and as a supplement to the draft of the Gas Network Development Plan 2018-2028, the transmission system operators suggest that, under the "supply security option TENP", an additional 54 km of transport infrastructure should be built.

The BNetzA made both the draft of the Gas Network Development Plan 2018-2028 communicated to the BNetzA on 29 March 2018 and the supplement under the "supply security option TENP" available for consultation.

On 20 December 2018, the gas transmission system operators received the BNetzA's request for amendments to the Gas Network Development Plan 2018-2028. The gas transmission system operators have to implement the requested changes within three months. The inclusion of the proposed measures under the "supply security option TENP" in the Gas Network Development Plan 2018-2028 depends on the decision to recommisssion the sections of TENP I not currently available. On 6 March 2019, the TENP shareholders informed the BNetzA that these pipeline sections would not be recommissioned and that the measures under the supply security option will be included in the Gas Network Development Plan 2018.

In a separate chapter, the Gas Network Development Plan 2018-2028 goes into detail on the challenges of L-gas to H-gas conversion plans. For example, one part of the German gas market is supplied with L-gas that originates solely from German and Dutch deposits. The other deposits available in Germany supply H-gas. For technical and calibration law reasons, H-gas and L-gas are transported in separate systems. Due to the steady decline in German and Dutch L-gas production, the conversion of the relevant areas to H-gas is an important element for maintaining gas supply security. The change-over to H-gas means that all gas appliances in the relevant area have to be adjusted to the higher calorific value of H-gas. In accordance with section 19a EnWG, the gas transmission system operators spread the cost of this over the whole of Germany by means of a separate levy.

As part of the plans to switch over from L-gas to H-gas, L-gas balances, both in terms of supply/demand volumes as well as in terms of capacity, are set up for Germany as a whole and for each of the two market areas GASPOOL and NCG in the Gas Network Development Plan 2018-2028. In these supply/demand volume and capacity balances, forecasts for the development of demand and supply are compared taking into consideration the changeover from L-gas to H-gas and declining L-gas production. Through consultation with the Dutch transmission network operator GTS, it was ensured that the decision taken on 14 November 2018 to reduce annual L-gas production in the Netherlands to 19.4 billion m³ per year is in line with the plan assumptions on L-gas demand in Germany made in the Gas Network Development Plan 2018-2028.

A major element in the conversion from L-gas to H-gas is the expansion of the existing gas transmission system in order to permit both the linking up of the areas currently supplied with L-gas to H-gas sources and a step-by-step changeover. The first areas in the OGE network were successfully converted to H-gas in 2018. Large-scale conversion to H-gas begins at OGE in 2019 and, according to current plans, will be completed by 2029.

Technology

Technical operation of the gas transmission network ran to schedule. Important milestones in the expansion of the gas transmission network were reached in the 2018 financial year as planned. Capacity restrictions due to maintenance, repair and integration measures were communicated in good time and information was continually updated on the Internet.

OGE performed various measures to upgrade and expand its technical infrastructure in 2018. These include measures carried out by Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Essen, Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP), Essen, Mittelrheinische Erdgastransportleitungsgesellschaft mbH (METG), Essen, Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (NETG), Dortmund and ZEELINK GmbH & Co. KG (ZEELINK), Essen, which are integrated in the OGE network.

On behalf of MEGAL, a project company of OGE and GRTgaz Deutschland GmbH, Berlin, the Rothenstadt compressor station was expanded on the basis of the gas network development plan by increasing compressor capacity by 3 x 15 MW. Following completion of the building and civil engineering work and pipeline construction at the beginning of the year as scheduled, the three compressor units were successfully commissioned in October.

A further MEGAL project is the construction of the Rimpar compressor station on the basis of the gas network development plan with a compressor capacity of 3 x 11 MW. OGE completed design planning in July 2018 and started execution planning. Land purchase has largely been completed and the documents for approval planning are currently being put together. The project is proceeding according to plan.

As part of the Werne project under the Network Development Plan, the existing station was extended by three compressor units and the station made fit for flow reversal. All three new compressor units were successfully commissioned. The technical side of the reverse flow project at Werne was completed in 2018.

The OGE Herbstein compressor station was successfully commissioned and the plant is now available for gas transport.

The new compressor unit driven by an electric motor (13 MW) was installed to schedule in 2018 at the OGE Krummhörn compressor station. Construction of the compressor building and the adjacent local electrics building was completed in 2018 and the process pipework and compressor unit with ancillary plant were installed and commissioned. The project opens up the opportunity to use electricity or gas flexibly as operating energy in Krummhörn. So surplus electricity from wind farms can be put to good use and an expansion of the electricity grid avoided. Here, the gas transmission network is making a meaningful contribution to the intelligent sector linking of electricity and gas networks. With regard to the next expansion stage of the Krummhörn compressor station, i.e. the installation of a further gas turbine-driven compressor unit (15 MW), design planning was completed in 2018 and execution planning commenced.

In line with the Network Development Plan, construction of the OGE gas transmission pipeline from Forchheim to Finsing (approx. 77 km, DN 1000) was commenced in January 2018. Commissioning is planned for March 2019.

In line with the Network Development Plan, the OGE gas transmission pipeline from Epe to Legden (approx. 15 km, DN 1100) was laid between February and November 2018 and successfully commissioned.

A regional planning procedure application was submitted for the Network Development Plan projects for the Heiden-to-Dorsten pipeline (approx. 18 km, DN 500/600) and the Erfstadt-to-Euskirchen pipeline (approx. 17 km, DN 400) and work started on preparing the application documents for the official planning approval process.

The ZEELINK project - operated by OGE and Thyssengas GmbH, Dortmund – is proceeding to plan. It consists of the two compressor stations in Würselen (3 x 13 MW) und Legden (2 x 15 MW), a gas transmission pipeline running from Lichtenbusch to Legden (approx. 215 km, DN 1000) and four gas pressure regulating and metering stations and one gas pressure regulating station. As the application documents for the total of three planning approval processes were submitted on schedule to the district governments in Cologne, Düsseldorf and Münster, the planning approval decisions are expected in the 1st quarter of 2019. Land purchase and the construction approval process for the Würselen compressor station were successfully completed in 2018. Preparations for the construction work started in September 2018.

As part of the switchover from L-gas to H-gas running until 2030, OGE is planning and constructing gas pressure regulating and metering stations and gas pipes to connect the former L-gas areas to the H-gas pipelines. The first five stations for the areas in Lower Saxony and Central Hesse to be switched over were completed in 2018. Another 20 gas pressure regulating and metering stations are in planning and will be built successively in the next few years.

Environmental protection

In September 2018, OGE successfully passed external monitoring audits and thus confirmed the certifications for the integrated management system according to DIN EN ISO 9001 (Quality Management), OHSAS 18001 (Occupational Health & Safety Management), DIN EN ISO 14001 (Environmental Management) and DIN EN ISO 50001 (Energy Management). The Technical Safety Management certification was not up for review and is valid until 2021.

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

The compressor stations are subject to the German Greenhouse Gas Emissions Trading Act (TEHG) and the related ordinances. All resulting obligations, such as the adjustment of monitoring plans, the recalculation and notification of changes in capacity, reports of changes in operation due to conversion measures and the annual reporting of emissions, were routinely met. The certificates for 2017 were submitted via the EU register in April 2018.

OGE works continuously on further developing procedures required for gas transportation, plant and pipeline construction and the safe operation of the transmission pipeline network. To meet the challenges of the energy transition, OGE is particularly focusing on the intelligent coupling of the electricity and gas infrastructures. The subject of "converting surplus electricity into hydrogen or further into methane" is one focus. The use of natural gas in the mobility sector can be a good way of reducing emissions, particularly for the transport and delivery of goods. OGE is supporting the relevant associations and automobile manufacturers to promote the use of this road fuel.

Employees

At the end of 2018, OGE had 1,411 employees (excluding the Board of Management and apprentices). Personnel expenses during the financial year amounted to € 158.2 million (previous year: € 146.6 million).

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

Occupational health and safety is a matter of highest priority for OGE. OGE aims to continually reduce the number of accidents and other harmful effects on the health of its employees and employees of partner companies over the long term as well as to constantly improve work ergonomics and occupational health. The targets set for the 2018 financial year were achieved. The number of work-related accidents, measured in terms of TRIFcomb[1], is continuing to fall on a long-term average and taking account of the proportion of jobs with an increased risk (construction work). In absolute figures, this non-financial performance indicator TRIFcomb fell noticeably to 4.5 (previous year: 5.3) despite the fact that construction work increased sharply compared with the previous year. The external auditors of the occupational health and safety management system again noted a further improvement in the safety culture. The HSE subcontractor management activities were intensified, particularly in the major new build projects.

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

In compliance with the German Act to Promote Equal Participation of Women and Men in Management Positions in the Private and Public Sector and as a co-determined entity with generally more than 500 employees, in 2017 OGE set the targets for the percentage of women on the Supervisory Board, on the Board of Management as well as at the top two management levels that were to be achieved by 31 December 2021. By this deadline, the percentage share of women on the above boards and at the top two management levels is to be as follows:

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

In order to be able to fill more management roles with women in the medium term, OGE has for some years now been relying not only on external recruitments but also on suitable promotion and staff development measures. Furthermore, the company supports the women's network women@OGE set up by OGE's female employees. Whilst the situation remained more or less stable in 2018 despite parental leave, recruitments during the year laid the foundation for further increases in the percentage of women at head of department and senior vice-president levels in 2019.

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

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

Report on economic position[3]

OGE charges a uniform tariff for entry and exit. Compared with the previous year, this resulted in roughly 9% higher fees for both entry and exit. Whilst the system for calculating the regulated fees remained the same, the higher fees were due mainly to the forecast decrease in bookings as shippers changed their booking behaviour and to higher cost allocation amounts for the market area conversion levy.

Overall, OGE posted an increase in revenues of 6.4% to € 1,035.9 million in 2018 (previous year: € 973.2 million) and therefore exceeded expectations. Total revenues consist solely of revenues from the gas transport business and from the services business. Revenues from the gas transport business and transport-related services amounted to € 850.9 million in the 2018 financial year (previous year: € 782.5 million).

As regards gas transport revenues, the actual capacity marketed was much higher than expected at the time when fees were set. Furthermore, the cost of fuel gas required for gas plant was well below the prior-year figure and the forecasts due to lower volumes. Owing to these effects, the revenues from the gas transport business were € 63.6 million higher than the revenue cap expected and allowed under section 4 of the Incentive Regulation Ordinance (ARegV). In accordance with the new mechanism of the Incentive Regulation Ordinance, this excess revenue will be spread over the 3-year period from 2020 to 2022 as part of cross-period balancing and will lead to lower revenues in those years.

After allowance for the change in work in progress (€ 5.5 million), revenues from the services business (€ 185.0 million) were at the previous year's level (€ 190.6 million).

Cost of materials increased – as expected – compared with the previous year by some € 25.5 million. The increase is in particular due to higher cost allocation amounts for the market area conversion levy. Lower cost of fuel gas and beneficial use fees had an opposite effect.

As expected, income from equity investments rose by € 11.1 million compared with the previous year. This rise is largely due to an increase of € 17.0 million in the profit transferred from Line WORX GmbH, Essen. Income from equity investments was also impacted by a year-on-year decrease of € 8.2 million in the dividend payout from NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG (NETRA), Schneiderkrug, and a year-on-year increase of € 5.0 million in the dividend payout from MEGAL, a year-on-year increase of € 5.0 million in the dividend payout from jordgasTransport GmbH, Hanover and a year-on-year increase of € 1.6 million in the dividend payout from NETG.

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

OGE's profit before tax fell by € 1.8 million to € 312.7 million, largely as a result of the above-mentioned effects. Net income for the year before distribution of profit amounted to € 198.7 million in the 2018 financial year and was, as expected, noticeably below the figure for the previous year (€ 222.9 million). In view

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

of future investments, the net income in the amount of € 53.7 million remaining after profit distribution in the amount of € 145 million (previous year: € 100 million) was transferred to revenue reserves.

OGE's total assets amounted to € 2,516.6 million as at the reporting date of 31 December 2018 (previous year: € 2,094.7 million). This gives an equity ratio of 78.1% (previous year: 77.4%). Of the external funds, provisions account for 61.1% (previous year: 56.9%), liabilities for 37.8% (previous year: 43.1%) and deferrals for 1.2% (previous year: 0.0%). Cash and cash equivalents totalled € 90.0 million as at 31 December 2018, increasing by € 6.5 million compared with the previous year. Fixed assets accounted for € 2,127.2 million as at the reporting date (previous year: € 1,822.9 million) and therefore 85% (previous year: 87.0%) of OGE's total assets.

In the 2018 financial year, OGE generated cash flow from operating activities of € 274.1 million (previous year: € 228.3 million). Cash flow from investing activities amounted to € -317.6 million (previous year: € -270.3 million) and contains income received from equity investments in the amount of € 87.9 million (previous year: € 100.8 million) in addition to purchases of investments. Cash flow from financing activities totalled € 50.0 million (previous year: € -24.2 million) and mainly related to the cash outflow for profit distribution of € 145.0 million to the parent company, VGT, as well as, having the opposite effect, to the cash-effective part of the capital increase by the parent company, VGT, in the amount of € 190.0 million. Cash flow was therefore well above the forecast. Compared with the forecast from the previous year, improvements in cash flow from operating activities and from financing activities were more than offset by the higher cash outflow from investing activities.

In summary, the Management believes that the Group's net assets, financial position and results of operations for the financial year are stable and secure, as forecast in the previous year.

Investments

As expected, in the 2018 financial year OGE again made significantly high investments in tangible assets and intangible assets totalling € 335.1 million (previous year: € 380.4 million). Of this figure, € 104.6 million went into the expansion and upgrading of compressor stations (previous year: € 189.4 million). The construction of three new compressor units in Werne accounted for € 22.1 million and completion of the construction of a new compressor station in Herbstein accounted for a further € 39.6 million. Both projects are part of the Network Development Plan. OGE invested € 169.2 million in expanding and modernising pipelines (previous year: € 149.0 million), including a total of € 97.8 million in the construction of the Schwandorf-to-Forchheim-to-Finsing pipelines and € 28.4 million in the Epe-to-Legden loop line. This work is also part of the Network Development Plan. Other investments accounted for € 61.3 million (previous year: € 42.0 million) and included IT projects (total of € 13.3 million) and investments in gas pressure regulating and metering systems (€ 42.7 million).

Investments relating to obligations under the Network Development Plan accounted for a total of € 261.8 million (previous year: € 295.7 million).

Financial investments accounted for € 68.1 million. Additions to financial assets mainly relate to capital injections into ZEELINK in the amount of € 67.5 million and a capital injection into Caplog-X GmbH, Leipzig, in the amount of € 0.3 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. Consequently, the agreement was extended as of 31 December 2018 by a further year. Since 1 January 2013, VGT and OGE have formed a tax unit for corporate and trade tax purposes, according to which VGT is the controlling company and OGE the controlled company. OGE and VGT have concluded an income tax allocation agreement to allocate to OGE the taxes on income incurred by OGE in its commercial operations. As a result of the income tax allocations, OGE recognises an income tax liability that it would have incurred if it had not formed a single tax unit with VGT

In line with the existing profit-and-loss transfer agreement and in view of considerable future pending investments, the shareholders resolved at the shareholders' meeting, after thorough examination, to transfer the net income for the year in the amount of € 53.7 million to revenue reserves in order to be able to make part of these future investments from the company's own funds.

The syndicated loan facility in the amount of € 600.0 million concluded by VGT on 4 August 2017 was extended by one year to 2023 on 16 July 2018. OGE is also a borrower under the loan and therefore entitled to use the credit line. As of the reporting date, the credit facility had not been drawn down.

This credit line includes two ancillary facilities in the amount of € 20 million and € 1.5 million. While the former serves as an overdraft facility for the OGE cash pool, the latter is reserved for surety (e.g. bank guarantees) and € 1.0 million had been utilised as of 31 December 2018 for the issuing of bank guarantees.

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 the 2018 financial year, € 52.0 million was added to the plan assets for pension obligations. Furthermore, in 2018 remuneration payments of € 0.7 million made for fulfilment shortfalls in connection with part-time phased-retirement programmes were taken from the trust assets over the course of the year. Of this amount, € 0.6 million is for remuneration payments for 2017 and € 0.1 million for remuneration payments for 2018.

As at the reporting date, the provisions set up at OGE for pension obligations exceeded the fund's assets by € 10.2 million and the provisions for long-term working-time account obligations exceeded the fund's assets by € 5.9 million. The percentage of cover for pension obligations is 97.4% and for long-term working-time account obligations 81.0%.

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

Open Grid Europe achieves 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 € 868.2 million in the past financial year (previous year: € 796.0 million), the segment "Grid Business" achieved a profit after tax of € 105.2 million (previous year: € 126.5 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 after tax of € 1.7 million (previous year: € 2.1million) from sales of € 7.2 million (previous year: € 6.4 million).

The segment "Activities outside Gas Sector" consists primarily of equity income, technical and engineering services as well as business and IT services. In the past financial year, the segment "Activities outside Gas Sector" achieved a profit after tax of € 92.2 million (previous year: € 94.8 million) from sales of € 160.6 million (previous year: € 170.8 million) and income from equity investments of € 106.7 million (previous year: € 95.6 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 Control and Transparency Act (KonTraG), the aim of the company's internal risk management system is to use a management and control system to identify and record risks which might threaten the continued existence of the company and, if necessary, to take appropriate counteraction.

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

Description of the opportunity and risk management process

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

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

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

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

Significant risks

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

Probability of occurrence in **%**	low	≤ 5
	moderate	> 5 ≤ 20
	high	> 20
Cumulative net impact in **€ million** over 5 years	low	≥ 100 ≤ 200
	medium	> 200 ≤ 300
	high	> 300

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

Probability of occurrence: moderate

Net impact: low

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

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

Probability of occurrence: low

Net impact: high

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

Probability of occurrence: low

Net impact: medium

OGE safeguards against these risks with redundant systems as well as comprehensive quality assurance and access protection systems. In 2017, OGE was officially certified by TÜV Rheinland according to the BNetzA's IT security catalogue which is binding for all network operators. The legal requirements are met.

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

Probability of occurrence: low

Net impact: high

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

Probability of occurrence: low

Net impact of the individual risks: low

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

Market-driven price developments and additional measures necessary during the performance of a project may lead to increases in the volume of investments.

Probability of occurrence: high
Net impact: medium

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

Probability of occurrence: low

Net impact: high

The increasing age of plants, additional requirements of market participants, changes to the network development plan or changes in legal requirements (e.g. emission regulations) may make unscheduled investments necessary.

Probability of occurrence: moderate

Net impact of the individual risks: low

Risks which are not significant

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

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

Disclosures in accordance with section 289, para. 2, No. 1 HGB

In principle, OGE hedges foreign exchange risks from ongoing procurement transactions using spot and forward exchange transactions. The company does not use any further derivative financial instruments. The hedged procurement transactions already expired during the financial year so the company no longer had such contracts in existence as at 31 December 2018.

Opportunities

The main opportunities 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, the regulatory framework may change, providing further opportunities and risks for OGE.

Net impact: medium

The risk of higher expansion obligations due to changes in the network development plan also presents, on the other hand, an opportunity for higher returns from additional investments.

Overall assessment of opportunity and risk situation

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

Material legal disputes

In December 2016, OGE (alongside other network operators) lodged an appeal with the Düsseldorf Higher Regional Court against the BNetzA's decision on the rate of return on equity for the third regulatory period. On 22 March 2018, the rate of return set by the BNetzA was revoked by the court's ruling and the BNetzA ordered to set a new rate. The BNetzA has filed a legal appeal against this ruling with the Federal Court of Justice (BGH). The court of final instance ruling is expected in 2019.

Furthermore, in April 2018 OGE lodged an appeal with the Düsseldorf Higher Regional Court against the general sector productivity factor set by the BNetzA for the third regulatory period as there are great doubts about the legality of the methodology used by the BNetzA. The deadline for submission of the statement of the grounds for appeal was extended to November 2019. A date for the hearing has yet to be set.

Forecast report

According to the forecast on the overall economic situation made by the German Council of Economic Experts, the German economy is expected to continue to grow in 2019. GDP is forecast to increase to 1.5% on an annual average.

With effect from 1 January 2019, OGE adjusted the standard transport fees for entry and exit. As a result, fees for entry and exit are some 10% higher than in 2018. The system for charging authority-regulated fees remained unchanged. On the one hand, the higher fees are due to an increase in capital expenditure measures. This expansion work under the gas network development plan will not only strengthen supply security in Germany but also permit the start of L/H-gas market area conversion in North Rhine-Westphalia, Lower Saxony and Hesse. On the other hand, the increase in fees is a result of the higher market area conversion levy and effects from the regulatory account.

Overall, the Board of Management is expecting transport revenues in 2019 to be on the same level as in 2018.

Revenues and changes in work in progress of the services business are expected to be on a par with the 2018 financial year. The cost of materials is forecast to be much higher than in the 2018 financial year, in particular as a result of higher cost allocation amounts for the market area conversion levy.

Much lower interest expense from the measurement of provisions is expected in the financial result. However, this effect will be partly offset by depreciation, which is forecast to be much higher than in the reporting year, and income from equity investments, which is expected to be slightly down on the prior-year figure.

In view of the above-mentioned effects, the Board of Management anticipates that net income for 2019 will be appreciably lower than the figure for the 2018 financial year.

Given continued high capital expenditure on measures under the network development plan, investments are forecast to be appreciably higher than in the reporting year.

Owing to the expected development of results and investments, cash flow for 2019 is expected to be well below the level in the 2018 financial year. In summary, the Board of Management believes that the company's liquidity situation will be stable and secure.

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

Annual Financial Statements for the period from January 1 to December 31, 2018

Open Grid Europe GmbH, Essen

Balance Sheet as of 31 December 2018

Assets

	Note	€	€	31 Dec. 2017 €k	31 Dec. 2017 €k
A. **Fixed assets**					
I. Intangible assets	(1)				
1. Internally generated intangible assets		7,876,962		8,787	
2. Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets		43,121,896		36,962	
3. Prepayments		14,157,896		14,907	
			65,156,754		60,656
II. Tangible assets	(2)				
1. Land, land rights and buildings, including buildings on third-party land		126,986,528		62,480	
2. Technical equipment and machinery		1,065,099,848		737,418	
3. Other equipment, operating and office equipment		25,570,205		24,923	
4. Prepayments and assets under construction		267,193,159		427,892	
			1,484,849,740		1,252,713
III. Financial assets	(3)				
1. Shares in affiliated companies		473,353,273		405,853	
2. Other long-term equity investments		101,258,588		100,950	
3. Other loans		2,620,232		2,715	
			577,232,093		509,518
			2,127,238,587		1,822,887
B. **Current assets**					
I. Inventories	(4)				
1. Raw materials and supplies		10,351,780		10,830	
2. Work in progress		54,099,650		48,582	
3. Merchandise		18,645,477		11,480	
4. Other inventories		498,328		621	
			83,595,235		71,513
II. Receivables and other assets	(5)				
1. Trade receivables		28,271,239		20,847	
2. Receivables from shareholders		151,527,025		72,531	
3. Receivables from affiliated companies		18,894,499		3,724	
4. Receivables from companies in which equity investments are held		6,954,621		3,639	
5. Other assets		8,018,506		13,210	
			213,665,890		113,951
III. Cash in hand and bank balances	(6)		90,004,457		83,500
			387,265,582		268,964
C. **Prepaid expenses**			1,803,720		2,169
D. **Excess of plan assets over post-employment benefit liability**	(7)		103,067		632
			2.516.410.956		**2.094.652**

Shareholders' Equity and Liabilities

	Note	€	€	31 Dec. 2017 €k	31 Dec. 2017 €k
A. **Shareholders' equity**	(8)				
I. Subscribed capital		110,324,332		110,324	
II. Capital reserve		1,073,703,068		783,703	
III. Revenue reserves		780,813,700		727,117	
			1,964,841,100		1,621,144
B. **Provisions**	(9)				
1. Provisions for pensions and similar obligations		17,789,620		9,103	
2. Tax provisions		1,021,059		1,003	
3. Other provisions		317,869,280		259,363	
			336,679,959		269,469
C. **Liabilities**	(10)				
1. Payments received on account of orders		21,746,050		25,162	
2. Trade payables		75,090,940		73,900	
3. Liabilities to shareholders		78,297,945		76,766	
4. Liabilities to affiliated companies		16,153,261		18,395	
5. Liabilities to companies in which equity investments are held		17,048,595		9,624	
			208,336,791		203,847
6. Other liabilites					
D. **Deferred income**			6,553,106		192
			2.516.410.956		**2.094.652**

Open Grid Europe GmbH, Essen

Income Statement
for the period from 1 January to 31 December 2018

		Note	€	€	2017 €k
1.	Revenues	(11)		1.035.903.237	973.170
2.	Change in finished goods and work in progress			5.517.690	-5.020
3.	Other own work capitalised	(12)		20.847.481	17.820
4.	Other operating income - of which income from currency translation € 314,609 (previous year € 4k)	(13)		23.998.978	18.091
5.	Cost of materials	(14)			
	a) Cost of raw materials and supplies		-63.267.380		-66.391
	b) Cost of purchased services		-409.554.214		-380.971
				-472.821.594	-447.362
6.	Personnel expenses				
	a) Wages and salaries		-123.416.099		-121.239
	b) Social security, pensions and other benefits - of which for pensions € 15,414,257 (previous year € 7,082k)		-34.742.434		-25.336
				-158.158.533	-146.575
7.	Amortisation of intangible assets and depreciation of tangible assets	(15)		-97.110.807	-84.831
8.	Other operating expenses - of which expenses from currency translation € 10,315 (previous year € 7k)	(16)		-79.505.911	-73.219
9.	Income from equity investments - of which from affiliated companies € 88,006,036 (previous year € 76,327k)	(17)		106.692.841	95.555
10.	Other interest and similar income - of which from affiliated companies € 18,405 (previous year € 4k) - of which interest income from discounting of provisions € 0 (previous year € 24)	(18)		193.793	149
11.	Interest and similar expenses - of which interest expense from unwinding of discounting of provisions € 64,862,622 (previous year € 49,576k)	(19)		-72.826.526	-33.237
12.	Income taxes	(20)		-113.520.733	-91.132
13.	**Profit after tax**			**199.209.916**	**223.409**
14.	Other taxes	(21)		-512.901	-501
15.	Transfers under profit-and-loss transfer agreements	(22)		-145.000.000	-100.000
16.	**Net income for the year**			**53.697.015**	**122.908**
17.	Transfers to revenue reserves	(23)		-53.697.015	-122.908
18.	**Unappropriated profit**			**0**	**0**

Open Grid Europe GmbH, Essen

Notes to the financial statements for the 2018 financial year

I. General information on the annual financial statements

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

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

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

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

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

II. Explanations on the accounting, measurement and disclosure methods

Fixed assets

The change in 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 284, para. 3 HGB).

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

The production cost consists of the mandatory elements in accordance with commercial law pursuant to section 255, para. 2, sentence 2 HGB plus general administrative expenses. 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.

In addition to the straight-line depreciation method, the declining-balance method of depreciation has been used. 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 normal useful life following the revocation of the principle of reverse authoritativeness in the German Accounting Law Modernisation Act (BilMoG). The useful life is 3 years for purchased intangible assets and ranges from 2 to 10 years for internally generated intangible assets. For tangible assets the useful life is between 5 and 50 years.

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

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

Due to their minor importance, assets of minor value costing more than € 150 (from 1 January 2018 assets costing more than € 250) and up to € 1,000 are posted to an asset pool and depreciated on a straight-line basis over a period of five years in line with the tax regulations (section 6, para. 2a Income Tax Law (EStG)).

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

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

Inventories

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

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

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

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

Receivables and other assets

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

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

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value.

Provisions

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

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

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

The 2018 G mortality tables of Prof. Dr. Klaus Heubeck have been used as a biometric basis for calculating pension provisions.

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

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

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

Pension and gas allowance provisions are measured on the basis of actuarial principles using the projected unit credit method (BilMoG value) and taking into account the above-mentioned average interest rate of the past ten financial years in the amount of 3.21% 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 3.21% p.a. corresponds to the discount rate published for December 2018.

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

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

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

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

Provisions for obligations to reduce fees in future are stated at their settlement amount. The obligations are first compounded at the interest rate applicable in accordance with section 5, para. 2 of the German Incentive Regulation Ordinance (ARegV) and then discounted subject to a remaining-term-specific average interest rate for the previous seven financial years published monthly by Deutsche Bundesbank. When the provisions are measured, advantages from hitherto unrealised future claims are taken into account provided that they will definitely be realised when the obligation is fulfilled.

Liabilities

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

Deferred taxes

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

III. Notes to the Balance Sheet

(1) Intangible assets

Additions to intangible assets mainly include software in the amount of € 11.8 million as well as construction cost subsidies in the amount of € 1.0 million.

In the financial year, additions to internally generated intangible assets amounted to € 1.1 million. Total research and development expenses pursuant to section 285, no. 22 HGB also amounted to € 1.1 million in the financial year as no research expenses were incurred. Of this figure, less than € 0.1 million relates to assets which are still under development.

(2) Tangible assets

As at the reporting date, the net book value of tangible assets amounted to € 1,484.8 million (previous year: € 1,252.7 million). Additions to tangible assets break down as follows:

• Land, land rights and buildings	7.09 %
• Technical equipment and machinery	53.08 %
• Other tangible assets and assets under construction	39.83 %
	100.00 %

Additions result mainly from the construction of the new Schwandorf-to-Forchheim-to-Finsing pipeline (€ 97.8 million), a compressor station in Herbstein (€ 39.6 million), the Epe-to-Legden loop line (€ 28.4 million and three compressor units in Werne (€ 22.1 million).

(3) Financial assets

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

Additions to financial assets relate mainly to contributions of € 67.5 million to Zeelink GmbH & Co. KG (Zeelink), Essen.

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

(4) Inventories

The items disclosed under inventories relate to work in progress (€ 54.1 million), merchandise (gas stocks in the transmission network (€ 18.6 million)), raw materials and supplies (€ 10.4 million) and emission rights (€ 0.5 million).

The difference resulting from application of the LIFO method for the measurement of gas stocks is € 4.2 million.

(5) Receivables and other assets

Trade receivables result from the service and transport businesses.

Receivables from shareholders are mainly from a resolved contribution to the capital reserve in the amount of € 200.0 million netted against liabilities under the Group tax levy in the amount of € 8.5 million.

Receivables from affiliated companies result mainly in the amount of € 18.2 million from the profit-and-loss transfer agreement with Line WORX, netted against liabilities arising from clearing transactions in the amount of € 6.9 million, from the profit entitlement in the amount of € 13.2 million and receivables from services in the amount of € 9.3 million from Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Essen, netted against payments received on account of orders in the amount of € 16.5 million as well as from imputable taxes from Vier Gas Services GmbH & Co. KG (VGS), Essen, in the amount of € 1.8 million.

Receivables from companies in which equity investments are held mainly comprise trade receivables in the amount of € 6.4 million and entitlements to profits in the amount of € 2.3 million from Trans Europa Naturgas Pipeline Gesellschaft mbh & Co. KG (TENP), Essen, netted against trade payables in the amount of € 3.2 million and payments of € 0.9 million received on account of orders as well as trade receivables in the amount of € 1.3 million from GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen.

Other assets comprise mainly market area conversion and biogas levy accruals of € 5.7 million as well as gas tax refund claims of € 1.6 million. At the reporting date, there were no other assets with a remaining term of more than one year (previous year: € 1.0 million).

(6) Cash in hand and bank balances

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

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

This item includes the excess of plan assets from the offsetting of the plan assets at Helaba (€ 0.2 million) against the corresponding provisions for obligations arising from part-time phased-retirement programmes (€ 0.1 million).

The plan asset acquisition costs for provisions for part-time phased-retirement obligations amount to € 0.2 million. In the 2018 financial year, € 0.1 million was paid out of these 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.

€ 290.0 million was paid into the **capital reserve**.

Revenue reserves in the amount of € 75.4 million result from the direct transfer of reversed amounts from the first-time valuation of provisions in accordance with the provisions of BilMoG and refer to the financial years 2009 and 2010. Furthermore, a total of € 651.7 million was transferred to revenue reserves in the financial years 2014 to 2017.

In the 2018 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 € 53.7 million were made to revenue reserves with a view to future investment projects in connection with the network development plan.

Revenue reserves refer exclusively to “other revenue reserves” according to section 266, para. 3 A. III No. 4 HGB HGB.

(9) Provisions

Provisions for pensions and similar obligations contain provisions for pensions (€ 388.9 million), netted against the corresponding plan assets at Helaba (€ 378.7 million), as well as provisions for gas allowances.

The difference between the recognition of provisions for pensions and gas allowances based on the average market rate of the past ten financial years and recognition of the provisions based on the average market rate of the past seven financial years is € 70.5 million and € 1.2 million, respectively.

The difference between the first-time adoption of the 2018 G mortality tables and the 2005 G mortality tables of Prof. Dr. Klaus Heubeck is € 3.2 million and is shown as personnel expenses relating to other periods.

The plan asset acquisition costs for provisions for pensions amount to € 325.2 million. In the 2018 financial year, payments of € 52.0 million were made into these plan assets.

Tax provisions comprise mainly provisions for corporate and trade tax.

Other provisions (€ 259.4 million) mainly comprise provisions for the removal of above-ground facilities amounting to € 109.9 million, provisions for the removal of disused pipelines amounting to € 105.3 million, staff-related provisions amounting to € 47.0 million and provisions for the regulatory account amounting to € 18.3 million. In addition, there are obligations amounting to € 17.7 million to hand over gas in the pipelines. Staff-related provisions include the excess of provisions from the offsetting of the plan assets at Helaba (€ 25.0 million) against the corresponding provisions for long-term working-time account obligations (€ 30.8 million). The plan asset acquisition costs amount to € 22.0 million as in the previous year.

(10) Liabilities

Liabilities as of 31 December 2018:

	Total	Remaining term of up to 1 year	Remaining term of more than 1 year
Payments received on account of orders	**€ 21,746,050**	€ 21,746,050	€ 0
Trade payables	**€ 75,090,940**	€ 74,878,124	€ 212,816
Liabilities to affiliated companies	**€ 78,297,945**	€ 78,297,945	€ 0
Liabilities to companies in which equity investments are held	**€ 16,153,261**	€ 16,153,261	€ 0
Other liabilities	**€ 17,048,595**	€ 16,963,278	€ 85,317
(of which taxes)	**(€ 6,735,000)**	(€ 6,735,000)	(€ 0)
	€ 208,336,791	€ 208,038,658	€ 298,133

Liabilities as of 31 December 2017:

	Total	Remaining term of up to 1 year	Remaining term of more than 1 year
Payments received on account of orders	**€ 25,162,482**	€ 25,162,482	€ 0
Trade payables	**€ 73,899,518**	€ 72,671,565	€ 1,227,953
Liabilities to affiliated companies	**€ 76,765,860**	€ 76,765,860	€ 0
Liabilities to companies in which equity investments are held	**€ 18,395,232**	€ 18,395,232	€ 0
Other liabilities	**€ 9,623,841**	€ 9,454,862	€ 168,979
(of which taxes)	(€ 1,743,065)	(€ 1,743,065)	(€ 0)
	€ 203,846,933	€ 202,450,001	€ 1,396,932

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

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

Liabilities to affiliated companies comprise mainly payments received on account of orders and liabilities arising from clearing transactions netted against receivables under profit-and-loss transfer agreements. The amount of trade payables included in this line item is insignificant.

Liabilities to companies in which equity investments are held mainly comprise liabilities to NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, Schneiderkrug, from clearing transactions in the amount of € 19.7 million, trade payables in the amount of € 0.3 million as well as payments received on account of orders in the amount of € 1.0 million and are netted against receivables under profit-and-loss transfer agreements in the amount of € 7.3 million. Furthermore, there are trade payables to Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, Dortmund, in the amount of € 0.7 million and to DEUDAN-Deutsch/Dänische Erdgastransportgesellschaft mbH & Co. KG, Handewitt, in the amount of € 0.1 million.

Other liabilities result mainly from construction cost subsidies received in the amount of € 8.4 million and taxes of € 6.7 million.

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

The syndicated loan facility in the amount of € 600.0 million concluded by VGT on 4 August 2017 was extended on 16 July 2018 by one year to 2023. OGE is also a borrower under the corresponding loan agreement and therefore entitled to use the credit line. As of the reporting date, the credit facility had not been drawn down. This credit line includes two ancillary facilities in the amount of € 20 million and € 1.5 million. While the former serves as an overdraft facility for the OGE cash pool, the latter is reserved for surety (e.g. bank guarantees) and € 1.0 million had been utilised as of 31 December 2018 for the issuing of bank guarantees. OGE does not expect any claims.

The financial impact of transactions not contained in the balance sheet within the meaning of section 285, no. 3a HGB amounts to € 170.1 million p.a. at the balance-sheet date from long-term contracts for the beneficial use of the pipeline network, of which € 132.4 million p.a. relates to affiliated companies.

Capital contribution liabilities to Zeelink for uncalled capital contributions exist in the amount of € 152.3 million.

Furthermore, other financial obligations of € 257.8 million exist and relate to purchase commitments. Of this amount, € 11.0 million relates to affiliated companies.

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

IV. Notes to the income statement

(11) Revenues

In the 2018 financial year, revenues were recognised in accordance with section 277, para. 1 HGB.

Revenues result from the gas transport business and transport-related services (€ 851.0 million) and from technical and commercial services (€ 185.0 million); they are mainly generated in Germany. € 110.3 million of the revenues was generated with affiliated or associated companies.

(12) Other own work capitalised

The company capitalised own work for intangible assets in the amount of € 4.1 million in the financial year.

(13) Other operating income

This item results mainly from income from the disposal of fixed assets in the amount of € 10.8 million, income from the market area conversion and biogas levies in the amount of € 5.7 million, income from cost reimbursements from third parties for pipeline rerouting in the amount of € 4.4 million and income not relating to the accounting period from the reversal 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 beneficial use fees, also in regard to affiliated companies and companies in which equity investments are held, expenses for fuel energy, natural gas tax as well as expenses arising from the market area conversion and biogas levies. Furthermore, this item also includes repair and maintenance expenses as well as other purchased services.

(15) Depreciation and amortisation

In the reporting year, amortisation of intangible assets and depreciation of tangible assets amounted to € 97.1 million (previous year: € 84.8 million). Of this figure, amortisation of intangible assets amounted to € 9.0 million and depreciation of tangible assets to € 88.1 million.

(16) Other operating expenses

Other operating expenses mainly comprise IT costs, other administrative expenses and market area conversion and biogas levy expenses. This item contains expenses not relating to the accounting period in the amount of € 2.1 million.

(17) Income from equity investments

	2018	2017
Income from equity investments	€ 31.9 m	€ 27.4 m
Income from profit-and-loss transfer agreements	€ 75.1 m	€ 69.3 m
Cost of loss absorption	€ -0.1 m	€ -1.1 m
	€ 106.9 m	€ 95.6 m

(18) Other interest and similar income

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

(19) Interest and similar expenses

The unwinding of discounting of provisions to be disclosed separately in the income statement pursuant to section 277, para. 5, sentence 1 HGB, amounts to € 64.9 million. Of this figure, € 43.2 million relates to the unwinding of discounting of provisions for pension obligations and long-term working-time accounts. This item also includes expense in the amount of € 8.0 million from the measurement of the corresponding plan assets at fair value in accordance with section 285, no. 25 HGB in conjunction with section 246, para. 2, sentence 2 HGB. Given the amount of freely available reserves, the restriction on distribution and/or transfer under section 268, para. 8 HGB does not apply.

(20) Income taxes

The taxes on income relate mainly to Group tax levies of the financial year (€ 113.5 million).

(21) Other taxes

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

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

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

(23) Transfers to revenue reserves

In the financial year, in line with the profit-and-loss transfer agreement, € 53.7 million were transferred to revenue reserves for future investment projects in connection with the network development plan.

V. Other disclosures

Restriction on distribution or transfer

Capitalisation of internally generated intangible assets (€ 7.9 million) and accounting for plan assets at fair value (€ +56.4 million compared with the acquisition costs) according to section 268, para. 8 HGB and application of an average market interest rate for provisions for pensions an for gas allowances based on the last ten financial years (differences of € 70.5 million ans € 1.2 million) according to section 253, para. 6 sentence 2 HGB result in a total amount of € 136.0 million, which is subject to a restriction on transfer. Due to the amount of freely available reserves (capital reserve and revenue reserves), this restriction on transfer does not apply.

Number of employees on an annual average

In the financial year, the number of employees, as defined by section 285, no. 7 in conjunction with section 267, para. 5 of the German Commercial Code (HGB), i.e. excluding management and apprentices, totalled an average of 330 industrial workers and 1,049 salaried employees (previous year: 322 industrial workers and 1,035 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 not taken place either with natural persons or 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 (€ 110.1 million) as well as expenses for the beneficial use of the pipeline network (€ 176.7 million).

Supervisory Board of Open Grid Europe GmbH, Essen

The following were members of the Supervisory Board in the 2018 financial year:

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

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

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

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

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

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

The members of the Supervisory Board received remuneration of € 0.1 million for their work in the 2018 financial year.

Management of Open Grid Europe GmbH

The Members of the Management in the reporting year were:

Dr Jörg Bergmann
Bochum
Managing Director responsible for Operations and Chairman of the Board of Management

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

Dr Thomas Hüwener
Haltern
Managing Director responsible for Technology

Dr Frank Reiners
Düsseldorf
Managing Director responsible for Finance and Regulation

In the reporting year, the Board of Management received total remuneration of € 2.6 million (previous year: € 3.2 million) as defined by section 285, no. 9a HGB for its work. The total remuneration of former managing directors as defined by section 285, no. 9b HGB amounted to € 0.1 million. At the reporting date, the provisons for pensions of former managing directors amount to € 2.9 million.

Events after the reporting date

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

Group

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

Essen, 15 March 2019

Open Grid Europe GmbH
The Board of Management

Dr Bergmann	Anthes	Dr Hüwener	Dr Reiners

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2018 financial year

	Acquisition and production costs					Cumulative amortisation/depreciation				Net book values	
	1 Jan. 2018	Additions	Disposals	Transfers	31 Dec. 2018	1 Jan. 2018	Additions	Disposals	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017
	€	€	€	€	€	€	€	€	€	€	€
Intangible assets											
Internally generated intangible assets	11.384.480,33	1.066.354,70	-279.857,97	-1.255.078,80	10.915.898,26	2.597.844,58	702.810,57	-261.719,03	3.038.936,12	7.876.962,14	8.786.635,75
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	138.268.480,58	10.610.896,11	-29.855.498,75	4.217.549,80	123.241.427,74	101.306.961,92	8.331.082,02	-29.518.511,53	80.119.532,41	43.121.895,33	36.961.518,66
Prepayments	14.906.592,65	2.213.774,45	0,00	-2.962.471,00	14.157.896,10	0,00	0,00	0,00	0,00	14.157.896,10	14.906.592,65
	164.559.553,56	**13.891.025,26**	**-30.135.356,72**	**0,00**	**148.315.222,10**	**103.904.806,50**	**9.033.892,59**	**-29.780.230,56**	**83.158.468,53**	**65.156.753,57**	**60.654.747,06**
Tangible assets											
Land, land rights and buildings, including buildings on third-party land	195.153.135,30	22.756.728,60	-469.239,69	46.533.269,66	263.973.893,87	132.672.722,18	4.679.755,99	-365.112,19	136.987.365,98	126.986.527,89	62.480.413,12
Technical equipment and machinery	4.169.575.658,68	170.500.136,09	-23.275.316,69	235.911.673,38	4.552.712.151,46	3.432.157.315,76	77.891.949,54	0,00 -22.436.961,99	3.487.612.303,31	1.065.099.848,15	737.418.342,92
Operating and office equipment	86.116.764,81	5.874.874,95	-3.081.477,98	304.413,79	89.214.575,57	61.193.690,69	5.505.209,27	-3.054.529,85	63.644.370,11	25.570.205,46	24.923.074,12
Prepayments and assets under constuction	431.885.128,12	122.050.775,14	0,00	-282.749.356,83	271.186.546,43	3.993.387,64	0,00	0,00	3.993.387,64	267.193.158,79	427.891.740,48
	4.882.730.686,91	**321.182.514,78**	**-26.826.034,36**	**0,00**	**5.177.087.167,33**	**3.630.017.116,27**	**88.076.914,80**	**-25.856.604,03**	**3.692.237.427,04**	**1.484.849.740,29**	**1.252.713.570,64**
Financial assets											
Shares in affiliated companies	406.353.272,39	67.500.000,00	0,00	0,00	473.853.272,39	499.999,00	0,00	0,00	499.999,00	473.353.273,39	405.853.273,39
Equity investments	100.950.002,58	308.585,29	0,00	0,00	101.258.587,87	0,00	0,00	0,00	0,00	101.258.587,87	100.950.002,58
Other loans	3.027.776,14	288.355,39	-471.284,88	0,00	2.844.846,65	313.208,41	0,00	-88.593,66	224.614,75	2.620.231,90	2.714.567,73
	510.331.051,11	**68.096.940,68**	**-471.284,88**	**0,00**	**577.956.706,91**	**813.207,41**	**0,00**	**-88.593,66**	**724.613,75**	**577.232.093,16**	**509.517.843,70**
	5.557.621.291,58	**403.170.480,72**	**-57.432.675,96**	**0,00**	**5.903.359.096,34**	**3.734.735.130,18**	**97.110.807,39**	**-55.725.428,25**	**3.776.120.509,32**	**2.127.238.587,02**	**1.822.886.161,40**

List of shareholdings in accordance with section 285, no. 11 HGB
as of 31 December 2018

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. 2018	Annual result (in €k) [1] 2018
Major affiliated companies					
1	Open Grid Europe GmbH, Essen [2]			1,964,841	198,697
2	Open Grid Regional GmbH, Essen [2]	100,00	1	500	48
3	Mittelrheinische Erdgastransportleitungsgesellschaft mbH, Essen [2]	100,00	1	64,150	55,600
4	MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, Essen	51,00	1	89,246	27,694
5	Line Worx GmbH, Essen [2]	100,00	1	84,725	18,151
6	Zeelink GmbH & Co. KG, Essen	75,00	1	217,513	-435
Other major equity investments					
7	Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, Dortmund [3]	50,00	1	31,559	8,040
8	NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, Schneiderkrug	40,55	1	61,061	17,387
9	Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Essen	51,00	1	89,101	4,352
10	GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen	29,24	5	76,403	35,403
11	jordgasTransport GmbH, Hannover [3]	50,00	1	86,091	9,903
Affiliated companies of minor importance					
12	MEGAL Verwaltungs-GmbH, Essen	51,00	1	50	2
13	PLEdoc GmbH, Essen [2]	100,00	1	589	1,131
14	Open Grid Service GmbH, Essen [2]	100,00	1	132	-167
15	NEL Beteiligungs GmbH, Essen [2]	100,00	1	25	-1
16	Zeelink-Verwaltungs-GmbH, Essen	75,00	1	30	2
Other equity investments of minor importance					
17	Trans Europa Naturgas Pipeline Verwaltungs-GmbH, Essen	50,00	1	48	2
18	Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, Dortmund [3]	50,00	1	39	1
19	DEUDAN-Deutsch/Dänische Erdgastransport-gesellschaft mbH & Co. Kommanditgesellschaft, Handewitt	24,99	1	4,709	194
20	NetConnect Germany GmbH & Co. KG, Ratingen [3]	35,00	1	5,000	0
21	NetConnect Germany Management GmbH, Ratingen [3]	35,00	1	78	3
22	NETRA GmbH Norddeutsche Erdgas Transversale, Schneiderkrug [3]	50,00	1	113	2
23	caplog-x GmbH, Leipzig [3]	31,33	1	627	427
24	Liwacom Informationstechnik GmbH, Essen [3]	33,33	1	553	157
25	GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen	29,24	5	69	2
26	GasLINE CP Customer Projects GmbH, Straelen	100,00	10	390	33
27	DEUDAN-Deutsch/Dänische Erdgastransport-Gesellschaft mbH, Handewitt [3]	24,99	1	79	2
28	PRISMA European Capacity Platform GmbH, Leipzig [3]	1,33	1	516	254

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 financial year 2018

Open Grid Europe GmbH, Essen

Unbundling balance sheets as of 31 December 2018

Assets €	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A. Fixed assets					
I. Intangible assets					
1. Internally generated intangible assets	7.262.137	11.591	603.234	0	7.876.962
2. Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	40.971.085	349.282	1.801.529	0	43.121.896
3. Advance payments made	12.675.842	703.383	778.671	0	14.157.896
	60.909.064	1.064.256	3.183.434	0	65.156.754
II. Tangible assets					
1. Land, similar rights and buildings	115.977.989	171.281	10.837.258	0	126.986.528
2. Technical equipment and machinery	1.064.572.559	68.780	458.509	0	1.065.099.848
3. Other equipment, factory and office equipment	15.941.056	40.107	9.589.042	0	25.570.205
4. Advance payments made and construction in progress	259.923.302	19.921	7.249.936	0	267.193.159
	1.456.414.906	300.089	28.134.745	0	1.484.849.740
III. Financial assets					
1. Shares in affiliated companies	0	0	473.353.273	0	473.353.273
2. Equity investments	0	0	101.258.588	0	101.258.588
3. Other loans	1.587.182	32.243	1.000.807	0	2.620.232
	1.587.182	32.243	575.612.668	0	577.232.093
	1.518.911.152	1.396.588	606.930.847	0	2.127.238.587
B. Current assets					
I. Inventories					
1. Raw materials and supplies	9.234.822	3.106	1.113.852	0	10.351.780
2. Work in progress	1.145.683	0	52.953.967	0	54.099.650
3. Merchandise	18.645.477	0	0	0	18.645.477
4. Other inventories	498.328	0	0	0	498.328
	29.524.310	3.106	54.067.819	0	83.595.235
II. Receivables and other assets					
1. Trade receivables	18.741.366	1.342.228	8.187.645	0	28.271.239
2. Receivables from shareholders	108.327.078	0	43.635.776	-435.829	151.962.854
3. Receivables from affiliated companies	5.348.327	20.366	13.525.806	0	18.894.499
4. Receivables from companies in which equity investments are held	0	37	7.484.713	-530.129	6.954.621
5. Other assets	7.818.035	4.828	195.643	0	8.018.506
from that receivables with a residual term of one year	*0*	*0*	*0*	*0*	*0*
	140.234.806	1.367.459	73.029.583	-965.958	213.665.890
III. Cash on hand and bank balances	47.528.326	784.514	41.691.617	0	90.004.457
	217.287.442	2.155.079	168.789.019	-965.958	387.265.582
C. Prepaid expenses	1.162.122	19.870	621.728	0	1.803.720
D. Asset surplus arising from offsetting	62.912	1.278	38.877	0	103.067
E. Capital clearing item	280.931.441	0	0	-280.931.441	0
	2.018.355.069	**3.572.815**	**776.380.471**	**-281.897.399**	**2.516.410.956**

Open Grid Europe GmbH, Essen

Unbundling balance sheets as of 31 December 2018

	Shareholders' equity and Liabilities €	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	**Shareholders' equity**					
	I. Subscribed capital	78.774.830	72.431	31.477.071	0	110.324.332
	II. Capital reserve	766.655.688	704.914	306.342.466	0	1.073.703.068
	III. Revenue reserves	759.239.667	49.529	21.524.504	0	780.813.700
		1.604.670.185	826.874	359.344.041	0	1.964.841.100
B.	**Provisions**					
	1. Provisions for pensions and similar obligations	10.858.784	220.591	6.710.245	0	17.789.620
	2. Tax provisions	726.539	11.905	282.615	0	1.021.059
	3. Other provisions	293.999.548	620.614	23.249.118	0	317.869.280
		305.584.871	853.110	30.241.978	0	336.679.959
C.	**Liabilities**					
	1. Advance payments received on orders	18.587.316	0	3.158.734	0	21.746.050
	from that with a residual term of one year	*18.587.316*	*0*	*3.158.734*	*0*	*21.746.050*
	2. Trade payables	65.929.019	180.410	8.981.511	0	75.090.940
	from that with a residual term of up to one year	*65.727.093*	*180.410*	*8.970.621*	*0*	*74.878.124*
	from that with a residual term between one and five years	*201.926*	*0*	*10.890*	*0*	*212.816*
	from that with a residual term of more than five years	*0*	*0*	*0*	*0*	*0*
	3. Liabilities to shareholders	0	435.829	0	-435.829	0
	from that with a residual term of up to one year	*0*	*435.829*	*0*	*-435.829*	*0*
	4. Liabilities to affiliated companies	125.495	2.492	78.169.958	0	78.297.945
	from that with a residual term of up to one year	*125.495*	*2.492*	*78.169.958*	*0*	*78.297.945*
	5. Liabilities to companies in which equity investments are held	3.028.773	4	13.654.613	-530.129	16.153.261
	from that with a residual term of up to one year	*3.028.773*	*4*	*13.654.613*	*-530.129*	*16.153.261*
	6. Other liabiliites	14.478.170	56.581	2.513.844	0	17.048.595
	from that with a residual term of up to one year	*14.428.184*	*56.581*	*2.478.513*	*0*	*16.963.278*
	from that taxes	*4.792.581*	*53.972*	*1.888.447*	*0*	*6.734.999*
		102.148.773	675.316	106.478.660	-965.958	208.336.791
D.	**Deferred income**	5.951.239	0	601.867	0	6.553.106
E.	**Capital clearing item**	0	1.217.515	279.713.926	-280.931.441	0
		2.018.355.069	**3.572.815**	**776.380.471**	**-281.897.399**	**2.516.410.956**

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

The syndicated loan facility in the amount of € 600.0 million concluded by VGT on 4 August 2017 was extended on 16 July 2018 by one year to 2023. OGE is also a borrower under the corresponding loan agreement and therefore entitled to use this credit line. As of the reporting date, the credit facility had not been drawn down. This credit line includes two ancillary facilities in the amount of € 20 million and € 1.5 million. The ancillary facilities will be allocated to the Activities outside Gas Sector.
While the former serves as an overdraft facility for the OGE cash pool, the latter is reserved for surety (e.g. bank guarantees) and € 1.0 million had been utilised as of 31 December 2018 for the issuing of bank guarantees.

The financial impact of transactions not contained in the balance sheet within the meaning of section 285, No. 3a HGB amounts to € 170.1 million p.a. at the balance-sheet date from long-term contracts for the beneficial use of the pipeline network (Grid Business), of which € 132.4 million p.a. relates to affiliated companies.
Capital contribution liabilities to Zeelink for uncalled capital contributions exist in the amount of € 152.3 million (Activities outside Gas Sector).
Furthermore, other financial obligations of € 257.8 million exist and relate to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid Business € 230.0 million, Other Activities within Gas Sector € 0.1 million and Activities outside Gas Sector € 27.7 million. € 11.0 million of other financial obligations relate to affiliated companies.

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

Open Grid Europe GmbH, Essen

Unbundling Income Statements
for the period from 1 January to 31 December 2018

	€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1.	Revenues	868,161,991	7,166,322	160,574,924	**1,035,903,237**
2.	Change in finished goods and work in progress	-5,751,646	0	11,269,336	**5,517,690**
3.	Other own work capitalised	20,847,481	0	0	**20,847,481**
4.	Other operating income	22,961,569	10,938	1,026,471	**23,998,978**
	- of which income from currency translation	14,141	12	456	**14,609**
5.	Cost of materials	-421,779,099	-154,966	-50,887,529	**-472,821,594**
	a) Cost of raw materials and supplies	-56,741,356	-16,272	-6,509,752	**-63,267,380**
	b) Cost of purchased services	-365,037,743	-138,694	-44,377,777	**-409,554,214**
6.	Personnel expenses	-96,536,679	-1,962,719	-59,659,135	**-158,158,533**
	a) Wages and salaries	-75,446,772	-1,543,085	-46,426,242	**-123,416,099**
	b) Social security, pensions and other benefits	-21,089,907	-419,634	-13,232,893	**-34,742,434**
	- of which for pensions	-9,370,670	-182,919	-5,860,668	**-15,414,257**
7.	Amortisation of intangible assets and depreciation of tangible assets	-93,338,289	-182,247	-3,590,271	**-97,110,807**
8.	Other operating expenses	-57,184,235	-1,138,001	-21,183,675	**-79,505,911**
	- of which expenses from currency translation	-7,187	-78	-3,050	**-10,315**
9.	Income from equity investments	0	0	106,692,841	**106,692,841**
	a) Income from investments	0	0	31,909,251	**31,909,251**
	- of which from affiliated companies	0	0	13,222,446	**13,222,446**
	b) Income from profit transfer agreement	0	0	74,930,903	**74,930,903**
	- of which from affiliated companies	0	0	74,930,903	**74,930,903**
	c) Expenses from transfer of losses	0	0	-147,313	**-147,313**
	- of which from affiliated companies	0	0	-147,313	**-147,313**
10.	Other interest and similar income	120,478	2,085	71,230	**193,793**
	- of which from affiliated companies	11,338	179	6,888	**18,405**
	- of which interest income from discounting	0	0	0	**0**
11.	Interest and similar expenses	-51,525,352	-677,969	-20,623,205	**-72,826,526**
	- of which interest expense from unwinding of discounting of provisions	-46,664,196	-579,211	-17,619,215	**-64,862,622**
12.	Income taxes	-80,745,909	-1,331,817	-31,443,007	**-113,520,733**
13.	**Profit after tax**	**105,230,310**	**1,731,626**	**92,247,980**	199,209,916
14.	Other taxes	-381,503	-3,346	-128,052	**-512,901**
15.	Transfers under profit-and-loss transfer agreements	-76,516,500	-1,261,500	-67,222,000	**-145,000,000**
16.	**Net income for the year**	**28,332,307**	**466,780**	**24,897,928**	53,697,015
17.	Transfers to revenue reserves	-28,332,307	-466,780	-24,897,928	**-53,697,015**
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 17 December 2018, 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 2018 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 € 53.7 million were made to revenue reserves with a view to future investment projects in connection with the network development plan.

Rules in accordance with section 6b para. 3 EnWG

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

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

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

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

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

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2018 financial year
- Unbundling Statement of changes in fixed assets -

	Acquisition and production costs					Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2018	Additions	Disposals	Transfers	31 Dec. 2018	1 Jan. 2018	Additions	Disposals	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017
	€	€	€	€	€	€	€	€	€	€	€
Intangible assets											
Internally generated intangible assets	11,384,480.33	1,066,354.70	-279,857.97	-1,255,078.80	10,915,898.26	2,597,844.58	702,810.57	-261,719.03	3,038,936.12	7,876,962.14	8,786,635.75
from that Grid Business	9,815,066.33	960,738.73	-204,072.43	-1,140,490.11	9,431,242.52	1,835,470.52	524,480.06	-190,845.52	2,169,105.06	7,262,137.46	7,778,941.98
from that Other Activities within Gas Sector	218,093.03	-272.05	-74,442.22	-108,187.79	35,190.97	50,259.07	42,958.23	-69,617.26	23,600.04	11,590.93	203,896.82
from that Activities outside Gas Sector	1,351,320.97	105,888.02	-1,343.32	-6,400.90	1,449,464.77	712,114.99	135,372.28	-1,256.25	846,231.02	603,233.75	803,796.95
Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	138,268,480.58	10,610,896.11	-29,855,498.75	4,217,549.80	123,241,427.74	101,306,961.92	8,331,082.02	-29,518,511.53	80,119,532.41	43,121,895.33	36,961,518.66
from that Grid Business	122,567,011.55	10,140,704.49	-26,263,776.45	3,446,537.45	109,890,477.04	87,211,540.73	7,635,022.60	-25,927,170.36	68,919,392.97	40,971,084.07	35,035,970.22
from that Other Activities within Gas Sector	5,078,446.53	102,958.68	-3,242,193.18	248,903.53	2,188,115.56	4,976,736.29	103,930.16	-3,241,833.34	1,838,833.11	349,282.45	95,756.63
from that Activities outside Gas Sector	10,623,022.50	367,232.94	-349,529.12	522,108.82	11,162,835.14	9,118,684.90	592,129.26	-349,507.83	9,361,306.33	1,801,528.81	1,829,791.81
Advance payments made	14,906,592.65	2,213,774.45	0.00	-2,962,471.00	14,157,896.10	0.00	0.00	0.00	0.00	14,157,896.10	14,906,592.65
from that Grid Business	13,672,884.94	1,415,295.48	0.00	-2,412,337.69	12,675,842.73	0.00	0.00	0.00	0.00	12,675,842.73	12,919,484.28
from that Other Activities within Gas Sector	444,351.18	326,400.63	0.00	-67,369.02	703,382.79	0.00	0.00	0.00	0.00	703,382.79	568,962.80
from that Activities outside Gas Sector	789,356.53	472,078.34	0.00	-482,764.29	778,670.58	0.00	0.00	0.00	0.00	778,670.58	1,418,145.57
	164,559,553.56	**13,891,025.26**	**-30,135,356.72**	**0.00**	**148,315,222.10**	**103,904,806.50**	**9,033,892.59**	**-29,780,230.56**	**83,158,468.53**	**65,156,753.57**	**60,654,747.06**
Tangible assets											
Land, similar rights and buildings including buildings on leasehold land	195,153,135.30	22,756,728.60	-469,239.69	46,533,269.66	263,973,893.87	132,672,722.18	4,679,755.99	-365,112.19	136,987,365.98	126,986,527.89	62,480,413.12
from that Grid Business	166,653,295.84	22,469,499.37	-434,877.97	46,533,269.66	235,221,186.90	115,544,730.34	4,029,217.95	-330,750.47	119,243,197.82	115,977,989.08	51,002,369.66
from that Other Activities within Gas Sector	364,460.92	406.88	0.00	0.00	364,867.80	181,036.37	12,550.81	0.00	193,587.18	171,280.62	178,986.85
from that Activities outside Gas Sector	28,135,378.54	286,822.35	-34,361.72	0.00	28,387,839.17	16,946,955.47	637,987.23	-34,361.72	17,550,580.98	10,837,258.19	11,299,056.61
Technical equipment and machinery	4,169,575,658.68	170,500,136.09	-23,275,316.69	235,911,673.38	4,552,712,151.46	3,432,157,315.76	77,891,949.54	-22,436,961.99	3,487,612,303.31	1,065,099,848.15	737,418,342.92
from that Grid Business	4,163,748,511.33	170,481,068.46	-23,264,670.72	235,768,852.37	4,546,733,761.44	3,426,812,959.62	77,774,553.40	-22,426,316.02	3,482,161,197.00	1,064,572,564.44	736,930,781.86
from that Other Activities within Gas Sector	2,856,152.05	4,764.63	0.00	67,591.62	2,928,508.30	2,851,568.73	8,159.58	0.00	2,859,728.31	68,779.99	4,328.89
from that Activities outside Gas Sector	2,970,995.30	14,303.00	-10,645.97	75,229.39	3,049,881.72	2,492,787.41	109,236.56	-10,645.97	2,591,378.00	458,503.72	483,232.17
Factory and office equipment	86,116,764.81	5,874,874.95	-3,081,477.98	304,413.79	89,214,575.57	61,193,690.69	5,505,209.27	-3,054,529.85	63,644,370.11	25,570,205.46	24,923,074.12
from that Grid Business	51,345,581.95	3,635,938.12	-1,917,635.66	265,170.60	53,329,055.01	35,913,795.14	3,375,015.55	-1,900,806.53	37,388,004.16	15,941,050.85	14,568,500.76
from that Other Activities within Gas Sector	140,880.03	8,925.38	-13,250.23	536.78	137,091.96	95,569.88	14,648.33	-13,233.65	96,984.56	40,107.40	46,785.97
from that Activities outside Gas Sector	34,630,302.83	2,230,011.45	-1,150,592.09	38,706.41	35,748,428.60	25,184,325.67	2,115,545.39	-1,140,489.67	26,159,381.39	9,589,047.21	10,307,787.39
Advance payments made and construction in progress	431,885,128.12	122,050,775.14	0.00	-282,749,356.83	271,186,546.43	3,993,387.64	0.00	0.00	3,993,387.64	267,193,158.79	427,891,740.48
from that Grid Business	430,844,870.82	115,644,606.54	0.00	-282,572,788.96	263,916,688.40	3,993,387.64	0.00	0.00	3,993,387.64	259,923,300.76	426,887,871.51
from that Other Activities within Gas Sector	82,844.80	4,934.81	0.00	-67,858.27	19,921.34	0.00	0.00	0.00	0.00	19,921.34	39,799.23
from that Activities outside Gas Sector	957,412.50	6,401,233.79	0.00	-108,709.60	7,249,936.69	0.00	0.00	0.00	0.00	7,249,936.69	964,069.74
	4,882,730,686.91	**321,182,514.78**	**-26,826,034.36**	**0.00**	**5,177,087,167.33**	**3,630,017,116.27**	**88,076,914.80**	**-25,856,604.03**	**3,692,237,427.04**	**1,484,849,740.29**	**1,252,713,570.64**

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2018 financial year
- Unbundling Statement of changes in fixed assets -

	Acquisition and production costs					Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2018	Additions	Disposals	Transfers	31 Dec. 2018	1 Jan. 2018	Additions	Disposals	31 Dec. 2018	31 Dec. 2018	31 Dec. 2017
	€	€	€	€	€	€	€	€	€	€	€
Financial assets											
Shares in affiliated companies	406,353,272.39	67,500,000.00	0.00	0.00	473,853,272.39	499,999.00	0.00	0.00	499,999.00	473,353,273.39	405,853,273.39
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	406,353,272.39	67,500,000.00	0.00	0.00	473,853,272.39	499,999.00	0.00	0.00	499,999.00	473,353,273.39	405,853,273.39
Equity investments	100,950,002.58	308,585.29	0.00	0.00	101,258,587.87	0.00	0.00	0.00	0.00	101,258,587.87	100,950,002.58
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	100,950,002.58	308,585.29	0.00	0.00	101,258,587.87	0.00	0.00	0.00	0.00	101,258,587.87	100,950,002.58
Other loans	3,027,776.14	288,355.39	-471,284.88	0.00	2,844,846.65	313,208.41	0.00	-88,593.66	224,614.75	2,620,231.90	2,714,567.73
from that Grid Business	1,848,154.56	163,804.13	-287,672.29	0.00	1,724,286.40	191,182.42	0.00	-54,077.57	137,104.85	1,587,181.55	1,604,076.17
from that Other Activities within Gas Sector	37,544.42	3,327.61	-5,843.93	0.00	35,028.10	3,883.78	0.00	-1,098.56	2,785.22	32,242.88	32,873.73
from that Activities outside Gas Sector	1,142,077.16	121,223.65	-177,768.66	0.00	1,085,532.15	118,142.21	0.00	-33,417.53	84,724.68	1,000,807.47	1,077,617.83
	510,331,051.11	**68,096,940.68**	**-471,284.88**	**0.00**	**577,956,706.91**	**813,207.41**	**0.00**	**-88,593.66**	**724,613.75**	**577,232,093.16**	**509,517,843.70**
	5,557,621,291.58	**403,170,480.72**	**-57,432,675.96**	**0.00**	**5,903,359,096.34**	**3,734,735,130.18**	**97,110,807.39**	**-55,725,428.25**	**3,776,120,509.32**	**2,127,238,587.02**	**1,822,886,161.40**

Activity Reports for financial year 2017

Open Grid Europe GmbH, Essen

Consolidated Unbundling balance sheet as of 31 December 2017

Assets €		Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	**Fixed assets**					
	I. Intangible assets					
	1. Internally generated intangible assets	7,778,942	203,897	803,797	0	8,786,636
	2. Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	35,035,970	95,757	1,829,792	0	36,961,519
	3. Advance payments made	12,919,484	568,963	1,418,146	0	14,906,593
		55,734,396	868,617	4,051,735	0	60,654,748
	II. Tangible assets					
	1. Land, similar rights and buildings	51,002,369	178,987	11,299,057	0	62,480,413
	2. Technical equipment and machinery	736,930,782	4,329	483,232	0	737,418,343
	3. Other equipment, factory and office equipment	14,568,501	46,786	10,307,787	0	24,923,074
	4. Advance payments made and construction in progress	426,887,871	39,799	964,070	0	427,891,740
		1,229,389,523	269,901	23,054,146	0	1,252,713,570
	III. Financial assets					
	1. Shares in affiliated companies	0	0	405,853,273	0	405,853,273
	2. Equity investments	0	0	100,950,003	0	100,950,003
	3. Other loans	1,604,076	32,874	1,077,618	0	2,714,568
		1,604,076	32,874	507,880,894	0	509,517,844
		1,286,727,995	1,171,392	534,986,775	0	1,822,886,162
B.	**Current assets**					
	I. Inventories					
	1. Raw materials and supplies	9,763,615	2,166	1,064,629	0	10,830,410
	2. Work in progress	6,897,329	0	41,684,631	0	48,581,960
	3. Merchandise	11,479,659	0	0	0	11,479,659
	4. Other inventories	621,100	0	0	0	621,100
		28,761,703	2,166	42,749,260	0	71,513,129
	II. Receivables and other assets					
	1. Trade receivables	16,291,133	685,218	3,871,108	0	20,847,459
	2. Receivables from shareholders	53,898,310	0	18,847,781	-214,798	72,746,091
	3. Receivables from affiliated companies	673,869	11,352	3,038,809	0	3,724,030
	4. Receivables from companies in which equity investments are held	863,127	31	2,776,289	0	3,639,447
	5. Other assets	11,712,887	41,040	1,455,743	0	13,209,670
	from that receivables with a residual term of one year	*1,025,017*	*0*	*0*	*0*	*1,025,017*
		83,439,326	737,641	29,989,730	-214,798	113,951,899
	III. Cash on hand and bank balances	47,239,754	802,669	35,457,461	0	83,499,884
		159,440,783	1,542,476	108,196,451	-214,798	268,964,912
C.	**Prepaid expenses**	1,313,270	24,765	830,613	0	2,168,648
D.	**Asset surplus arising from offsetting**	376,396	7,714	248,170	0	632,280
E.	**Capital clearing item**	248,103,947	0	0	-248,103,947	0
		1,695,962,391	**2,746,347**	**644,262,009**	**-248,318,745**	**2,094,652,002**

Open Grid Europe GmbH, Essen

Consolidated Unbundling balance sheet as of 31 December 2017

Shareholders' equity and Liabilities €		Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	**Shareholders' equity**					
	I. Capital shares					
	Share capital	77,875,081	70,895	32,378,356	0	110,324,332
	II. Capital reserve	553,195,641	503,609	230,003,818	0	783,703,068
	III. Revenue reserves	704,927,388	48,479	22,140,818	0	727,116,685
		1,335,998,110	622,983	284,522,992	0	1,621,144,085
B.	**Provisions**					
	1. Provisions for pensions and similar obligations	5,419,196	111,060	3,573,047	0	9,103,303
	2. Tax provisions	599,705	9,925	393,159	0	1,002,789
	3. Other provisions	241,007,367	549,982	17,805,357	0	259,362,706
		247,026,268	670,967	21,771,563	0	269,468,798
C.	**Liabilities**					
	1. Advance payments received on orders	19,251,851	0	5,910,631	0	25,162,482
	from that with a residual term of one year	*19,251,851*	*0*	*5,910,631*	*0*	*25,162,482*
	2. Trade payables	65,999,781	330,600	7,569,137	0	73,899,518
	from that with a residual term of up to one year	*64,986,610*	*324,632*	*7,360,323*	*0*	*72,671,565*
	from that with a residual term between one and five years	*1,013,171*	*5,968*	*208,814*	*0*	*1,227,953*
	from that with a residual term of more than five years	*0*	*0*	*0*	*0*	*0*
	3. Liabilities to shareholders	0	214,798	0	-214,798	0
	from that with a residual term of up to one year	*0*	*214,798*	*0*	*-214,798*	*0*
	4. Liabilities to affiliated companies	4,801,206	3,661	61,460,993	0	66,265,860
	from that with a residual term of up to one year	*4,801,206*	*3,661*	*61,460,993*	*0*	*66,265,860*
	5. Liabilities to companies in which equity investments are held	13,945,137	6,791	14,943,304	0	28,895,232
	from that with a residual term of up to one year	*13,945,137*	*6,791*	*14,943,304*	*0*	*28,895,232*
	6. Other liabiliites	8,827,077	23,311	773,453	0	9,623,841
	from that with a residual term of up to one year	*8,658,098*	*23,311*	*773,453*	*0*	*9,454,862*
	from that taxes	*1,037,647*	*21,265*	*684,153*	*0*	*1,743,065*
		112,825,052	579,161	90,657,518	-214,798	203,846,933
D.	**Deferred income**	112,961	0	79,225	0	192,186
E.	**Capital clearing item**	0	873,234	247,230,713	-248,103,947	0
		1,695,962,391	**2,746,347**	**644,262,009**	**-248,318,745**	**2,094,652,002**

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

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

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

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

Open Grid Europe GmbH, Essen

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

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

Explanation of accounting unbundling

Preliminary note

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

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

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

Rules in accordance with section 6b para. 3 EnWG

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR’S REPORT

To Open Grid Europe GmbH, Essen

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

Audit Opinions

We have audited the annual financial statements of Open Grid Europe GmbH, Essen, which comprise the balance sheet as of December 31, 2018 and the income statement for the period from January 1 through December 31, 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Open Grid Europe GmbH, Essen for the financial year from January 1 through December 31, 2018. We have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures regarding women’s quota) in accordance with the German legal requirements.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2018 and of its financial performance for the financial year from January 1 through December 31, 2018 in compliance with German Legally Required Accounting Principles, and

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

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

Basis for the Audit Opinions

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

We have audited the compliance with the accounting obligations pursuant to § 6b Abs. 3 EnWG [Energiewirtschaftsgesetz: German Energy Industry Act], which require separate accounts to be maintained for the activities pursuant to § 6b Abs. 3 EnWG. We have also audited the activity statements for the activities „Grid Business", "Activities within Gas Sector", and "Activities outside Gas Sector" – which comprise the balance sheet as of December 31, 2018 and the statement of profit and loss for the financial year from January 1 through December 31, 2018 including the disclosures relating to the rules under which the assets and liabilities as well as income and expenses were classified to the accounts maintained pursuant to § 6b (3) clause 1 to 4 EnWG.

In our opinion

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

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

- We conducted our audit in accordance with § 6b Abs. 5 EnWG and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described below and in section "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report”. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion in this regard.

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

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

Essen, March 15, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer
(German Public Auditor)

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