Annual Report 2019

Open Grid Europe GmbH

Translation the German text is authoritative

Open Grid Europe GmbH, Essen

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Management Report for the 2019 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 market 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 and industry-related conditions

Overall economic development

In the opinion of the German Council of Economic Experts, the long-lasting upswing in Germany came to an end for the time being in 2019 due to noticeably slower global economic growth. The reasons for the significant cooling of the German economy include the ongoing international trade disputes and the uncertainty caused by the UK's withdrawal from the European Union on January 31, 2020.

In its 2019/20 annual report, the German Council of Economic Experts states that Germany, and German industry in particular, is especially affected by the global slowdown in growth. A strong indicator of this is the first signs of a weakening of the labour market.

The German Council of Economic Experts expects an average GDP growth rate of 0.5% for the whole financial year 2019.

Primary energy consumption in Germany

According to the provisional calculations of the Working Group on Energy Balances (AGEB), in 2019 primary energy consumption fell in Germany by 2.3% to 12,815 petajoules (some 3,560 TWh).

In the working group’s opinion, the reasons for the decrease are further improvements in energy efficiency, substitutions in the energy mix and the cyclically induced decline in energy consumption in industry. On the other hand, the slightly cooler weather and the growing population had the effect of increasing consumption. Overall, however, the factors that reduced consumption were stronger than those that increased consumption.

According to AGEB calculations, consumption of natural gas rose by 3.6% in 2019. In addition to higher demand for heating purposes in the cooler spring, this increase was mainly due to the greater use of natural gas in power plants.

Energy policy developments in Europe

In 2019, the EU Commission announced the European "Green Deal", through which the European Union is to achieve complete climate neutrality by the year 2050. The Green Deal is to set strict environmental and climate targets in the areas of transport, energy, agriculture, the circular economy and biodiversity while, at the same time, providing a strategy for economic growth.

The backbone of the Green Deal will be a European Climate Law, which the EU Commission wants to draft by March 2020. This will be used to enshrine the objective of climate neutrality by 2050 in law. In addition, by summer 2020 the EU Commission will present plans to tighten the emission reduction targets for 2030, based on a saving of 50 - 55% compared with 1990. The Commission plans to review all relevant energy legislation by June 2021 and, if necessary, present appropriate legislative proposals.

The Commission's decarbonisation efforts largely focus on renewable energies and support for decarbonised gases, combined with a review of the TEN-E Regulation (guidelines for trans-European energy networks) and support for hydrogen networks and carbon capture and storage (CCS) / usage (CCU). Since Europe will be dependent on the import of renewable energies over the long term, and since great CCS/CCU potential is seen outside the EU, the Green Deal also has an important foreign policy component.

As part of the revision of the Energy Taxation Directive, the EU Commission is proposing to end subsidies for fossil fuels, in particular by closing the gaps for aviation and shipping in the European Emissions Trading Scheme. The EU Commission will support alternative fuels and related infrastructure and, if necessary, revise CO_2 emission standards for cars and light commercial vehicles by June 2021.

As a financial instrument, in addition to the revision of the Energy Taxation Directive for selected sectors, there will be a proposal for a carbon border adjustment mechanism at the EU's external borders. The EU Commission estimates that additional annual investment of € 260 billion is needed to achieve the Green Deal targets. It will present an investment plan for a sustainable Europe and provide 30% of the financial resources to combat climate change.

Energy industry developments in Germany

The Commission on Growth, Structural Change and Employment (the so-called "Coal Commission") presented its recommendations to the Federal Government on 31 January 2019. These recommendations will be implemented in the "Act on the Reduction and Termination of Coal-fired Electricity Generation". The aim is to gradually reduce coal-fired power generation and to phase it out completely by the end of 2038 at the latest.

Furthermore, major parts of the "climate protection package" were adopted in 2019. In addition to relieving the financial burden on citizens and the economy, this package includes innovations in the areas of transport, building refurbishment and industry. A key measure for achieving the climate protection targets by 2030 is the introduction of a CO_2 emission price for transport and heating in buildings.

In connection with the development of an infrastructure for LNG (liquefied natural gas), the Ordinance on Improving the Framework Conditions for the Development of the LNG Infrastructure in Germany ("LNGV") was adopted. This ordinance also stipulates that the construction costs associated with connecting LNG facilities to the transmission grid are largely classified as investment measures under the Incentive Regulation Ordinance. The ordinance entered into force on 20 June 2019.

The adoption of the Federal Government's national hydrogen strategy, which had been planned for 2019, was postponed to the first quarter of 2020.

Business performance

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, nos. 1, 5 and 11 and section 4, para. 2 of the German Incentive Regulation Ordinance (ARegV). The annual balance of the regulatory account is not part of the resolution on the revenue cap and is decided in separate administrative proceedings. By resolution of 7 February 2020, the Federal Network Agency (BNetzA) approved the regulatory account balances for the years 2012 to 2016. The procedure for the 2017 and 2018 balances has not yet been completed.

In accordance with section 9, para. 3 ARegV, from the third regulatory period onwards the BNetzA must determine the sectoral productivity factor (Xgen) 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 network operators. Alongside a large number of other gas network operators, OGE lodged an appeal against this stipulation with the 3rd Antitrust Senate of the Higher Regional Court of Düsseldorf. On 10 July 2019, the Higher Regional Court of Düsseldorf set aside the stipulation of the Xgen in separate proceedings. The BNetzA has lodged an appeal with the Federal Court of Justice (BGH). The outcome of the proceedings is still pending; a first hearing before the BGH is expected in the course of 2020.

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 filed an appeal against the Higher Regional Court of Düsseldorf's ruling with the Federal Court of Justice. By decision of 9 July 2019, the Federal Court of Justice decided that the BNetzA had set the rate of return on equity appropriately, within the scope of its authority to determine it. Thus the rate of return on equity for the 3rd regulatory period is finally fixed. As a result, OGE withdrew its appeal in this case and terminated the legal proceedings.

In connection with the Network Fee Modernisation Law and the discussion surrounding the refinancing of the offshore linkup costs for transmission system operators, changes in regulatory law entered into force with effect from 22 March 2019. The changes also relate to the investment measures (IMA) instrument which was established in the Incentive Regulation Ordinance and which regulates the remuneration of electricity and gas transmission system operators for expansion and restructuring investments. For example, the operating cost allowances, which were previously set at a flat rate, are now to be remunerated more on the basis of actual costs and differentiated according to the time of commissioning of an investment measure. Against this background, in 2019 the BNetzA reviewed the flat rates for natural gas compressors and gas pressure regulating and metering systems originally set in 2011 and revised them on 11 December 2019. Within the framework of the IMA approval, the Federal Network Agency now provides for an operating cost flat rate of 1.5% for natural gas compressors and 1.7% for gas pressure regulating and metering systems as from 1 January 2020. Furthermore, the BNetzA has announced – as required by the Incentive Regulation Ordinance (ARegV) - that it will also conduct a procedure in the course of 2020 to reset the flat-rate operating fees for other pipeline assets, especially with regard to the pre-commissioning phase. To this end, it has started a tender procedure for the appointment of an expert. A result that would affect both electricity and gas transmission system operators is expected by summer 2020.

On 21 May 2019, the Federal Ministry for Economic Affairs and Energy (BMWi) launched the "Industry Dialogue on the Further Development of Incentive Regulation". The aim of the ongoing talks is to identify selective adjustments to the legal framework to accelerate the expansion of the energy network. In addition to the regulatory treatment of bottleneck management costs (electricity grid operators), the core topics include fundamental questions on the "investment measure (IMA)" and "capital cost balancing" financing instruments. Concrete results of the dialogue and the start of possible regulation proceedings by the BMWi are expected in the first half of 2020.

In August 2019, the BNetzA initiated a procedure for laying down additional requirements for the preparation and auditing of annual financial statements and activity reports of vertically integrated energy supply companies and legally independent network operators pursuant to section 6b EnWG. The authority made its final stipulation by resolution of 25 November 2019. The changes are to be applied for the first time to annual financial statements with a reporting date from 30 September 2020. Possible effects of this stipulation on OGE, its subsidiaries and equity investments are currently being examined. OGE lodged an appeal against this stipulation with the 3rd Antitrust Senate of the Higher Regional Court of Düsseldorf on 17 January 2020.

Network development plans and market area conversion

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 stipulations of 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.

In compliance with timetable requirements, the German transmission system operators published the implementation report on the Gas Network Development Plan 2018-2028 (Implementation Report 2019) 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.

The implementation report 2019 gives a detailed overview of which of the confirmed measures of the Gas Network Development Plan 2018-2028 have already been implemented, are currently still under construction or still have to be performed in future.

The transmission system operators published the final version of the Gas Network Development Plan 2018-2028 (Gas Network Development Plan 2018) on 20 March 2019 and a related addendum on 18 July 2019. The transmission system operators' plans in the final Gas Network Development Plan 2018 for the expansion of the German gas infrastructure provide, among other things, for the extension of the gas transmission pipelines by a further 1,364 km as well as an additional 499 MW of compressor capacity. The total investment volume under the Gas Network Development Plan is therefore some € 6.9 billion by 2028, of which OGE will be investing some € 2.3 billion.

On 17 June 2019 the transmission system operators published the scenario framework for the Gas Network Development Plan 2020-2030 for consultation. One focus of the scenario framework is the subject of “green gases” and their integration into the gas infrastructure. In addition to biomethane, hydrogen and synthetic methane are, for the first time, to be included in the modelling as green gases. The merger planned for 1 October 2021 of the two German market areas with their managing companies, NCG and GASPOOL, also plays a central role in the scenario framework. This move is to create one joint German market area "Trading Hub Europe" as a central starting point. With regard to the development of future gas demand, the scenario framework has been consistently developed further and therefore takes into account current climate protection scenarios and the latest considerations on the phase-out of coal. After consultation and discussion with market participants, the revised scenario framework was submitted to the BNetzA on 16 August 2019 and confirmed by the BNetzA on 5 December 2019 with amendments and conditions. On the basis of the BNetzA's confirmation of the scenario framework, the transmission system operators will carry out the modelling of the Gas Network Development Plan 2020-2030 in 2020.

In a separate chapter, the Implementation Report 2019 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 changeover 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 established for Germany as a whole and for each of the two market areas GASPOOL and NCG in the Implementation Report 2019. 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 10 September 2019 to reduce annual L-gas production in the Netherlands to 11.8 billion m³ per year is in line with the plan assumptions on L-gas demand in Germany made in the Implementation Report 2019.

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 larger areas in the OGE network were successfully converted to H-gas in 2019 including the supplies for the towns of Osnabrück and Marburg as well as for a large industrial site in Marl. According to current plans, conversion to H-gas at OGE will continue to speed up until 2021, then remain at a high level until 2026 and will be completed by 2029.

Technology

In 2019, OGE performed various measures to upgrade and expand its technical infrastructure. 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.

One of the projects of MEGAL, a project company of OGE and GRTgaz Deutschland GmbH, Berlin, 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. The construction phase began with the start of archaeological exploration in September 2019 and commissioning is planned for the end of 2023.

On the basis of extensive investigations in November 2019, TENP, a project company of OGE and Fluxys TENP, Düsseldorf, decided that the parts of the TENP I Boxberg-to-Wallbach pipeline section sheathed in Polyken will not be put back into service again. To ensure supply security, the projects for the construction of the new pipelines running from Mittelbrunn to Schwanheim (38 km, DN 1000) and Hügelheim to Tannenkirchen (16 km, DN 900) as well as the construction of the necessary connecting pipelines to the TENP II pipeline were included in the Network Development Plan 2018. Commissioning is scheduled for December 2024.

A new compressor unit driven by an electric motor (13 MW) was commissioned at the OGE Krummhörn compressor station on 22 October 2019. The compressor unit is also to help use surplus wind energy from the electricity grid to drive the gas compressor unit. In this way surplus electricity from wind farms can be put to good use and an expansion of the electricity grid avoided. With regard to the next expansion stage of the Krummhörn compressor station, the installation of a further gas turbine-driven compressor unit (15 MW), construction of the compressor building commenced. Commissioning is planned by the end of 2022.

The OGE compressor station in Emsbüren is being extended by a compressor unit (8 MW) driven by an electric motor. The unit was delivered and installed in September. Commissioning is planned by the end of 2020.

The OGE gas transmission pipeline from Forchheim to Finsing (about 77 km, DN 1000) provided for in the Network Development Plan was commissioned in May 2019 after construction had started in January 2018.

The application documents for the planning approval procedures for the Network Development Plan pipeline projects Heiden to Dorsten (approx. 18 km, DN 600/500) and Erftstadt to Euskirchen (approx. 18 km, DN 400) were submitted to the district government in Münster and in Cologne.

The ZEELINK project – a joint project of Thyssengas GmbH, Dortmund, and OGE – is proceeding to plan. It consists of 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) as well as four gas pressure regulating and metering stations and one gas pressure regulating station. Important special building works, such as the crossing of the Rhine near Wesel and the undercrossing of the Brander Wall, were implemented. As part of the construction of the Würselen compressor station, the compressor buildings and the electrical engineering buildings were finalised and the compressor units delivered. The application documents for the planning approval procedure for the compressor station in Legden were submitted to the district government in Münster.

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 commissioned in 2019. Another 28 projects will be successively completed in the next few years.

At the end of the year, bayernets commissioned the Wertingen compressor station, a joint project of bayernets GmbH, Munich, and OGE. With a compressor capacity totalling 33 MW, it will strengthen north-south transportation and improve connection to storage facilities in southern Germany and Austria.

As part of condition-based maintenance, old pipelines in the OGE network are being rehabilitated, particularly in North Rhine-Westphalia. In addition, numerous existing pipelines were re-routed in order to adapt to infrastructure expansions in Germany.

Analysis of net assets, financial position and results of operations

Investments

As expected, in the 2019 financial year OGE again made high investments in tangible assets and intangible assets totalling € 205.2 million (previous year: € 335.1 million). Of this figure, € 65.3 million went into the expansion and upgrading of compressor stations (previous year: € 104.6 million). The construction of a new compressor unit in Emsbüren accounted for € 11.2 million. The construction of a new compressor station in Wertingen, joint ownership with bayernets GmbH, Munich, was completed at a further cost of € 13.5 million. Both projects are part of the Network Development Plan. OGE invested € 55.1 million in expanding and upgrading pipelines (previous year: € 169.2 million), including a total of € 17.6 million in the construction of the Schwandorf-to-Forchheim-to-Finsing pipelines and € 3.9 million in the Epe-to-Legden loop line. This work is also part of the Network Development Plan. Other investments accounted for € 84.8 million (previous year: € 61.3 million) and included investments in gas pressure regulating and metering systems (€ 46.3 million) and IT projects (total of € 13.3 million).

Investments relating to obligations under the Network Development Plan therefore accounted for a total of € 116.5 million (previous year: € 261.8 million).

Financial investments accounted for € 256.9 million. Additions to financial assets mainly relate to capital injections into ZEELINK (€ 159.8 million), TENP (€ 64.8 million) and MEGAL (€ 30.0 million), which were made to finance investments in these companies.

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 last extended as of 31 December 2019 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 € 40.7 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 2024 on 15 July 2019. 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 three ancillary facilities in the amount of € 20 million, € 10 million and € 1.5 million. The first serves as an overdraft facility for the OGE cash pool and the second as an overdraft facility for VGT. The remaining third ancillary facility is reserved for surety (e.g. bank guarantees) and € 1.1 million had been utilised as of 31 December 2019 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 2019 financial year, € 26.5 million was added to the plan assets for pension obligations and € 9.7 million for long-term working-time account obligations.

As at the reporting date, the fund's assets exceeded the provisions set up at OGE for pension obligations by € 1.5 million and for long-term working-time account obligations by € 0.4 million. The percentage of cover for pension obligations is 100.3% and for long-term working-time account obligations 101.1%.

Report on economic position

OGE charges a uniform tariff for entry and exit. Compared with the previous year, this resulted in roughly 9.7% 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 increase in investments as well as to higher cost allocation amounts for the market area conversion levy and effects from the regulatory account.

Overall, OGE posted an increase in revenues of 5.7% to € 1,095.3 million in 2019 (previous year: € 1,035.9 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 amounted to € 913.7 million in the 2019 financial year (previous year: € 850.9 million).

As regards gas transport revenues, the actual capacity marketed was much higher than expected at the time when fees were set. The revenues from the gas transport business were € 23.8 million higher than the revenue cap expected and allowed under section 4 of the Incentive Regulation Ordinance (ARegV). These additional revenues were included by setting up a regulatory provision as of the reporting date and, in accordance with the new Incentive Regulation Ordinance mechanism, will be deducted from the respective fee calculation in the years 2021 to 2023 as part of cross-period balancing.

Revenues from the services business including the change in work in progress totalled € 197.0 million and were therefore slightly higher than in the previous year (€ 190.5 million).

Cost of materials increased – as expected – compared with the previous year by some € 46.8 million. The increase is due in particular to higher cost allocation amounts for the market area conversion levy.

Income from equity investments fell by € 15.6 million compared with the previous year. This decrease is mainly due to a fall of € 9.0 million in the profit transferred from Line WORX, Essen.

As expected, interest expenses were significantly below the level of the previous year. The decrease is mainly due to the measurement of long-term provisions and the positive performance of plan assets compared with the previous year.

OGE's profit before tax increased by € 34.1 million to € 346.8 million. Net income for the year before distribution of profit amounted to € 240.7 million in the 2019 financial year and was, contrary to expectations, significantly higher than the figure for the previous year (€ 198.7 million). With a view to future investments, the net income in the amount of € 40.7 million (previous year: € 53.7 million) remaining after profit distribution in the amount of € 200.0 million (previous year: € 145 million) was transferred to revenue reserves.

OGE's total assets amounted to € 2,777.4 million as at the reporting date of 31 December 2019 (previous year: € 2,516.4 million). This gives an equity ratio of 81.2% (previous year: 78.1%). Of the external funds, provisions account for 69.3% (previous year: 61.0%), liabilities for 30.0% (previous year: 37.8%) and deferrals for 0.7% (previous year: 1.2%). Fixed assets accounted for € 2,471.8 million as at the reporting date (previous year: € 2,127.2 million) and therefore 89.0% (previous year: 84.5%) of OGE's total assets.

Cash and cash equivalents totalled € 148.1 million as at 31 December 2019, increasing by € 58.1 million compared with the previous year. In the 2019 financial year, OGE generated cash flow from operating activities of € 227.3 million (previous year: € 274.1 million). Cash flow from investing activities amounted to € -346.4 million (previous year: € -317.6 million) and, in addition to purchases of investments, contains income received from equity investments in the amount of € 164.2 million (previous year: € 87.9 million). Cash flow from financing activities totalled € 177.2 million (previous year: € 50 million) and mainly included the cash-effective capital increase by the parent company, VGT, in the amount of € 450.0 million and, having the opposite effect, the cash outflow for profit distribution of € 200.0 million to the parent company, VGT. Cash flow was therefore well above the forecast as lower cash flow from investing activities was more than offset by higher cash flow from financing 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.

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

OGE generates the majority of its revenues and income within the gas sector, particularly in the function of a transport system operator “Grid Business”. Activities in this sector mainly include the marketing of transport capacities in the pipeline network as well as the planning and construction, operation, dispatching and maintenance of this network.

With revenues of € 925.6 million in the past financial year (previous year: € 868.2 million), the “Grid Business” segment recorded a profit after tax of € 144.8 million (previous year: € 105.2 million).

The segment “Activities within Gas Sector” includes dispatching for other network operators and suppliers of gas infrastructure. This segment recorded a profit after tax of € 2.5 million in the past financial year (previous year: € 1.7 million) from revenues of € 7.3 million (previous year: € 7.2 million).

In accordance with OGE's business structure, the segment "Activities outside Gas Sector" consists primarily of equity investments, technical and engineering services as well as business and IT services. In the past financial year, this segment posted a profit after tax of € 94.0 million (previous year: € 92.2 million) from revenues of € 162.5 million (previous year: € 160.6 million) and income from equity investments of € 91.2 million (previous year: € 106.7 million).

Environmental and employee matters

Environmental protection

In September 2019, OGE passed external monitoring audits and thus confirmed the certifications for the integrated management system according to DIN EN ISO 9001 (Quality Management) and DIN EN ISO 14001 (Environmental Management). At the same time, recertification was performed to DIN EN ISO 50001 (Energy Management) and the occupational health & safety management system was changed over from OHSAS 18001 to DIN ISO 45001. The Technical Safety Management (TSM) certification is valid until the end of Q3 2021.

OGE attaches very great importance to environmental protection. No environmental events that had a monetary impact on OGE were recorded 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 2018 were submitted via the EU register in April 2019. The applications for the forthcoming fourth trading period (2021-2030) for the allocation of free emission rights were submitted in due time.

OGE is working on further developing procedures required for 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. For example, a study was carried out with TÜV Süd on the conversion of an existing natural gas pipeline to hydrogen.

The use of natural gas in the mobility sector can be a good way of reducing emissions, particularly for transport and the 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 2019, OGE had 1,444 employees (excluding the Board of Management and apprentices). Personnel expenses during the financial year amounted to € 162.3 million (previous year: € 158.2 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).

In 2016, OGE provided four additional technical apprenticeships for refugees. The programme was extended by two further places in both 2017 and 2019.

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 2019 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, increased only slightly to 4.9 (previous year: 4.5) despite the fact that construction work rose 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. Activities in the field of Health, Safety and Environment (HSE) sub-contractor management were stepped up, particularly in the major new build projects.

Corporate governance statement in accordance with section 289f HGB2

In compliance with the German Act to Promote Equal Participation of Women and Men in Management Positions in the Private and Public Sectors 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%

The target figure for the Board of Management was determined on the basis of a four-member board. However, it was decided in mid-2019 not to fill the position of Managing Director for Business Services

[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 were not part of the audit by the financial statement auditors.

following the retirement of the current incumbent due to age on March 31, 2020. Against this background, legal aspects such as contract durations make it difficult to meet this target.

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.

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 is 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: medium

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, opportunities frequently 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: moderate

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: low

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

Further risks

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 (dispatching). A failure of the network dispatching systems could, in the worst case scenario, lead regionally to a total failure of the gas supply system for several days.

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

OGE safeguards against these risks with redundant systems as well as comprehensive quality assurance and access protection systems. OGE is certified according to the BNetzA's IT security catalogue which is binding on all network operators. The legal requirements are met. Effects that give rise to possible third-party claims are adequately covered by insurance.

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.

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 2019.

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.

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.

Expected development

According to the forecast of the German Council of Economic Experts for the overall economic situation in 2020, it can be assumed that the long-lasting upswing of the German economy has come to an end for the time being and that the German economy is in a downturn. The growth rate of gross domestic product is predicted to be weak at an annual average of 0.9%.

With effect from 1 January 2020, OGE adjusted the uniform transport tariff for entry and exit. As a result, entry and exit fees in the NCG market area are some 0.5% lower and 83% higher in the GASPOOL market area than in 2019. The adjusted fees are based, in particular, on the uniform postage-stamp fee for each market area, which was set by the BNetzA in its new REGENT stipulation. The uniform network fee for a firm freely allocable transport capacity, which will apply from 1 January 2020, is based in particular on changes in the forecast capacity booking behaviour and the permissible revenues of the transmission system operators for 2020 approved by the BNetzA, which are mainly based on network investments.

Overall, the Board of Management is expecting transport revenues in 2020 to be on the same level as in 2019.

Revenues and changes in work in progress of the services business are expected to be on a par with those in the 2019 financial year. The cost of materials is forecast to be slightly higher than in the 2019 financial year, in particular as a result of higher cost allocation amounts for the market area conversion levy.

In addition, significantly higher interest expenses from the measurement of provisions are expected for the following year.

Owing to the high ongoing investment activity compared with the reporting year, depreciation is forecast to be much higher and income from equity investments 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 2020 will be appreciably lower than the figure for the 2019 financial year.

Owing to the measures under the network development plan, investments are forecast to remain high albeit slightly below the level for the reporting year.

Overall, cash flow for 2020 is forecast to be well below the level in the 2019 financial year with improved cash flow from earnings and investing activities being offset by clearly negative cash flow from financing activities.

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 smaller 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.

Possible impacts of the current Corona virus situation (COVID-19) on OGE:
OGE is constantly following the current developments. As an operator of critical infrastructure, OGE has taken appropriate precautions to ensure ongoing operations and therefore to guarantee the security of gas supply. A significant effect on the profit forecast for the current financial year is not expected at present.

Annual Financial Statements for the period from January 1 to December 31, 2019

Open Grid Europe GmbH, Essen

Balance Sheet as of 31 December 2019

Assets

	Note	31 Dec. 2019 €	31 Dec. 2019 €	31 Dec. 2018 €k	31 Dec. 2018 €k
A. **Fixed assets**					
I. Intangible assets	(1)				
1. Internally generated intangible assets		7.789.527		7.877	
2. Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets		52.304.557		43.122	
3. Prepayments		8.328.845		14.158	
			68.422.929		65.157
II. Tangible assets	(2)				
1. Land, land rights and buildings, including buildings on third-party land		146.930.177		126.987	
2. Technical equipment and machinery		1.253.418.801		1.065.100	
3. Other equipment, operating and office equipment		35.021.530		25.570	
4. Prepayments and assets under construction		133.883.682		267.193	
			1.569.254.190		1.484.850
III. Financial assets	(3)				
1. Shares in affiliated companies		663.103.273		473.353	
2. Other long-term equity investments		168.459.098		101.259	
3. Other loans		2.581.771		2.620	
			834.144.142		577.232
			2.471.821.261		2.127.239
B. **Current assets**					
I. Inventories	(4)				
1. Raw materials and supplies		13.144.605		10.352	
2. Work in progress		69.478.903		54.100	
3. Merchandise		11.750.458		18.645	
4. Other inventories		11.501.194		498	
			105.875.160		83.595
II. Receivables and other assets	(5)				
1. Trade receivables		17.132.804		28.271	
2. Receivables from shareholders		0		151.527	
3. Receivables from affiliated companies		14.213.104		18.894	
4. Receivables from companies in which equity investments are held		2.473.801		6.955	
5. Other assets		14.080.924		8.019	
			47.900.633		213.666
III. Cash in hand and bank balances	(6)		148.103.059		90.004
			301.878.852		387.265
C. **Prepaid expenses**			1.744.347		1.804
D. **Excess of plan assets over post-employment benefit liability**	(7)		1.948.955		103
			2.777.393.415		**2.516.411**

Shareholders' Equity and Liabilities

	Note	31 Dec. 2019 €	31 Dec. 2019 €	31 Dec. 2018 €k	31 Dec. 2018 €k
A. **Shareholders' equity**	(8)				
I. Subscribed capital		110.324.332		110.324	
II. Capital reserve		1.323.703.068		1.073.703	
III. Revenue reserves		821.520.579		780.814	
			2.255.547.979		1.964.841
B. **Provisions**	(9)				
1. Provisions for pensions and similar obligations		8.280.008		17.790	
2. Tax provisions		11.770		1.021	
3. Other provisions		353.235.047		317.869	
			361.526.825		336.680
C. **Liabilities**	(10)				
1. Payments received on account of orders		16.487.274		21.746	
2. Trade payables		27.613.348		75.091	
3. Liabilities to shareholders		4.900.589		0	
4. Liabilities to affiliated companies		78.965.937		78.298	
5. Liabilities to companies in which equity investments are held		15.299.908		16.153	
6. Other liabilites		13.130.762		17.049	
			156.397.818		208.337
D. **Deferred income**			3.920.793		6.553
			2.777.393.415		**2.516.411**

Open Grid Europe GmbH, Essen

Income Statement
for the period from 1 January to 31 December 2019

		Note	€	€	2018 €k
1.	Revenues	(11)		1.095.325.344	1.035.903
2.	Change in finished goods and work in progress			15.379.253	5.518
3.	Other own work capitalised	(12)		19.648.274	20.847
4.	Other operating income - of which income from currency translation € 2,219 (previous year € 15k)	(13)		32.068.121	23.999
5.	Cost of materials	(14)			
	a) Cost of raw materials and supplies		-86.952.787		-63.267
	b) Cost of purchased services		-432.690.600		-409.554
				-519.643.387	-472.821
6.	Personnel expenses				
	a) Wages and salaries		-130.382.376		-123.416
	b) Social security, pensions and other benefits - of which for pensions € 11,267,726 (previous year € 15,414k)		-31.898.448		-34.742
				-162.280.824	-158.158
7.	Amortisation of intangible assets and depreciation of tangible assets	(15)		-115.573.556	-97.111
8.	Other operating expenses - of which expenses from currency translation € 79,268 (previous year € 10k)	(16)		-82.602.422	-79.506
9.	Income from equity investments - of which from affiliated companies € 77,453,155 (previous year € 88,006k)	(17)		91.166.390	106.693
10.	Other interest and similar income - of which from affiliated companies € 58,570 (previous year € 18k) - of which interest income from discounting of provisions € 0 (previous year € 0)	(18)		198.244	194
11.	Interest and similar expenses - of which interest expense from unwinding of discounting of provisions € 70,883,933 (previous year € 64,863k)	(19)		-26.895.102	-72.827
12.	Income taxes	(20)		-105.512.391	-113.521
13.	**Profit after tax**			**241.277.944**	**199.210**
14.	Other taxes	(21)		-571.065	-513
15.	Transfers under profit-and-loss transfer agreements	(22)		-200.000.000	-145.000
16.	**Net income for the year**			**40.706.879**	**53.697**
17.	Transfers to revenue reserves	(23)		-40.706.879	-53.697
18.	**Unappropriated profit**			**0**	**0**

Open Grid Europe GmbH, Essen

Notes to the financial statements for the 2019 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.

Only the straight-line depreciation method is used. Regular depreciation ist charged in conformity with the fiscal depreciation tables. 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 in hand and bank balances

Cash and bank balances 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 average interest rate of the past ten financial years published in December 2019 in the amount of 2.71% 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.

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 comprise software in the amount of € 13.1 million.

In the financial year, additions to internally generated intangible assets amounted to € 0.5 million. Total research and development expenses pursuant to section 285, no. 22 HGB also amounted to € 0.5 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 € 1,569.3 million (previous year: € 1,484.8 million). Additions to tangible assets break down as follows:

• Land, land rights and buildings	13.75 %
• Technical equipment and machinery	70.59 %
• Other tangible assets and assets under construction	15.66 %
	100.00 %

Additions result mainly from the construction of the new Schwandorf-to-Forchheim-to-Finsing pipeline (€ 17.6 million), a new compressor station in Wertingen (€ 13.5 million), a new compressor unit in Emsbüren (€ 11.2 million) and the new "Closed Loop Pigsar" calibration facility (€ 10.0 million).

(3) Financial assets

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

Additions to financial assets (€ 257.2 million) relate mainly to contributions of € 159.8 million to Zeelink GmbH & Co. KG (Zeelink), Essen, € 64.8 million to Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP), Essen, and € 30.0 million to MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Essen.

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

(4) Inventories

The items disclosed under inventories relate to work in progress (€ 69.5 million), raw materials and supplies (€ 13.1 million), merchandise (gas stocks in the transmission network (€ 11.8 million)) and emission rights (€ 11.5 million).

Gas inventories were recognised at fair value in accordance with the strict lower-of-cost-or-market principle.

(5) Receivables and other assets

Trade receivables result from the service and transport businesses.

Receivables from affiliated companies mainly result in the amount of € 9.1 million from the profit-and-loss transfer agreement and in the amount of € 2.2 million from clearing transactions, both with Line WORX, GmbH, Essen, as well as from imputable taxes from Vier Gas Services GmbH & Co. KG (VGS), Essen, in the amount of € 2.9 million.

Receivables from companies in which equity investments are held mainly comprise trade receivables in the amount of € 1.4 million from GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen, and entitlements to profits in the amount of € 0.8 million from DEUDAN-Deutsch/Dänische Erdgastransportgesellschaft mbH & Co. Kommanditgesellschaft, Handewitt.

Other assets mainly comprise market area conversion and biogas levy accruals of € 9.2 million as well as value-added tax refund claims of € 3.2 million. As in the previous year, there were no other assets with a remaining term of more than one year on the reporting date.

(6) Cash in hand and bank balances

Cash in hand and bank balances 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 firstly the excess of plan assets from the offsetting of the plan assets at Helaba (€ 445.3 million) against the corresponding provisions for pensions (€ 443.8 million). The plan asset acquisition costs for provisions for pensions amount to € 353.8 million. In the financial year, payments in the amount of € 26.5 million were made into these plan assets.

Secondly, this item includes the excess of plan assets from the offsetting of the plan assets at Helaba (€ 37.3 million) against the corresponding provisions for long-term working-time account obligations (€ 36.9 million). The plan asset acquisition costs for long-term working-time accounts amount to € 29.6 million. In the financial year, payments in the amount of € 9.7 million were made into these plan assets.

In addition, this item includes the excess of plan assets from the offsetting of the plan assets at Helaba (€ 0.1 million) against the corresponding provisions for obligations arising from part-time phased-retirement programmes (€ 9.0k).

The plan asset acquisition costs for provisions for part-time phased-retirement obligations amount to € 0.1 million. In the 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.

€ 250.0 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 € 705.4 million was transferred to revenue reserves in the financial years 2014 to 2018.

In the 2019 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 € 40.7 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 solely provisions for gas allowances.

The difference between the recognition of provisions for gas allowances and provisions for pensions mentioned under note (7) 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 € 1.1 million and € 6.9 million, respectively.

Tax provisions comprise mainly provisions for corporate and trade tax.

Other provisions (€ 353.2 million) mainly comprise provisions for the removal of above-ground facilities amounting to € 120.3 million, provisions for the removal of disused pipelines amounting to € 112.6 million, staff-related provisions amounting to € 40.8 million and provisions for the regulatory account amounting to € 47.3 million. In addition, there are obligations amounting to € 10.8 million to hand over gas in the pipelines.

(10) Liabilities

Liabilities as of 31 December 2019:

	Total	Remaining term of up to 1 year	Remaining term of more than 1 year
Payments received on account of orders	**€ 16,487,274**	€ 16,487,274	€ 0
Trade payables	**€ 27,613,348**	€ 27,393,041	€ 220,307
Liabilities to shareholders	**€ 4,900,589**	€ 4,900,589	€ 0
Liabilities to affiliated companies	**€ 78,965,937**	€ 78,965,937	€ 0
Liabilities to companies in which equity investments are held	**€ 15,299,908**	€ 15,299,908	€ 0
Other liabilities (of which taxes)	**€ 13,130,762** ***(€ 2,211,641)***	€ 13,077,490 *(€ 2,211,641)*	€ 53,272 *(€ 0)*
(of which relating to social security)	***(€ 50,294)***	*(€ 50,294)*	*(€ 0)*
	€ 156,397,818	€ 202,450,001	€ 273,579

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 (of which taxes)	**€ 17,048,595** ***(€ 6,735,000)***	€ 16,963,278 *(€ 6,735,000)*	€ 85,317 *(€ 0)*
(of which relating to social security)	***(0)***	*(0)*	*(0)*
	€ 208,336,791	€ 208,038,658	€ 298,133

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 shareholders result from Group tax levies still to be paid to VGT.

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 € 12.7 million and from payments received on account of orders in the amount of € 2.1 million netted against entitlements to profits in the amount of € 0.4 million as well as liabilities to TENP from payments received on account of orders in the amount of € 2.3 million netted against entitlements to profits in the amount of € 1.4 million. In addition, trade payables are only included in this item to an insignificant extent.

Other liabilities result mainly from construction cost subsidies received in the amount of € 9.6 million and taxes of € 2.2 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 15 July 2019 by one year to 2024. 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 an ancillary facility at VGT level in the amount of € 10 million (overdraft facility) as well as two ancillary facilities at OGE level in the amount of € 20 million (overdraft facility for the cash pool) and € 1.5 million (reserved for surety and bank guarantees). As of 31 December 2019, only the surety credit line had been utilised in the amount of € 1.1 million for issuing bank guarantees. OGE does not expect any claims under the bank guarantees.

The financial impact of transactions not contained in the balance sheet within the meaning of section 285, no. 3a HGB amounts to € 182.2 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 GmbH & Co. KG, Essen, for uncalled capital contributions exist in the amount of € 138.8 million as of the reporting date.

Furthermore, other financial obligations of € 257.6 million exist and relate to purchase commitments. Of this amount, € 12.0 million relates to affiliated companies.

IV. Notes to the income statement

(11) Revenues

In the 2019 financial year, revenues were recognised in accordance with section 277, para. 1 HGB.

Revenues result from the gas transport business and transport-related services (€ 913.7 million) and from technical and commercial services (€ 181.6 million); they are mainly generated in Germany. € 126.0 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 € 4.0 million in the financial year.

(13) Other operating income

This item mainly contains income from cost reimbursements from third parties for pipeline rerouting in the amount of € 18.1 million, income from the market area conversion and biogas levies in the amount of € 9.2 million and income not relating to the accounting period from the reversal of provisions in the amount of € 1.3 million. Furthermore, this item contains income not relating to the accounting period in the amount of € 1.2 million.

(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 € 115.6 million (previous year: € 97.1 million). Of this figure, amortisation of intangible assets amounted to € 10.2 million and depreciation of tangible assets to € 105.4 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 € 0.6 million.

(17) Income from equity investments

	2019	2018
Income from profit-and-loss transfer agreements	€ 66.8 m	€ 75.0 m
Income from equity investments	€ 24.5 m	€ 31.9 m
Cost of loss absorption	€ -0.1 m	€ -0.1 m
	€ 91.2 m	€ 106.8 m

The income from profit-and-loss transfer agreements mainly contains profits transferred from METG (€ 55.6 million) and Line WORX (€ 9.1 million). The income from equity investments mainly results from equity investment income from MEGAL (€ 10.7 million) and NETRA (€ 10.3 million).

(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, € 53.7 million relates to the unwinding of discounting of provisions for pension obligations and long-term working-time accounts. Also included in this item and offset against the above is income in the amount of € 44.0 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. Due to 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 by VGT for the financial year (€ 106.5 million).

(21) Other taxes

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

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

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

(23) Transfers to revenue reserves

In the financial year, in line with the profit-and-loss transfer agreement, € 40.7 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 (€ 7.8 million) and accounting for plan assets at fair value (€ +99.1 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 and for gas allowances based on the last ten financial years (differences of € 66.9 million and € 1.1 million) according to section 253, para. 6 sentence 2 HGB result in a total amount of € 174.9 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 342 industrial workers and 1,087 salaried employees (previous year: 330 industrial workers and 1,049 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 (€ 120.4 million) as well as expenses for the beneficial use of the pipeline network (€ 182.2 million).

Supervisory Board of Open Grid Europe GmbH, Essen

The following were members of the Supervisory Board in the 2019 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 — until 31 March 2019
Munich
Senior Investment Manager, MEAG Munich ERGO Asset Management GmbH

Alexander Bögle — from 1 April 2019
Munich
Senior Investment Manager, Private Equity & Infrastructure, MEAG MUNICH ERGO Asset Management 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 2019 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 € 3.1 million (previous year: € 2.6 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 provisions for pensions of former managing directors amount to € 3.2 million.

Events after the reporting date

With regard to possible impacts of the current Corona virus situation on OGE we refer to section "expected development" of the Management Report. There have been no other 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, 13 March 2020

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 2019 financial year

	Acquisition and production costs					Cumulative amortisation/depreciation				Net book values	
	1 Jan. 2019	Additions	Disposals	Transfers	31 Dec. 2019	1 Jan. 2019	Additions	Disposals	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018
	€	€	€	€	€	€	€	€	€	€	€
Intangible assets											
Internally generated intangible assets	10.915.898,26	450.235,97	0,00	0,00	11.366.134,23	3.038.936,12	537.670,71	0,00	3.576.606,83	7.789.527,40	7.876.962,14
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	123.241.427,74	9.517.318,00	-3.546.253,48	9.306.627,01	138.519.119,27	80.119.532,41	9.641.283,84	-3.546.253,48	86.214.562,77	52.304.556,50	43.121.895,33
Prepayments	14.157.896,10	3.477.575,97	0,00	-9.306.627,01	8.328.845,06	0,00	0,00	0,00	0,00	8.328.845,06	14.157.896,10
	148.315.222,10	**13.445.129,94**	**-3.546.253,48**	**0,00**	**158.214.098,56**	**83.158.468,53**	**10.178.954,55**	**-3.546.253,48**	**89.791.169,60**	**68.422.928,96**	**65.156.753,57**
Tangible assets											
Land, land rights and buildings, including buildings on third-party land	263.973.893,87	26.362.309,28	-1.632.105,51	141.238,65	288.845.336,29	136.987.365,98	6.528.808,03	-1.601.015,01	141.915.159,00	146.930.177,29	126.986.527,89
Technical equipment and machinery	4.552.712.151,46	135.335.858,39	-28.392.983,70	146.386.280,95	4.806.041.307,10	3.487.612.303,31	93.069.286,17	-28.059.083,67	3.552.622.505,81	1.253.418.801,29	1.065.099.848,15
Operating and office equipment	89.214.575,57	13.671.061,66	-4.594.961,94	1.654.282,03	99.944.957,32	63.644.370,11	5.796.507,08	-4.517.449,58	64.923.427,61	35.021.529,71	25.570.205,46
Prepayments and assets under constuction	271.186.546,43	16.355.102,60	-5.476.165,43	-148.181.801,63	133.883.681,97	3.993.387,64	0,00	-3.993.387,64	0,00	133.883.681,97	267.193.158,79
	5.177.087.167,33	**191.724.331,93**	**-40.096.216,58**	**0,00**	**5.328.715.282,68**	**3.692.237.427,04**	**105.394.601,28**	**-38.170.935,90**	**3.759.461.092,42**	**1.569.254.190,26**	**1.484.849.740,29**
Financial assets											
Shares in affiliated companies	473.853.272,39	189.750.000,00	0,00	0,00	663.603.272,39	499.999,00	0,00	0,00	499.999,00	663.103.273,39	473.353.273,39
Equity investments	101.258.587,87	67.200.509,97	0,00	0,00	168.459.097,84	0,00	0,00	0,00	0,00	168.459.097,84	101.258.587,87
Other loans	2.844.846,65	292.150,00	-371.323,88	0,00	2.765.672,77	224.614,75	0,00	-40.712,69	183.902,06	2.581.770,71	2.620.231,90
	577.956.706,91	**257.242.659,97**	**-371.323,88**	**0,00**	**834.828.043,00**	**724.613,75**	**0,00**	**-40.712,69**	**683.901,06**	**834.144.141,94**	**577.232.093,16**
	5.903.359.096,34	**462.412.121,84**	**-44.013.793,94**	**0,00**	**6.321.757.424,24**	**3.776.120.509,32**	**115.573.555,83**	**-41.757.902,07**	**3.849.936.163,08**	**2.471.821.261,16**	**2.127.238.587,02**

List of shareholdings in accordance with section 285, no. 11 HGB
as of 31 December 2019

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. 2019	Annual result (in €k) 1) 2019
Major affiliated companies					
1	Open Grid Europe GmbH, Essen 2)			2.255.548	240.707
2	Mittelrheinische Erdgastransportleitungsgesellschaft mbH, Essen 2)	100,00	1	64.150	55.596
3	MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, Essen	51,00	1	162.500	19.948
4	Line Worx GmbH, Essen 2)	100,00	1	84.725	9.118
5	Zeelink GmbH & Co. KG, Essen	75,00	1	430.009	-503
Other major equity investments					
6	Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, Dortmund 3)	50,00	1	26.069	2.549
7	NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, Schneiderkrug	55,94	1	65.327	17.826
8	Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Essen	51,00	1	217.715	2.967
9	GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen	29,24	4	76.922	28.524
Affiliated companies of minor importance					
10	Open Grid Regional GmbH, Essen 2)	100,00	1	500	3
11	MEGAL Verwaltungs-GmbH, Essen	51,00	1	52	2
12	PLEdoc GmbH, Essen 2)	100,00	1	589	2.091
13	Open Grid Service GmbH, Essen 2)	100,00	1	251	26
14	NEL Beteiligungs GmbH, Essen 2)	100,00	1	25	-1
15	Zeelink-Verwaltungs-GmbH, Essen	75,00	1	31	2
Other equity investments of minor importance					
16	Trans Europa Naturgas Pipeline Verwaltungs-GmbH, Essen	50,00	1	49	2
17	Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, Dortmund 3)	50,00	1	40	1
18	DEUDAN-Deutsch/Dänische Erdgastransport-gesellschaft mbH & Co. Kommanditgesellschaft, Handewitt	24,99	1	6.222	1.707
19	NetConnect Germany GmbH & Co. KG, Ratingen 3)	35,00	1	5.000	0
20	NetConnect Germany Management GmbH, Ratingen 3)	35,00	1	81	3
21	NETRA GmbH Norddeutsche Erdgas Transversale, Schneiderkrug 3)	50,00	1	114	2
22	caplog-x GmbH, Leipzig 3)	31,33	1	2.046	921
23	Liwacom Informationstechnik GmbH, Essen 3)	33,33	1	541	123
24	GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen	29,24	4	70	2
25	GasLINE CP Customer Projects GmbH, Straelen	100	9	436	46
26	DEUDAN-Deutsch/Dänische Erdgastransport-Gesellschaft mbH, Handewitt 3)	24,99	1	81	2
27	PRISMA European Capacity Platform GmbH, Leipzig 3)	1,33	1	925	410

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 2019

Open Grid Europe GmbH, Essen

Unbundling balance sheets as of 31 December 2019

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	7,253,230	8,354	527,943	0	7,789,527
		2.	Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	47,475,289	1,541,756	3,287,512	0	52,304,557
		3.	Prepayments	7,470,811	82,767	775,267	0	8,328,845
				62,199,330	1,632,877	4,590,722	0	68,422,929
	II.	Tangible assets						
		1.	Land, land rights and buildings, including buildings on third-party land	136,578,545	164,720	10,186,912	0	146,930,177
		2.	Technical equipment and machinery	1,252,614,473	44,045	760,283	0	1,253,418,801
		3.	Other equipment, operating and office equipment	23,777,109	53,236	11,191,185	0	35,021,530
		4.	Prepayments and assets under construction	116,468,614	14,952	17,400,116	0	133,883,682
				1,529,438,741	276,953	39,538,496	0	1,569,254,190
	III.	Financial assets						
		1.	Shares in affiliated companies	0	0	663,103,273	0	663,103,273
		2.	Other long-term equity investments	0	0	168,459,098	0	168,459,098
		3.	Other loans	1,573,953	32,022	975,796	0	2,581,771
				1,573,953	32,022	832,538,167	0	834,144,142
				1,593,212,024	1,941,852	876,667,385	0	2,471,821,261
B.	**Current assets**							
	I.	Inventories						
		1.	Raw materials and supplies	11,885,352	2,629	1,256,624	0	13,144,605
		2.	Work in progress	2,354,737	0	67,124,166	0	69,478,903
		3.	Merchandise	11,750,458	0	0	0	11,750,458
		4.	Other inventories	11,501,194	0	0	0	11,501,194
				37,491,741	2,629	68,380,790	0	105,875,160
	II.	Receivables and other assets						
		1.	Trade receivables	16,087,102	0	1,090,563	-44,861	17,132,804
		2.	Receivables from shareholders	0	0	0	0	0
		3.	Receivables from affiliated companies	1,893,321	32,145	12,287,638	0	14,213,104
		4.	Receivables from companies in which equity investments are held	76,543	0	2,398,226	-968	2,473,801
		5.	Other assets	12,976,781	28,026	1,076,117	0	14,080,924
			from that receivables with a residual term of one year	*0*	*0*	*0*	*0*	*0*
				31,033,747	60,171	16,852,544	-45,829	47,900,633
	III.	Cash in hand and bank balances		88,817,405	1,510,651	57,775,003	0	148,103,059
				157,342,893	1,573,451	143,008,337	-45,829	301,878,852
C.	**Prepaid expenses**			1,091,087	19,898	633,362	0	1,744,347
D.	**Asset surplus arising from offsetting**			1,197,438	24,362	727,155	0	1,948,955
E.	**Capital clearing item**			354,278,307	0	0	-354,278,307	0
				2,107,121,749	**3,559,563**	**1,021,036,239**	**-354,324,136**	**2,777,393,415**

Open Grid Europe GmbH, Essen

Unbundling balance sheets as of 31 December 2019

Shareholders' equity and Liabilities €	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A. Shareholders' equity					
I. Subscribed capital	71,109,532	86,670	39,128,130	0	110,324,332
II. Capital reserve	853,192,613	1,039,896	469,470,559	0	1,323,703,068
III. Revenue reserves	794,704,896	59,267	26,756,416	0	821,520,579
	1,719,007,041	1,185,833	535,355,105	0	2,255,547,979
B. Provisions					
1. Provisions for pensions and similar obligations	5,087,237	103,500	3,089,271	0	8,280,008
2. Tax provisions	10,446	41	1,283	0	11,770
3. Other provisions	333,608,772	556,111	19,070,164	0	353,235,047
	338,706,455	659,652	22,160,718	0	361,526,825
C. Liabilities					
1. Payments received on account of orders	9,758,355	0	6,728,919	0	16,487,274
from that with a residual term of one year	*9,758,355*	*0*	*6,728,919*	*0*	*16,487,274*
2. Trade payables	22,228,390	56,114	5,373,705	-44,861	27,613,348
from that with a residual term of up to one year	*22,026,464*	*56,114*	*5,362,815*	*-44,861*	*27,400,532*
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	3,167,616	54,689	1,678,284	0	4,900,589
from that with a residual term of up to one year	*3,167,616*	*54,689*	*1,678,284*	*0*	*4,900,589*
4. Liabilities to affiliated companies	267,033	3,028	78,695,876	0	78,965,937
from that with a residual term of up to one year	*267,033*	*3,028*	*78,695,876*	*0*	*78,965,937*
5. Liabilities to companies in which equity investments are held	18,266	1,003	15,281,607	-968	15,299,908
from that with a residual term of up to one year	*18,266*	*1,003*	*15,281,607*	*-968*	*15,299,908*
6. Other liabiliites	10,348,478	28,417	2,753,867	0	13,130,762
from that with a residual term of up to one year	*10,298,492*	*28,417*	*2,718,536*	*0*	*13,045,445*
from that taxes	*1,393,254*	*26,063*	*792,323*	*0*	*2,211,640*
	45,788,138	143,251	110,512,258	-45,829	156,397,818
D. Deferred income	3,620,115	0	300,678	0	3,920,793
E. Capital clearing item	0	1,570,827	352,707,480	-354,278,307	0
	2,107,121,749	**3,559,563**	**1,021,036,239**	**-354,324,136**	**2,777,393,415**

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 15 July 2019 by one year to 2024. 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 an ancillary facility at VGT level in the amount of € 10 million (overdraft facility) as well as two ancillary facilities at OGE level in the amount of € 20 million (overdraft facility for the cash pool) and € 1.5 million (reserved for surety and bank guarantees). As of 31 December 2019, only the surety credit line had been utilised in the amount of € 1.1 million for issuing bank guarantees. OGE does not expect any claims under the bank guarantees. The ancillary facilities will be allocated to the Activities outside Gas Sector.

The financial impact of transactions not contained in the balance sheet within the meaning of section 285, No. 3a HGB amounts to € 182.2 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 GmbH & Co. KG, Essen, for uncalled capital contributions exist in the amount of € 138.8 million as of the reporting date (Activities outside Gas Sector).
Furthermore, other financial obligations of € 257.6 million exist and relate to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid Business € 232.9 million, Other Activities within Gas Sector € 0.1 million and Activities outside Gas Sector € 24.6 million. € 12.0 million of other financial obligations relate to affiliated companies.

Open Grid Europe GmbH, Essen

Unbundling Income Statements
for the period from 1 January to 31 December 2019

	€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1.	Revenues	925,569,030	7,263,579	162,492,735	**1,095,325,344**
2.	Change in finished goods and work in progress	1,209,054	0	14,170,198	**15,379,253**
3.	Other own work capitalised	19,648,274	0	0	**19,648,274**
4.	Other operating income	31,212,818	8,455	846,848	**32,068,121**
	- of which income from currency translation	1,586	16	617	**2,219**
5.	Cost of materials	-469,807,856	-124,318	-49,711,213	**-519,643,387**
	a) Cost of raw materials and supplies	-80,870,517	-15,943	-6,066,327	**-86,952,787**
	b) Cost of purchased services	-388,937,339	-108,375	-43,644,886	**-432,690,600**
6.	Personnel expenses	-99,705,786	-2,032,990	-60,542,048	**-162,280,824**
	a) Wages and salaries	-80,248,593	-1,630,784	-48,502,999	**-130,382,376**
	b) Social security, pensions and other benefits	-19,457,193	-402,206	-12,039,049	**-31,898,448**
	- of which for pensions	-6,941,297	-136,593	-4,189,835	**-11,267,726**
7.	Amortisation of intangible assets and depreciation of tangible assets	-111,391,814	-447,521	-3,734,221	**-115,573,556**
8.	Other operating expenses	-61,150,221	-919,272	-20,532,930	**-82,602,422**
	- of which expenses from currency translation	-60,388	-482	-18,398	**-79,268**
9.	Income from equity investments	0	0	91,166,390	**91,166,390**
	a) Income from investments	0	0	24,451,639	**24,451,639**
	- of which from affiliated companies	0	0	10,738,404	**10,738,404**
	b) Income from profit transfer agreement	0	0	66,807,257	**66,807,257**
	- of which from affiliated companies	0	0	66,807,257	**66,807,257**
	c) Expenses from transfer of losses	0	0	-92,507	**-92,507**
	- of which from affiliated companies	0	0	-92,507	**-92,507**
10.	Other interest and similar income	124,352	2,095	71,797	**198,244**
	- of which from affiliated companies	36,944	588	21,038	**58,570**
	- of which interest income from discounting	0	0	0	**0**
11.	Interest and similar expenses	-22,545,366	-141,304	-4,208,432	**-26,895,102**
	- of which interest expense from unwinding of discounting of provisions	-49,572,109	-692,396	-20,619,428	**-70,883,933**
12.	Income taxes	-68,364,445	-1,157,372	-35,990,574	**-105,512,391**
13.	**Profit after tax**	**144,798,041**	**2,451,351**	**94,028,551**	241,277,944
14.	Other taxes	-425,398	-3,710	-141,956	**-571,064**
15.	Transfers under profit-and-loss transfer agreements	-119,957,222	-2,033,711	-78,009,067	**-200,000,000**
16.	**Net income for the year**	**24,415,421**	**413,930**	**15,877,528**	40,706,879
17.	Transfers to revenue reserves	-24,415,421	-413,930	-15,877,528	**-40,706,879**
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 05 December 2019, 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 2019 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 € 40.7 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 2019 financial year
- Unbundling Statement of changes in fixed assets -

	Acquisition and production costs					Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2019	Additions	Disposals	Transfers	31 Dec. 2019	1 Jan. 2019	Additions	Disposals	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018
	€	€	€	€	€	€	€	€	€	€	€
Intangible assets											
Internally generated intangible assets	10,915,898.26	450,235.97	0.00	0.00	11,366,134.23	3,038,936.12	537,670.71	0.00	3,576,606.83	7,789,527.40	7,876,962.14
from that Grid Business	9,552,707.90	346,757.03	0.00	0.00	9,899,464.93	2,226,529.44	419,705.26	0.00	2,646,234.70	7,253,230.23	7,262,137.46
from that Other Activities within Gas Sector	33,917.42	86.05	0.00	0.00	34,003.47	22,781.58	2,867.78	0.00	25,649.36	8,354.11	11,590.93
from that Activities outside Gas Sector	1,329,272.94	103,392.89	0.00	0.00	1,432,665.83	789,625.10	115,097.67	0.00	904,722.77	527,943.06	603,233.75
Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets	123,241,427.74	9,517,318.00	-3,546,253.48	9,306,627.01	138,519,119.27	80,119,532.41	9,641,283.84	-3,546,253.48	86,214,562.77	52,304,556.50	43,121,895.33
from that Grid Business	109,904,210.09	8,044,495.76	-3,193,159.94	7,071,423.88	121,826,969.79	69,133,760.57	8,440,278.87	-3,193,159.94	74,380,879.50	47,446,090.29	40,971,084.07
from that Other Activities within Gas Sector	2,146,082.88	387,591.88	-84,695.08	1,018,332.32	3,467,312.00	1,585,622.53	425,795.95	-84,695.08	1,926,723.40	1,540,588.60	349,282.45
from that Activities outside Gas Sector	11,191,134.77	1,085,230.36	-268,398.46	1,216,870.81	13,224,837.48	9,400,149.31	775,209.02	-268,398.46	9,906,959.87	3,317,877.61	1,801,528.81
Prepayments	14,157,896.10	3,477,575.97	0.00	-9,306,627.01	8,328,845.06	0.00	0.00	0.00	0.00	8,328,845.06	14,157,896.10
from that Grid Business	13,038,370.16	2,776,167.55	0.00	-8,314,528.78	7,500,008.93	0.00	0.00	0.00	0.00	7,500,008.93	12,675,842.73
from that Other Activities within Gas Sector	411,686.53	33,496.96	0.00	-361,248.61	83,934.88	0.00	0.00	0.00	0.00	83,934.88	703,382.79
from that Activities outside Gas Sector	707,839.41	667,911.46	0.00	-630,849.62	744,901.25	0.00	0.00	0.00	0.00	744,901.25	778,670.58
	148,315,222.10	**13,445,129.94**	**-3,546,253.48**	**0.00**	**158,214,098.56**	**83,158,468.53**	**10,178,954.55**	**-3,546,253.48**	**89,791,169.60**	**68,422,928.96**	**65,156,753.57**
Tangible assets											
Land, land rights and buildings, including buildings on third-party land	263,973,893.87	26,362,309.28	-1,632,105.51	141,238.65	288,845,336.29	136,987,365.98	6,528,808.03	-1,601,015.01	141,915,159.00	146,930,177.29	126,986,527.89
from that Grid Business	235,889,988.83	26,290,871.48	-1,536,363.97	100,910.34	260,745,406.68	119,687,986.05	5,984,148.39	-1,505,273.47	124,166,860.97	136,578,545.71	115,977,989.08
from that Other Activities within Gas Sector	367,810.28	1,617.42	0.00	0.00	369,427.70	195,148.37	9,559.51	0.00	204,707.88	164,719.82	171,280.62
from that Activities outside Gas Sector	27,716,094.76	69,820.38	-95,741.54	40,328.31	27,730,501.91	17,104,231.56	535,100.13	-95,741.54	17,543,590.15	10,186,911.76	10,837,258.19
Technical equipment and machinery	4,552,712,151.46	135,335,858.39	-28,392,983.70	146,386,280.95	4,806,041,307.10	3,487,612,303.31	93,069,286.17	-28,059,083.67	3,552,622,505.81	1,253,418,801.29	1,065,099,848.15
from that Grid Business	4,546,755,107.58	135,178,464.36	-27,992,804.33	146,117,324.96	4,800,058,092.57	3,482,102,089.56	93,000,434.29	-27,658,904.30	3,547,443,619.55	1,252,614,473.02	1,064,572,564.44
from that Other Activities within Gas Sector	3,042,220.26	0.00	-388,910.77	0.00	2,653,309.49	3,005,704.76	-7,529.74	-388,910.77	2,609,264.25	44,045.24	68,779.99
from that Activities outside Gas Sector	2,914,823.62	157,394.03	-11,268.60	268,955.99	3,329,905.04	2,504,508.99	76,381.62	-11,268.60	2,569,622.01	760,283.03	458,503.72
Operating and office equipment	89,214,575.57	13,671,061.66	-4,594,961.94	1,654,282.03	99,944,957.32	63,644,370.11	5,796,507.08	-4,517,449.58	64,923,427.61	35,021,529.71	25,570,205.46
from that Grid Business	52,534,151.78	10,471,306.48	-2,786,339.74	1,091,481.61	61,310,600.13	37,243,164.85	3,547,247.03	-2,734,019.48	38,056,392.40	23,254,207.73	15,941,050.85
from that Other Activities within Gas Sector	135,592.64	18,525.91	-28,402.86	10,371.40	136,087.09	94,209.25	16,827.96	-28,186.33	82,850.88	53,236.21	40,107.40
from that Activities outside Gas Sector	36,544,831.15	3,181,229.27	-1,780,219.34	552,429.02	38,498,270.10	26,306,996.01	2,232,432.09	-1,755,243.77	26,784,184.33	11,714,085.77	9,589,047.21
Prepayments and assets under constuction	271,186,546.43	16,355,102.60	-5,476,165.43	-148,181,801.63	133,883,681.97	3,993,387.64	0.00	-3,993,387.64	0.00	133,883,681.97	267,193,158.79
from that Grid Business	263,992,508.61	5,274,902.53	-5,476,165.43	-147,322,631.45	116,468,614.26	3,993,387.64	0.00	-3,993,387.64	0.00	116,468,614.26	259,923,300.76
from that Other Activities within Gas Sector	14,615.03	10,795.92	0.00	-10,459.25	14,951.70	0.00	0.00	0.00	0.00	14,951.70	19,921.34
from that Activities outside Gas Sector	7,179,422.79	11,069,404.15	0.00	-848,710.93	17,400,116.01	0.00	0.00	0.00	0.00	17,400,116.01	7,249,936.69
	5,177,087,167.33	**191,724,331.93**	**-40,096,216.58**	**0.00**	**5,328,715,282.68**	**3,692,237,427.04**	**105,394,601.28**	**-38,170,935.90**	**3,759,461,092.42**	**1,569,254,190.26**	**1,484,849,740.29**

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2019 financial year
- Unbundling Statement of changes in fixed assets -

	Acquisition and production costs					Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2019	Additions	Disposals	Transfers	31 Dec. 2019	1 Jan. 2019	Additions	Disposals	31 Dec. 2019	31 Dec. 2019	31 Dec. 2018
	€	€	€	€	€	€	€	€	€	€	€
Financial assets											
Shares in affiliated companies	473,853,272.39	189,750,000.00	0.00	0.00	663,603,272.39	499,999.00	0.00	0.00	499,999.00	663,103,273.39	473,353,273.39
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	473,853,272.39	189,750,000.00	0.00	0.00	663,603,272.39	499,999.00	0.00	0.00	499,999.00	663,103,273.39	473,353,273.39
Equity investments	101,258,587.87	67,200,509.97	0.00	0.00	168,459,097.84	0.00	0.00	0.00	0.00	168,459,097.84	101,258,587.87
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	101,258,587.87	67,200,509.97	0.00	0.00	168,459,097.84	0.00	0.00	0.00	0.00	168,459,097.84	101,258,587.87
Other loans	2,844,846.65	292,150.00	-371,323.88	0.00	2,765,672.77	224,614.75	0.00	-40,712.69	183,902.06	2,581,770.71	2,620,231.90
from that Grid Business	1,747,873.78	167,208.95	-228,141.39	0.00	1,686,941.34	138,003.31	0.00	-25,013.88	112,989.43	1,573,951.91	1,587,181.55
from that Other Activities within Gas Sector	35,560.58	3,401.88	-4,641.55	0.00	34,320.91	2,807.68	0.00	-508.91	2,298.77	32,022.14	32,242.88
from that Activities outside Gas Sector	1,061,412.29	121,539.17	-138,540.94	0.00	1,044,410.52	83,803.76	0.00	-15,189.90	68,613.86	975,796.66	1,000,807.47
	577,956,706.91	**257,242,659.97**	**-371,323.88**	**0.00**	**834,828,043.00**	**724,613.75**	**0.00**	**-40,712.69**	**683,901.06**	**834,144,141.94**	**577,232,093.16**
	5,903,359,096.34	**462,412,121.84**	**-44,013,793.94**	**0.00**	**6,321,757,424.24**	**3,776,120,509.32**	**115,573,555.83**	**-41,757,902.07**	**3,849,936,163.08**	**2,471,821,261.16**	**2,127,238,587.02**

Activity Reports 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**

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, 2019 and the income statement for the period from January 1 through December 31, 2019, 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, 2019. We have not audited the content of the statement on corporate governance pursuant to Section] 289f (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, 2019 and of its financial performance for the financial year from January 1 through December 31, 2019 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 Section 322 (3) 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 Section 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 Section 289f (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 statutory 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 Section 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 Section 6b (3) EnWG 162

Audit Opinions

We have audited the compliance with the accounting obligations pursuant to Section 6b(3) EnWG [Energiewirtschaftsgesetz: German Energy Industry Act], which require separate accounts to be maintained for the activities pursuant to Section 6b (3) EnWG for the period from January 1 to December 31, 2019. Moreover, we have audited the activity reports for the activities "Grid Business", "Other Activities within the Gas Sector" and "Activities outside the Gas Sector" according to Section 6b (3) Sentence 1 EnWG - comprised of a balance sheet as of December 31, 2019 and income statement for the financial year from January 1 to December 31, 2019, as well as the disclosures relating to the accounting methods used for the preparation of the financial statements, which are attached as an appendix.

- In our opinion, the obligations pursuant to Section 6b (3) sentence 1 to 5 EnWG regarding the keeping of separate accounts have been fulfilled in all material respects.

- In our opinion, based on the information gained during the audit, the accompanying activity reports comply in all material respects with the German regulations of Section 6b (3) sentence 5 to 7 EnWG.

Basis for the Audit Opinions

We conducted out audit of the compliance with the obligations for maintaining separate accounts and the activity reports in accordance with Section 6b (5) EnWG in consideration of the draft of a new version of the IDW Auditing Standard: "Audit according to Section 6b (5) of the German Law on Energy Management (Energiewirtschaftsgesetz (IDW EPS 610 n.V.)".Our responsibility under those requirements and principles is described in further detail in the Section "Auditor's Responsibilities for the Audit of Compliance with the Accounting Obligations pursuant to Section 6b (3) EnWG". We are independent of the company in accordance with the German commercial and professional legal requirements and have fulfilled our other German professional obligations in accordance with these requirements. As an auditing firm, we apply the requirements of the IDW quality assurance standard: Requirements for Quality Assurance in Auditing Practice (IDW QS 1).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance with the accounting obligations pursuant to Section 6b (3) EnWG.

Responsibility of the Executive Directors and the Supervisory Board for maintaining compliance with the accounting obligations pursuant to Section 6b (3) EnWG

The Executive Directors are responsible for maintaining compliance with the obligations in accordance with Section 6b (3) sentence 1 to 5 EnWG regarding the keeping of separate accounts. The Executive Directors are also responsible for the preparation of the activity reports in accordance with the German requirements of Section 6b (3) sentence 5 to 7 EnWG.

In addition, the Executive Directors are responsible for the internal controls, which they consider as necessary in order to maintain compliance with the obligations for keeping separate accounts.

The responsibility of the Executive Directors for the activity reports corresponds to the responsibility described in the Section "Responsibility of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report" with the exception that the respective activity report does not have to present a true and fair view of the net assets, financial position and results of operations of the activity in accordance with German generally accepted accounting standards.

The Supervisory Board is responsible for monitoring compliance with the Company's accounting obligations pursuant to Section 6b (3) EnWG.

Responsibility of the auditor for the audit of compliance with the accounting obligations pursuant to Section 6b (3) EnWG

Our objective is to obtain reasonable assurance about

- whether the Executive Directors have fulfilled their obligations in accordance with Section 6b 3 sentence 1 to 5 EnWG for the keeping of separate accounts in all material respects and

- whether the activity reports correspond in all material respects to the German provisions of Section 6b (3) sentence 5 to 7 EnWG.

Furthermore, our objective is to include a note in the audit opinion, which expresses our audit opinions regarding the level of compliance maintained with the accounting obligations pursuant to Section 6b (3)EnWG.

The audit of compliance with the obligations under Section 6b (3) sentence 1 to 5 EnWG for the keeping of separate accounts includes the opinion whether the classification of accounts to the activities pursuant to Section 6b (3) sentence 1 to 4 EnWG has been made appropriately and comprehensibly and if the principle of consistency was observed.

- Our responsibility for the audit of the activity reports is the same as that described in the section "Auditor's Responsibility for the Audit of the Financial Statements and Management Report" with regard to the responsibility described for the financial statements, with the exception that we cannot express an opinion on the fair overall presentation with regard to the respective activity report.

Essen, den March 13, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Michael Preiß
Wirtschaftsprüfer
(German Public Auditor)

sgd. Ronald Koch
Wirtschaftsprüfer
(German Public Auditor)