Condensed Interim Consolidated Financial Statements

Vier Gas Transport GmbH

1 January to 30 June 2017

(Translation – the German text is authoritative)

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Consolidated Balance Sheet

in € million	30 Jun. 2017	31 Dec. 2016
Assets		
Non-current assets		
Intangible assets	41.7	54.4
Goodwill	830.4	830.4
Property, plant and equipment	3,140.1	2,990.4
Financial assets	167.6	168.8
Companies accounted for using the equity method	*125.5*	*126.5*
Other financial assets	*42.1*	*42.3*
Deferred tax assets	24.5	24.5
Non-current receivables	82.2	88.6
Total	**4,286.5**	**4,157.1**
Current assets		
Inventories	27.0	32.6
Trade receivables (including advance payments made)	29.5	30.9
Receivables from tax creditors	2.8	7.8
Other receivables	36.5	49.0
Cash and cash equivalents	153.0	189.4
Total	**248.8**	**309.7**
Total assets	**4,535.3**	**4,466.8**

in € million	30 Jun. 2017	31 Dec. 2016
Equity and liabilities		
Equity		
Subscribed capital	.	.
Additional paid-in capital	925.6	925.6
Retained earnings	86.5	26.2
Accumulated other comprehensive income	-1.6	-2.3
Total	**1,010.5**	**949.5**
Non-current liabilities		
Provisions for pensions and similar obligations	142.2	134.3
Other provisions	97.4	97.0
Financial liabilities	2,539.8	2,493.1
Other non-current liabilities	28.3	27.0
Deferred tax liabilities	478.3	490.1
Total	**3,286.0**	**3,241.5**
Current liabilities		
Other provisions	23.5	41.3
Financial liabilities	79.2	76.6
Trade payables	43.4	54.6
Income tax liabilities	0.5	2.3
Other liabilities	92.2	101.0
Total	**238.8**	**275.8**
Total equity and liabilities	**4,535.3**	**4,466.8**

For mathematical reasons the tables may include rounding differences of +/- one unit (€, % etc.).

Consolidated Income Statement

in € million	1 Jan.–30 Jun. 2017	1 Jan.–30 Jun. 2016
Revenues	468.8	474.1
Changes in inventories	0.3	0.1
Own work capitalised	10.8	10.3
Cost of materials	-134.6	-135.9
Personnel costs	-78.6	-74.3
Depreciation and amortisation	-76.7	-78.0
Other operating income	7.4	4.5
Other operating expenses	-40.0	-32.2
Earnings before financial result and taxes	**157.4**	**168.6**
Income from equity investments	.	0.1
Income from companies accounted for using the equity method	2.3	0.9
Interest result	-31.9	-34.7
of which interest expense	*-32.0*	*-34.8*
Financial result	**-29.6**	**-33.7**
Earnings before tax	**127.8**	**134.9**
Current taxes	-49.3	-47.3
of which income tax allocation	*-48.8*	*-45.3*
Deferred taxes	11.8	11.1
Income taxes	**-37.5**	**-36.2**
Net income	**90.3**	**98.7**
Share in net income attributable to the sole shareholder of the parent company	90.3	98.7

For mathematical reasons the tables may include rounding differences of +/- one unit (€, % etc.).

Consolidated Statement of Comprehensive Income

in € million	1 Jan.–30 Jun. 2017	1 Jan.–30 Jun. 2016
Net income	**90.3**	**98.7**
Other comprehensive income	**0.7**	**-2.4**
Reclassifiable OCI	0.7	*-1.1*
Cash flow hedges	*0.7*	*-1.1*
Not reclassifiable OCI	.	-1.3
Remeasurement of defined benefit plans	*.*	*-1.3*
Comprehensive income	**91.0**	**96.3**
Share in net income attributable to the sole shareholder of the parent company	91.0	96.3

For mathematical reasons the tables may include rounding differences of +/- one unit (€, % etc.).

Consolidated Statement of Changes in Equity

in € million	Subscribed capital*	Additional paid-in capital	Retained earnings	Change in accumulated other comprehensive income Cash flow hedges	Total
1 Jan. 2017	**.**	**925.6**	**26.2**	**-2.3**	**949.5**
Comprehensive income			**90.3**	**0.7**	**91.0**
Net income			90.3		90.3
Other comprehensive income			.	0.7	0.7
Remeasurement of defined benefit plans			*.*		*.*
Change in accumulated other comprehensive income				*0.7*	*0.7*
Advance profit transfer			**-30.0**		**-30.0**
30 Jun. 2017	**.**	**925.6**	**86.5**	**-1.6**	**1,010.5**

*The subscribed capital of VGT is € 25k. It is fully paid in and unchanged over the previous year.

For mathematical reasons the tables may include rounding differences of +/- one unit (€, % etc.).

in € million	Subscribed capital*	Additional paid-in capital	Retained earnings	Change in accumulated other comprehensive income Cash flow hedges	Total
1 Jan. 2016	**.**	**925.6**	**-63.7**	**-2.4**	**859.5**
Comprehensive income			**97.4**	**-1.1**	**96.3**
Net income			98.7		98.7
Other comprehensive Income			-1.3	-1.1	-2.4
Remeasurement of defined benefit plans			*-1.3*		*-1.3*
Change in accumulated other comprehensive income				*-1.1*	*-1.1*
Capital reduction			**-25.0**		**-25.0**
30 Jun. 2016	**.**	**925.6**	**8.7**	**-3.5**	**930.8**

*The subscribed capital of VGT is € 25k. It is fully paid in and unchanged over the previous year.

For mathematical reasons the tables may include rounding differences of +/- one unit (€, % etc.).

Consolidated Cash Flow Statement

in € million	1 Jan.–30 Jun. 2017	1 Jan.–30 Jun. 2016
Cash provided by operating activities	**190.8**	**219.1**
Net income	90.3	98.7
Depreciation and amortisation	76.7	78.0
Changes in provisions	-8.6	-4.8
Changes in deferred taxes	-11.8	-11.1
Dividends received[1]	13.6	12.8
Changes in plan assets	-1.6	0.2
Interest received	0.1	0.1
Other non-cash income and expenses	36.7	30.4
Changes in operating assets, liabilities and income tax	-4.4	14.8
Inventories	*5.6*	*3.4*
Trade receivables	*1.3*	*-0.5*
Other operating receivables and tax claims	*-8.9*	*-21.7*
Trade payables	*-3.2*	*6.9*
Other operating liabilities and tax obligations	*0.8*	*26.7*
Gain from disposal of assets	-0.2	0.0
Intangible assets and property, plant and equipment	*-0.2*	*0.0*
Cash used for investing activities	**-204.0**	**-115.5**
Proceeds from the disposal of intangible assets and property, plant and equipment	1.0	2.0
Purchases of investments in intangible assets and property, plant and equipment	-218.1	-107.3
Purchases of other and at equity measured investments	-7.5	-3.6
Proceeds from / purchases of other financial investments	20.6	-6.6
Proceeds from the disposal of other financial investments	*20.8*	*0.3*
Purchases of other financial investments	*-0.2*	*-6.9*
Cash used for financing activities	**-23.2**	**-69.4**
Interest paid	-38.7	-39.1
Proceeds from financial liabilities	85.2	93.1
Repayments of financial liabilities	-30.1	-74.3
Dividends paid[2]	-39.6	-49.1
Changes in cash and cash equivalents	**-36.4**	**34.2**
Cash and cash equivalents at beginning of period	**189.4**	**149.7**
Cash and cash equivalents at end of period	**153.0**	**183.9**

[1] Including dividends received from non-consolidated equity investments as well as the distribution from outside shareholders resulting from joint operations amounting to € 0.3 million (first half of the previous year: € 0.1 million).
[2] The dividends paid consist of the remaining profit transfer for the 2016 financial year amounting to € 9.6 million and an advance profit transfer amounting to € 30.0 million paid to VGS (first half of the previous year: profit transfer for the 2015 financial year amounting to € 24.1 million and an advance profit transfer amounting to € 25.0 million).

Notes to the condensed interim consolidated financial statements of Vier Gas Transport GmbH for the period from 1 January to 30 June 2017

1 Basic information

The registered head office of Vier Gas Transport GmbH ("VGT" or "the Company") is Kallenbergstraße 5, 45141 Essen. The sole shareholder is Vier Gas Services GmbH & Co. KG ("VGS"), Essen. VGS is therefore the ultimate domestic parent company of the Group and in principle obliged to prepare consolidated financial statements. However, since Vier Gas Holdings S.à r.l. ("VGH"), Luxembourg, publishes consolidated financial statements and a Group management report as the highest European parent company in the Group, in accordance with Section 291 HGB (German Commercial Code) VGS is exempt from preparing consolidated financial statements and a Group management report. VGS is invoking this exemption. VGT is a capital market-oriented corporation within the meaning of Section 264d HGB. As capital market-oriented parent company domiciled in Germany, VGT is obliged to prepare consolidated financial statements pursuant to Section 315e HGB.

The Company is registered under HRB 24299 in the commercial register of the Essen local court.

The object of the Company is to acquire, hold and manage as well as sell equity investments in companies or their assets and every action or measure connected therewith and the provision of services of any nature for its subsidiaries, including but not limited to the provision of financial services.

The business operations of the Group are conducted by Open Grid Europe GmbH ("OGE"), Essen, including its equity investments ("OGE Group"). OGE performs the activities of a gas transmission network operator and is subject to supervision by the Federal Network Agency (BNetzA), the German regulatory authority. Furthermore, OGE provides services for the gas industry.

2 Summary of significant accounting policies

2.1 Basis of presentation

The condensed interim consolidated financial statements for the period from 1 January to 30 June 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The condensed interim consolidated financial statements do not contain all information and disclosures necessary for year-end consolidated financial statements and are therefore to be read in conjunction with the consolidated financial statements for the financial year from 1 January to 31 December 2016.

In this interim report the same accounting and consolidation policies are used as in the preparation of the consolidated financial statements for the year 2016.

Unless otherwise stated, all figures are in million euros (€ m). Figures under 50 thousand euros are indicated in the tables by the insertion of a full stop.

2.2 Scope of consolidation

There were no changes in the scope of consolidation in the interim reporting period.

2.3 Company acquisition

In the first half of 2017, the VGT Group acquired additional shares in GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. Kommanditgesellschaft, Straelen. 0.91 % of the shares were acquired.

2.4 Impairment

VGT performs the annual goodwill impairment testing at the level of the cash-generating unit in the fourth quarter of each financial year. Testing is also performed if circumstances indicate that goodwill may be impaired.

In 2017 the BNetzA decides on the cost base application of OGE for the third regulatory period (2018 to 2022). The final decision is expected by the end of 2017. Preliminary results, while processing the application, cannot be considered as an Authority's decision. However, the Group classifies these preliminary results as indicators for a potential impairment. Therefore, intangible assets, property, plant and equipment as well as goodwill were tested for impairment as of the reporting date. For purposes of the asset impairment test, the carrying amounts of the intangible assets and of property, plant and equipment were compared with the corresponding fair values which substantially derive from regulatory returns. For purposes of the goodwill impairment test, the calculation of the recoverable amount made at the end of 2016 was used. The key assumptions and the basis for calculating the fair value less cost to sell as of the interim reporting date have not or insignificantly changed. This impairment testing gave no indication of impairment.

3 Selected explanatory information on the balance sheet

Intangible assets and property, plant and equipment

In the first half of 2017, additions to intangible assets and to property, plant and equipment amounting to € 215.8 million (first half of the previous year: € 115.6 million) are mainly related to the pipeline project Schwandorf-Forchheim, the construction of two machine units at the compressor station in Werne, the new construction of one compressor station in Herbstein and another one in Rothenstadt as well as investments in the pipeline project Zeelink.

Provisions for pensions and similar obligations

The development of pension obligations is based on the actuarial report for the consolidated financial statements 2016, including projections for the year 2017. Therefore, the interest rate was not adjusted.

Financial liabilities

The increase of the current financial liabilities amounting to € 2.6 million as well as the increase of non-current financial liabilities amounting to € 46.7 million mainly result from financing activities for the pipeline companies MEGAL and TENP, which led to an increase in liabilities to banks within the consolidated balance sheet amounting to € 62.6 million. The new borrowings were primarily used for the repayment of the one-sided capital increase by OGE at MEGAL and for financing projects in accordance with the gas network development plan.

The changes to the financial liabilities as well as the development of derivative financial instruments are explained in section 5.

4 Selected explanatory information on the income statement

Of the revenues generated in the 2017 interim report period, € 407.0 million (first half of the previous year: € 408.4 million) result from the gas transmission business, € 9.8 million (first half of the previous year: € 9.0 million) from transport-related services and € 52.0 million (first half of the previous year: € 56.7 million) from technical and commercial services.

The expenses for raw materials and supplies mainly comprise expenses for fuel gas as well as usage fees. This item also includes expenses for gas levies. The expenses for purchased goods mainly relate to maintenance costs as well as other services purchased in connection with the service business. The other operating expenses include in particular € 8.2 million (first half of the previous year: other operating income in the amount of € 3.0 million) from a subsequent adjustment to the purchase price of OGE between VGT and E.ON SE or Uniper SE concerning the contractual tax clause.

The financial result amounting to € -29.6 million (first half of the previous year: € -33.7 million) is largely impacted by interest expenses for corporate bonds. The interest expenses decreased in the amount of € 2.8 million compared to the first half of 2016. This decrease mainly relates to the capitalisation of borrowing costs in the amount of € 4.7 million (first half of the previous year: € 1.8 million) for investments in the pipeline network.

The income taxes consist of € 0.5 million (first half of the previous year: € 2.0 million) original current taxes, € 48.8 million (first half of the previous year: € 45.3 million) tax expenses from income tax allocations and € 11.8 million (first half of the previous year: € 11.1 million) deferred tax income.

5 Financial instruments

As of 30 June 2017, seven hedged transactions in place are included in interest cash flow hedges with maturities of up to 7.5 years (first half of the previous year: up to 5 years). The cash flows from hedged transactions secured in cash flow hedge accounting occur in the period from 2017 to 2024 (first half of the previous year: 2016 to 2021) and affect the income statement at the same time.

The fair values of the derivatives used within cash flow hedges amount to € -2.3 million (31 December 2016: € -2.7 million).

No ineffectiveness resulted in the interim period. In the first half of 2017, accumulated other comprehensive income before allowance for deferred taxes changed by € -0.7 million to € -1.9 million (first half of the previous year: change of € -1.1 million). Of this, a profit of € 0.1 million (first half of the previous year: loss amounting to € 0.6 million) was reclassified from other comprehensive income to the income statement.

Measurement of derivative financial instruments

Financial instruments are measured by determining fair value.

The fair value of derivative financial instruments is sensitive to movements in underlying market rates. The Group determines and monitors the fair value of derivative financial instruments at regular intervals. Fair values for each derivative financial instrument are determined as being equal to the price at which one party can sell the rights and/or obligations to an independent third party. The fair values of derivative financial instruments are calculated using common market valuation methods with reference to market data available as of the measurement date including a credit value adjustment in the case of positive market values and a debit value adjustment in the case of negative market values. All derivative financial instruments are measured separately.

The following table gives an overview of nominal values and fair values of the derivatives existing as of 30 June 2017. The derivatives all qualify as hedging instruments under cash flow accounting in accordance with IAS 39:

	30 Jun. 2017		31 Dec. 2016	
in € million	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Interest-rate swap (fixed-rate payer)	126.2	-2.3	126.2	-2.7

Additional information on financial instruments

All financial instruments recognised at fair value are divided into three categories defined in accordance with IFRS 13, as follows:

- Level 1 – quoted market prices
- Level 2 – measurement techniques (inputs that are observable on the market)
- Level 3 – measurement techniques (inputs that are unobservable on the market)

In the period from 1 January to 30 June 2017, unchanged to the previous year, there were no reclassifications between level 1 and level 2, nor were there any reclassifications to or out of level 3. Furthermore, there was no change in purpose for the financial assets that would have caused a change to the classification of an asset. The Group holds no credit enhancements or collateral that would minimise the credit risk. The carrying amount of the financial assets therefore reflects the potential credit risk.

There is no net reporting for these financial assets and financial liabilities since no enforceable master netting arrangements or similar agreements exist.

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by level are presented in the following table as of 30 June 2017:

in € million	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measure-ment category[1]	Fair value	Fair value (IFRS 13) of which level 1	of which level 2	of which level 3
Equity investments	**39.1**	**39.1**	**AfS**	**n/a**			
Financial receivables and other financial assets	**11.9**	**11.9**		**n/a**			
Other financial receivables and financial assets	11.9	11.9	LaR	n/a			
Trade receivables and other operating assets	**82.9**	**82.9**		**0.0**			
Trade receivables and long-term loans granted	32.5	32.5	LaR	n/a			
Derivatives with hedging relationships	0.0	0.0		0.0			
Other operating assets	50.4	50.4	LaR	n/a			
Cash and cash equivalents	**153.0**	**153.0**	**LaR**	**n/a**			
Total assets	**286.9**	**286.9**		**n/a**			
Financial liabilities	**2,618.9**	**2,618.9**		**2,887.8**	**2,512.3**	**375.5**	
Bonds	2,241.4	2,241.4	AmC	2,512.3	2,512.3		
Liabilities to banks	243.6	243.6	AmC	241.3		241.3	
Other financial liabilities	133.9	133.9	AmC	134.2		134.2	
Trade payables and other operating liabilities	**134.5**	**134.5**		**2.3**		**2.3**	
Trade payables	45.0	45.0	AmC	n/a			
Derivatives with hedging relationships	2.3	2.3	n/a	2.3		2.3	
Other operating liabilities	87.2	87.2	AmC	n/a			
Total liabilities	**2,753.4**	**2,753.4**		**2,890.1**	**2,512.3**	**377.8**	

[1]AfS: Available for sale; LaR: Loans and receivables; AmC: Amortised cost; n/a: the derivatives with hedging relationships cannot be assigned to any IAS 39 category.

Carrying amounts as of 31 December 2016:

					Fair value (IFRS 13)		
in € million	**Carrying amounts**	**Total carrying amounts within the scope of IFRS 7**	**IAS 39 measure-ment category[1]**	**Fair value**	**of which level 1**	**of which level 2**	**of which level 3**
Equity investments	**39.1**	**39.1**	**AfS**	**n/a**			
Financial receivables and other financial assets	**16.5**	**16.5**		**n/a**			
Other financial receivables and financial assets	16.5	16.5	LaR	n/a			
Trade receivables and other operating assets	**117.0**	**117.0**					
Trade receivables and long-term loans granted	34.0	34.0	LaR	n/a			
Derivatives with hedging relationships	0.0	0.0		0.0			
Other operating assets	83.0	83.0	LaR	n/a			
Cash and cash equivalents	**189.4**	**189.4**	**LaR**	**n/a**			
Total assets	**362.0**	**362.0**		**n/a**			
Financial liabilities	**2,569.7**	**2,569.7**		**2,887.8**	**2,559.8**	**328.0**	
Bonds	2,240.7	2,240.7	AmC	2,559.8	2,559.8		
Liabilities to banks	181.0	181.0	AmC	179.8		179.8	
Other financial liabilities	148.0	148.0	AmC	148.2		148.2	
Trade payables and other operating liabilities	**138.0**	**138.0**		**2.7**		**2.7**	
Trade payables	54.6	54.6	AmC	n/a			
Derivatives with hedging relationships	2.7	2.7	n/a	2.7		2.7	
Other operating liabilities	80.7	80.7	AmC	n/a			
Total liabilities	**2,707.7**	**2,707.7**		**2,890.5**	**2,559.8**	**330.7**	

[1]AfS: Available for sale; LaR: Loans and receivables; AmC: Amortised cost; n/a: the derivatives with hedging relationships cannot be assigned to any IAS 39 category.

The financial assets recognised at fair value through profit or loss relate to derivative financial instruments that are included in hedge accounting. These include derivative interest rate hedging contracts, which are based on ISDA (International Swaps and Derivatives Association) agreements and on the German Master Agreement for Financial Derivatives Transactions, which was published by the Association of German Banks. The fair values of the interest hedging instruments were calculated on the basis of discounted, expected cash flows. Discounted cash values are determined for interest rate swaps for each individual transaction as of the reporting date. The market interest rates for the remaining terms of the financial instruments were used. These include market factors which other market participants would also take account of when setting prices.

The carrying amounts of cash and cash equivalents and trade receivables are considered realistic estimates of their fair values because of their short maturity.

The financial liabilities measured at fair value through profit or loss relate to derivative financial instruments that are included in hedge accounting. These financial instruments comprise derivative interest rate hedging contracts. The fair values of interest rate hedging contracts were calculated on the basis of discounted, expected cash flows. The market interest rates for the remaining terms of the financial instruments were used.

The market value of the bonds is based on the prices quoted on the reporting date.

The fair value of debt instruments that are not actively traded such as loans received, long-term loans granted and financial liabilities is determined by discounting future cash flows and corresponds to the relevant carrying amount. Any necessary discounting is performed using risk-adjusted current market interest rates over the remaining terms of the financial instruments. Fair value measurement was not applied to any shareholdings (apart from the investments measured using the equity method) as cash flows could not be reliably determined for them. Fair values could not be derived on the basis of comparable transactions. There are no plans to sell these investments.

The carrying amount of borrowings under short-term credit facilities and trade payables is used as the fair value owing to the short maturities of these items.

6 Other information

6.1 Contingencies

All financings in the VGT Group (in the form of bonds or bank loans) are granted to the borrowing Group companies without the provision of collateral security. As of 30 June 2017, there are still bank guarantees given to third parties with a total amount of € 1.0 million.

6.2 Business transactions with related parties

In the first half of 2017, the remaining distributable profit of the financial year 2016 amounting to € 9.6 million (first half of the previous year: € 24.1 million) was paid to VGS. Furthermore, an advance profit transfer for the financial year 2017 in the amount of € 30.0 million (first half of the previous year: € 25.0 million) was paid to VGS.

6.3 Subsequent events

Up to the date of the preparation of the condensed interim consolidated financial statements, no business transactions of material significance had taken place which have an effect on the presentation of the net assets, financial position and results of operations of the Group in the reporting period.

6.4 Management

The following persons have been appointed to the Management and as representatives of the Company:

Hilko Cornelius Schomerus, Darmstadt,
Managing Director, Macquarie Infrastructure & Real Assets

John Benedict McCarthy, Abu Dhabi/United Arab Emirates,
Global Head, Infrastructure Division, ADIA

Lincoln Hillier Webb, Victoria, British Columbia/Canada,
Vice President, Private Placements, British Columbia Investment Management Corp.

Dominik Damaschke, Munich,
Senior Investment Manager, Private Equity & Infrastructure, MEAG MUNICH ERGO Asset Management GmbH

Cord von Lewinski, Frankfurt,
Managing Director, Macquarie Infrastructure & Real Assets

Richard W. Dinneny, Victoria, British Columbia/Canada,
Portfolio Manager, Private Placements, British Columbia Investment Management Corp.

Guy Lambert, Abu Dhabi/United Arab Emirates,
Head of Utilities, Infrastructure Division, ADIA

Stephan Kamphues, since 1 July 2017

With the exception of Stephan Kamphues, the managing directors are not employees of the Company.

Essen, 28 July 2017

Vier Gas Transport GmbH

The Management

Hilko Cornelius Schomerus

John Benedict McCarthy

Lincoln Hillier Webb

Dominik Damaschke

Cord von Lewinski

Richard W. Dinneny

Guy Lambert

Stephan Kamphues