Group Annual Report

Vier Gas Transport GmbH

1 January to 31 December 2015

(Translation – the German text is authoritative)

Contents

Group Management Report

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Introduction

The Vier Gas Transport Group is made up of Vier Gas Transport GmbH (VGT), Essen, as the parent company and its subsidiary Open Grid Europe GmbH (OGE), Essen, with its equity investments.

VGT largely performs a holding company function for OGE. This management report therefore mainly refers to the business activities of OGE, which is active in the field of gas transport logistics.

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

OGE's core activities include marketing gas transport capacities (including determining quantities and billing) in the NetConnect Germany (NCG) market area, operating, maintaining and repairing the pipeline system as well as controlling and monitoring the network and storage stations. Furthermore, the core activities include the efficient further development of the gas transmission pipeline networks in line with demand on the basis of nationwide network development plans – OGE accounts for approx. 50% of the capital expenditure on expansion measures provided for in the 2015 network development plan.

Vier Gas Services GmbH & Co. KG (VGS), Essen, is the sole shareholder of VGT.

General economic development

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

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

Primary energy consumption in Germany

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

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

Energy policy developments in Europe

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

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

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

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

The relevant regulation establishing the Network Code on Interoperability and Data Exchange Rules was published in the Official Journal of the European Union in May 2015. OGE is currently working on completing the necessary changes.

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

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

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

Energy policy developments in Germany

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

The electricity sector remains the focus. For example, the German government passed a new electricity market design in summer 2015, deciding in favour of continuing the energy only market, where generators only get paid for the electricity they generate. The amendment to the Combined Heat and Power Generation Act (KWKG) was also implemented in 2015. Here, the German government decided to focus on promoting gas-fired combined heat and power plants. However, the 10 Point Energy Agenda is now also expressing an opinion on other subjects which are relevant to the gas industry. For example, as part of climate protection, there are plans to reform European emission trading. In a separate chapter on the gas supply strategy, reference is made to the need for greater diversification of supply countries – in particular access to LNG terminals.

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

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

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

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

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

In addition to the amendment to the Incentive Regulation Ordinance, it is expected that in 2016 the Federal Network Agency will also set the return on equity or the risk allowances and the general sectoral productivity factor for the third regulatory period (2018-2022). Both parameters have a direct effect on the cap on revenues to be received by OGE as from 2018. In early November 2015, the Federal Network Agency announced a call for tenders for the expert report on the determination of risk allowances for gas network and electricity grid operators for the third regulatory period. The expert report is to serve as a basis for setting the return on equity. It is planned to complete the expert report by mid-2016 and make the final determination in September 2016.

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

Network development plans

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

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

On 1 September 2015, the Federal Network Agency published an amendment request in respect of the Gas Network Development Plan 2015 as submitted by the transmission system operators on 1 April 2015. With the exception of the advance details (provided for information purposes) on future projects for the change-over of the areas currently supplied with low-calorific gas (L gas) to high-calorific gas (H gas), the Federal Network Agency confirmed the measures proposed by OGE. The final Gas Network Development Plan 2015 was published on 16 November 2015. Parallel to this, the transmission system operators are required to have already drawn up and conducted consultations on the Gas Network Development Plan 2016 by 1 April 2016. The overlapping of these two processes highlighted the urgent need to extend the time given for preparing the plans and bring them into line with the European Gas Network Development Plan, which is drawn up every two years. In October 2015, the Bundesrat passed the change to a two-year rhythm; a plan is now to be submitted for every even calendar year starting in 2016. Therefore, following the Gas Network Development Plan 2016, a new Gas Network Development Plan will not be prepared until 2018.

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

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

Business review

With effect from 1 January 2015, OGE reduced the transport fees overall compared with the previous year. In addition to meeting the regulatory efficiency requirements, the aim of this reduction was to reimburse the shippers with the excess income generated in 2013 by lowering fees. Furthermore, with effect from 1 January 2015, OGE changed the transport fees over to the so-called "postage stamp fee" so since then there has been only one fee for entry into the OGE transmission system and one fee for exit.

Owing to lower short-term transmission capacity bookings, particularly from the third quarter of 2015 onwards, due to the mild weather, sales revenues from the transport business fell short of expectations. The lower cost of fuel gas required for gas plant as a result of the fall in volumes had the opposite effect.

Therefore, in the reporting year sales from the gas transport business were, as forecast, lower than in the previous year, mainly due to the reduction in fees. Otherwise, the gas transport business ran to schedule without any unusual occurrences.

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

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

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

Technology and environmental protection

Technical operation and expansion of the gas transmission network ran to schedule in the 2015 financial year. Capacity restrictions due to maintenance, repair and integration measures were communicated in good time and information was continually updated on the Internet.

The Group performed various measures to modernise and expand its technical infrastructure in 2015. These include measures of the equity investments integrated in the OGE network, Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP), Mittelrheinische Erdgastransportleitungsgesellschaft mbH (METG) and Nord-rheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (NETG).

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

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

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

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

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

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

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

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

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

The compressor stations continue to be subject to the German Greenhouse Gas Emissions Trading Act (TEHG) and the related ordinances. All resulting obligations such as the adjustment of monitoring plans, the recalculation and notification of changes in capacity and reporting of changes in operation due to conversion measures as well as the annual reporting of emissions were routinely met. The certificates for 2014 were submitted via the EU register in April 2015.

The Group works continuously on developing procedures required for gas transportation, plant and pipeline construction and the safe operation of the transmission pipeline network. One of the focuses of this work remains the challenge of linking the gas and electricity grids, which is necessary for the energy transition. In this connection, OGE is actively supporting the conversion of surplus renewable energy into hydrogen, the development of a hydrogen economy and the conversion of hydrogen into methane (SNG) to feed into the gas transmission network. A further focus is to clarify the question of how the OGE transmission system can be integrated into a demand-side management system to reduce the load on local or regional power grids. This could be achieved by the limited replacement of gas-driven compressor drives as part of new build or reinvestment projects or by doubling pre-heaters, in each case by means of electric components. The dual-fuel mode of operation, either with electricity or gas, would make it possible to react to any electricity surplus and reduce the load on the power grids.

Employees

At the end of 2015, the VGT Group had 1,361 employees (excluding management and apprentices). Personnel expenses during the financial year amounted to € 152.1 million (previous year: € 148.7 million).

The Group trains apprentices for technical and administrative jobs at six locations in North Rhine-Westphalia (Essen), Lower Saxony (Krummhörn), Bavaria (Waidhaus, Wildenranna), Hesse (Gernsheim) und Rhineland Palatinate (Mitte brunn).

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

Occupational health and safety is a matter of highest priority for the Group. The Group aims to continually reduce the number of accidents and other harmful effects on the health of its employees and employees of partner companies over the long term as well as to constantly improve work ergonomics and occupational health. As a result of these efforts, the targets were achieved in the 2015 financial year. The number of work-related accidents, measured in terms of TRIFcomb[1], is continuing to fall on a long-term average and stood at 5.7 in 2015. The external auditors of the occupational health and safety management system also noticed a further improvement in the safety culture. The HSE sub-contractor management activities were extended.

Investments

The Group invested a total of € 198.9 million during the 2015 financial year (previous year: € 210.2 million). € 185.0 million was invested in property, plant and equipment (previous year: € 145.6 million).

[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 ime per one million hours worked.

The group invested a total of € 104.0 million in expanding and modernising compressor stations in the reporting year (previous year: € 246.8 million). Of this figure, € 19.0 million was spent on the installation of a new compressor unit in Werne; work was also started on a new compressor station in Herbstein and a further € 8.8 million expended. Further main investments included the replacement of compressor units in Hügelheim (totalling € 12.4 million) in Waidhaus (totalling € 7.8 million), in Stolberg (totalling € 6.9 million) and in Mittelbrunn (totalling € 5.5 million) as well as a new compressor station in Rothenstadt (totalling € 5.1 million). A total of € 46.1 million was invested in expanding and modernising pipelines. This includes the acquisition of 25.2% in the Etzel-Gas-Lager pipeline (€ 9.1 million), the acquisition of the Badenwerk pipeline (€ 1.8 million), the rehabilitation of the Hanover pipeline in Seelze (€ 3.2 million) and the construction of the Schwandorf-to-Arresting and Arresting-to-Finsing pipelines (total of € 6.0 million). Other investments accounted for € 39.6 million and included IT projects (total of € 18.0 million) and investments in measurement and control systems (€ 7.9 million).

€ 0.4 million was invested in financial assets (previous year: € 0.2 million).

Investments relating to obligations under the network development plan accounted for a total of € 43.7 million.

Financing

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

In addition, since 1 January 2013, there has also been a profit-and-loss transfer agreement with VGS, under which VGT undertakes to transfer its entire profit to VGS and VGS undertakes to offset any losses sustained by VGT. The agreement was also concluded for a period of five years and is extended by periods of one year if it is not terminated. Furthermore, since 1 January 2013, VGT and VGS have also formed a tax unit for corporate and trade tax purposes, according to which VGS is the controlling company and VGT the controlled company. VGT and VGS also concluded an income tax allocation agreement to allocate to VGT the taxes on income incurred by VGT in its commercial operations. VGT recognises an income tax expense that VGT would have incurred if it had not formed a single tax unit with VGS.

In line with the existing profit-and-loss transfer agreement and in view of considerable future pending investments, the shareholders resolved, after thorough examination, to leave the entire net income of OGE for the year of € 103.8 million in the company by transferring it to the revenue reserves. Furthermore, in the 2015 financial year, the additional paid-in capital of VGT was reduced by € 150 million.

For refinancing purposes, VGT issued two EMTN bond tranches on 12 June 2013, each in the amount of € 750.0 million and maturing in 2020 and 2025 respectively. The bond tranches bear fixed coupons of 2.0% and 2.875% respectively. In addition, on 10 July 2013 VGT placed a third bond tranche on the market in the amount of € 750.0 million. This bond tranche matures in 2023 and bears a fixed coupon of 3.125%.

The syndicated loan facility for € 200.0 million concluded by VGT on 20 December 2013 and maturing in 2018 still exists. OGE is also a borrower under this loan and therefore entitled to use the credit line.

The credit line includes an ancillary facility in the amount of € 1.5 million, which is reserved for surety (e.g. bank guarantees. As of 31 December 2015, the drawings on the syndicated loan facility totalled € 30k for a bank guarantee.

The investments at the project companies TENP and MEGAL are largely financed with external borrowings. The liabilities to banks and from bonded loans amounted to € 475.2 million as of 31 December 2015 before pro-rata consolidation. Liabilities to banks increased by € 13.1 million compared with the previous year's level (previous year: € 462.1 million). In 2015, all expiring loans were successfully refinanced on attractive conditions through the issuance of three bonded loans at MEGAL level.

In order to cover their obligations arising from pension entitlements, OGE and METG use a Contractual Trust

Agreement (CTA). The trust fund set up in this connection is managed on a fiduciary basis by Helaba Pension Trust e.V. (Helaba), Frankfurt am Main. In December 2015, € 41.3 million was added to the plan assets for pension obligations and € 2.2 million for long-term working-time account obligations. Furthermore, the equivalent of the remuneration payments of € 4.7 million made in 2015 for fulfilment shortfalls in connection with part-time phased-retirement programmes was taken from the trust assets over the course of the year.

Disclosures in accordance with section 315, para. 2, No. 1 HGB

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

As of 31 December 2015, interest rate risks due to market interest rate fluctuations of the Eur bor from floating-rate loans at TENP in the amount of € 145 million (nominal amount) and MEGAL in the amount of € 175 million (nominal amount) are hedged by swap agreements as part of measurement units. These interest swaps are microhedges, which are given prospective effectiveness through matched maturities and volumes. Financial instruments are measured using the net presentation method.

Features of the internal control system

The Group has a uniform accounting and reporting policy for the consolidated financial statements. This includes a description of the accounting and measurement methods to be applied in accordance with IFRS. Furthermore, there is a binding balance-sheet closing calendar.

In conjunction with the closing processes, additional qualitative and quantitative information relevant to accounting and the preparation of financial statements is compiled. Furthermore, dedicated quality assurance processes are in place for all relevant departments to discuss and ensure the completeness of relevant information on a regular basis.

The consolidated financial statements of the VGT Group are prepared using SAP consolidation software in a multi-stage process. The ongoing accounting and annual financial statement preparation processes are divided into discrete functional steps. Automated or manual controls are integrated into each step. Defined organisational procedures ensure that all transactions and the preparation of the consolidated financial statements and annual financial statements are recorded on an accrual basis, processed and documented in a complete, timely and accurate manner. In addition, quality is assured using the four-eye principle.

The results of this quality-assured process, which is used for the preparation of quarterly and annual financial statements as well as for planning at regular intervals, are the basis of internal management reporting, which is used for (Group) management purposes. Key metrics applied in this context are transport sales, EBITDA (earnings before interest, tax, depreciation and amortisation – but including income from equity investments) and debt-to-asset ratio.

Net assets, financial position and results of operations

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

The main drivers of the Group's profits are the sales from OGE's regulated gas transport business and the Group's other subsidiaries.

Overall, the VGT Group posted a decline in sales in the 2015 financial year by 7.7% to € 885.7 million (previous year: € 959.7 million).[2] Total sales comprise sales from the gas transport business and the services business. Sales from the gas transport business as well as transport-related services amounted to € 761.7 million in the 2015 financial year (previous year: € 835.8 million).[2] The decrease in sales already largely forecast in the previous year mainly results from a lower permitted revenue cap in accordance with section 4 of the German Incentive Regulation Ordinance (ARegV). At € 124.0 million, sales of the services business were at the prior-year level (€ 123.9 million) and slightly higher than expected.

Total revenue decreased overall year on year with changes in inventories increasing by € 2.2 million, income from the disposal of property, plant and equipment rising by € 1.9 million and income from the reversal of provisions falling by € 7.2 million. Cost of materials increased year on year [2] by some € 27.6 million, particularly as a result of the increase of € 25.1 million in expenses for services ren-

2 The prior-year figure was adjusted due to the change in an accounting standard, cf. section 2.23 of the Notes to the consolidated financial statements.

dered by third parties. Personnel expenses rose by € 3.4 million compared with the previous year.

The Group's profit on ordinary activities decreased year-on-year by € 156.5 million to € 136.4 million, largely as a result of the above effects. The Group's net income amounted to € 101.7 million (previous year: € 225.2 million), showing the development forecast in 2014. At 11.5%, the return on sales[3] remained at a high level (previous year: 22.5%)[4].

At € 356.6 million, earnings before interest, tax, depreciation and amortisation (EBITDA) were well down on the prior year figure (€ 506.1 million) due to the aforementioned developments and were therefore in line with the forecast.

As a key internal control metric, EBITDA is defined as follows:

€ million	31 Dec. 2015	31 Dec. 2014
Earnings before interest and tax (EBIT)	197.2	353.8
Income from equity investments	5.6	5.9
Depreciation and amortisation	153.8	146.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	356.6	506.1

The Group's financial result contained an interest expense of € 67.5 million (previous year: € 69.2 million), which mainly reflects the interest expenses from the VGT bonds and the pro-rata interest expense of the companies MEGAL and TENP. By contrast, interest income amounted to € 1.1 million (previous year: € 2.3 million; for an exact breakdown see the Notes to the consolidated financial statements).

Income taxes for the Group totalled € 34.7 million (previous year: € 67.7 million). Of this figure, € 2.5 million related to deferred taxes (previous year: € 12.1 million).

As of 31 December 2015, the Group's total assets amounted to € 4,235.7 million (previous year: € 4,321.3 million), resulting in a debt-to-asset ratio of 82% (previous year: 81%, detailed breakdown in the Notes to the consolidated financial statements). Of the external funds, 5.9% relate to provisions, 78.2% to liabilities and 15.9% to deferred tax liabilities. Financial liabilities contained within liabilities amount to € 2,523.8 million (previous year: € 2,533.5 million). The majority of these liabilities (€ 2,239.2 million) (previous year: € 2,237.8 million) related to bonds issued by VGT. Furthermore, miscellaneous financial liabilities resulted primarily from liabilities to banks of the pipeline companies MEGAL and TENP. Cash and cash equivalents amounted to € 149.7 million as of 31 December 2015, falling by € 98.7 million year on year. Of the Group's total assets, fixed assets accounted for € 3,850.8 million as of the reporting date (previous year: € 3,824.6 million).

In the 2015 financial year, the Group generated cash flow from operating activities of € 321.8 million (previous year: € 428.7 million). Cash outflows for investing activities totalled € -185.7 million in 2015 (previous year: € -199.4 million).

Cash used for financing activities amounted to € -234.8 million (previous year: € -274.3 million) and mainly covered payments to the parent company, VGS, in the amount of € -154.1 million[5] (previous year: € -140.3 million), cash interest payments under VGT bonds and loans of the companies MEGAL and TENP as well as the repayment of loans taken out by MEGAL. Measured by cash and cash equivalents, cash flow changed as expected.

In summary, it can be said that the Group's net assets, financial position and results of operations were positive and secure for the financial year and as of the reporting date.

Report on opportunities and risks

The Group's opportunities and risks are determined by its main companies.

In its business operations, the Group 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 Group'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

3 Definition: Net income for the year divided by sales (prior-year definition: profit on ordinary activities divided by sales); the prior-year figure was adjusted accordingly.
4 The prior-year figure was adjusted due to the change in an accounting standard, cf. section 2 23 of the Notes to the consolidated financial statements.

5 This item contains the rest of the profit transferred for the 2014 financial year in the amount of € -4.1 million and a reduction in capital in the amount of € -150 0 million.

ensuring the continual identification and evaluation of significant opportunities and risks.

Description of the opportunity and risk management process

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

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

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

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

Significant risks

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

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

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

Probability of occurrence: moderate; net impact: high

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

Probability of occurrence: low; net impact: high

Information technology: The Group uses complex information technology (IT) to operate and control the pipeline network. As a consequence, there is fundamentally a risk of the failure of parts of the IT systems leading to temporary impairments to business activities. Failure may be the result of deliberate, unauthorised modification (external access) and / or an impairment of functionality due to errors occurring during operation or hardware and software component faults. This could affect both marketing systems and network control systems. A failure of the network control systems could, in the worst case scenario, lead to a total failure of the gas supply system for several days. The Group safeguards against this risk with redundant systems as well as comprehensive quality assurance and access protection systems.

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

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

Probability of occurrence: moderate; net impact: high

Technical plant and on-site conditions: External influences such as natural disasters may partly or completely destroy important plant (e.g. compressor stations), which may lead to temporary interruptions or a local outage preventing gas transportation. A temporary loss of sales revenue, a write-off of the remaining book value and the necessary installation of new plant lead to profit losses and additional financing requirements.

Furthermore, local site conditions may change over the course of time (e.g. changed soil conditions due to erosion). As a result, measures to restore the original conditions may be necessary.

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

Risks which are not significant

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

Financial risks

In the normal course of business, the Group is exposed to various financial risks: market risks (covering foreign exchange risks, interest-related risks due to changes in the fair value, interest-related cash flow risks and market price risks), credit risks and liquidity risks. The overarching Group risk management focuses on unforeseeable developments in the financial markets and its aim is to minimise the potentially negative effects on the Group’s financial situation. The Group uses derivative financial instruments to hedge certain risks.

Risk management is performed decentrally both by the Finance department of the service provider OGE and by the Investment Controlling department of the shareholders. Financial risks are identified, assessed and hedged in close cooperation with the Group’s operational units. Owing to the very limited volume of transactions in foreign currency as well as the only occasional raising and securing of loans, the currency risks, interest rate risks and credit risks are handled and the use of derivative and non-derivative financial instruments is agreed on a case-by-case basis with the relevant bodies of the company affected.

Foreign currency risks may largely arise from procurement transactions with business partners outside the euro zone. When such non-euro-based procurement transactions are conducted, foreign currency forwards are used to hedge the foreign currency risk. Due to the very limited volume of transactions in foreign currency, the Group is currently only exposed to an insignificant foreign currency risk.

The Group’s interest rate risks arise from long-term interest-bearing liabilities. The liabilities with floating interest rates expose the Group to interest-related cash flow risks which are partly offset by bank balances with floating interest rates. The liabilities with fixed interest rates result in an interest-related risk arising from changes in the fair value.

The long-term focus of the business model in principle means meeting a high proportion of financing requirements at fixed interest rates. This also involves the use of interest swaps. Furthermore, following the refinancing, the Group's financial liabilities are dominated by bonds with a fixed interest rate and long maturities.

Credit risks are managed at Group level. Credit risks result from cash and cash equivalents, derivative financial instruments and deposits at banks and financial institutions as well as from the utilisation of credit facilities by customers involving outstanding receivables and transactions performed. The Group only works with banks and financial institutions with an independent rating of the three large rating agencies of at least “BBB+" to "A-" (Standard & Poor´s, Fitch) and "Baa1“ to "A3" (Moody´s), focusing, where available, on the unsecured long-term rating. The ratings of all banks and other indicators of creditworthiness (e.g. current prices of credit default swaps) are continuously monitored.

The Group generates the majority of its sales from the marketing of transport capacities with a small number of key accounts. Key accounts are reviewed in regular credit assessments, using credit ratings from recognised credit agencies.

As long as the Group meets its duty of diligence in the general credit assessment of its customers, payment defaults of individual customers are balanced out as part of the regulated tarification. Therefore, the credit risk from key accounts is only a temporary phenomenon.

In the past, there have been no significant payment defaults. The Management is also not expecting any defaults in future as a result of non-performance by these business partners.

The cash flow forecasts are prepared centrally for every major operating company and combined into a Group forecast. The Management monitors the rolling advance planning of the Group's liquidity reserve to ensure that sufficient liquidity is available to cover operational requirements and that unutilised credit facilities provide enough flexibility at all times. Such forecasts take into account the

Group financing plans, compliance with loan agreements, the meeting of internal target balance sheet figures as well as, where applicable, external statutory or official requirements.

Opportunities

The main opportunities for the Group are through additional increases in efficiency compared with the approved revenue cap. However, due to the regulatory framework these are only of a temporary nature. Moreover, further opportunities and risks are possible as the regulatory framework may change. Corresponding to the risk of high expansion obligations in line with a changed network development plan, there is also the opportunity of higher returns from additional investments.

Overall assessment of opportunity and risk situation

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

Material legal disputes

Owing to a dispute in connection with the Gas Cooperation Agreement, a municipal utility filed a compensation claim for alleged breach of duty in an arbitration action against OGE and another network operator at the end of 2014. It was disputed whether the arbitration action constituted the correct legal process. However, in December 2015 the Düsseldorf higher regional court formally confirmed that the case falls within the jurisdiction of the court of arbitration. A date for the arbitration court hearing is expected for the first half of 2016.

Events after the reporting date

No events of particular importance occurred after the reporting date.

Forecast report

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

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

Therefore, the Management is expecting transport sales in 2016 to be much higher than in 2015.

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

Cost of materials is forecast to be much lower than in the reporting year. Furthermore, the Management is expecting positive effects from the efficiency measures which have been introduced.

Owing to the aforementioned developments, the Management therefore anticipates that EBITDA for 2016 will be significantly higher than in 2015 and is expecting a similar development for net income in 2016.

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

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

Debt-to-asset ratio is expected to be roughly at the level of the 2015 financial year as well.

In summary, the Management is expecting the Group's liquidity situation in 2016 to be stable and sound.

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

Consolidated Financial Statements

Vier Gas Transport GmbH

1 January to 31 December 2015

Contents

Consolidated Balance Sheet

in € million	Note	31 Dec. 2015	31 Dec. 2014
Assets			
Non-current assets			
Intangible assets	4.3	74.0	92.3
Goodwill	4.2	830.4	830.4
Property, plant and equipment	4.4	2,851.2	2,800.4
Financial assets	4.5	95.2	101.5
Companies accounted for using the equity method		*52.8*	*59.1*
Other financial assets		*42.4*	*42.4*
Deferred tax assets	4.11	63.7	30.4
Non-current receivables	4.6	90.2	88.1
Total		**4,004.7**	**3,943.1**
Current assets			
Inventories	4.7	31.3	34.3
Trade receivables (including advance payments made)	4.8	24.4	30.5
Income tax receivables	4.8	3.0	6.8
Other receivables	4.8	22.6	58.2
Cash and cash equivalents	4.9	149.7	248.4
Total		**231.0**	**378.2**
Total assets		**4,235.7**	**4,321.3**

in € million	Note	31 Dec. 2015	31 Dec. 2014
Equity and liabilities			
Equity			
Subscribed capital	4.10	-	-
Additional paid-in capital	4.10	925.6	1,075.6
Retained earnings	4.10	-63.7	-176.4
Accumulated other comprehensive income	4.10	-2.4	-2.0
Total		**859.5**	**897.2**
Non-current liabilities			
Provisions for pensions and similar obligations	4.12	72.0	137.2
Other provisions	4.13	97.4	95.2
Financial liabilities	4.14	2,435.6	2,418.9
Other non-current liabilities	4.14	27.4	20.7
Deferred tax liabilities	4.11	537.4	495.2
Total		**3,169.8**	**3,167.2**
Current liabilities			
Other provisions	4.13	31.2	36.2
Financial liabilities	4.14	88.2	114.6
Trade payables	4.14	10.8	10.5
Income tax liabilities	4.14	0,1	5.8
Other liabilities	4.14	76.1	89.8
Total		**206.4**	**256.9**
Total equity and liabilities		**4,235.7**	**4,321.3**

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

The notes on pages 1 to 49 are an integral part of these consolidated financial statements.

Consolidated Income Statement

in € million	Note	1 Jan.–31 Dec. 2015	1 Jan.–31 Dec. 2014[1]
Sales	5.1	885.7	959.7
Changes in inventories		0.3	-1.9
Own work capitalised	5.2	23.7	21.5
Cost of materials	5.4	-349.2	-321.6
Personnel costs	5.5	-152.1	-148.7
Depreciation and amortisation	5.7	-153.8	-146.4
Other operating income	5.3	35.5	56.0
Other operating expenses	5.6	-92.9	-64.8
Income before financial result and taxes		**197.2**	**353.8**
Income from equity investments		-0.5	-0.4
Income from companies accounted for using the equity method		6.1	6.4
Interest result		-66.4	-66.9
of which interest expense		*-67.5*	*69.2*
Financial result	**5.8**	**-60.8**	**-60.9**
Profit before tax		**136.4**	**292.9**
Income taxes		-3.7	-1.0
Deferred taxes		-2.5	-12.1
Income tax allocation		-28.5	-54.6
Income taxes	**5.9**	**-34.7**	**-67.7**
Net income		**101.7**	**225.2**
Share in net income attributable to the sole shareholder of the parent company		101.7	225.2

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

The notes on pages 1 to 49 are an integral part of these consolidated financial statements.

[1] Sales and cost of materials were subsequently adjusted as a result of the changed accounting method (see section 2 23).

Consolidated Statement of Comprehensive Income

in € million	Note	31 Dec. 2015	31 Dec. 2014
Net income		**101.7**	**225.2**
Other comprehensive income		**34.7**	**-75.9**
Reclassifiable OCI		*-0.4*	-3.3
Cash flow hedges	*4.10*	*-0.4*	*-4.3*
Deferred taxes	*4.10*	.	*1.0*
Not reclassifiable OCI		35.1	-72.6
Remeasurement of defined benefit plans	*4.10*	*41.4*	*-105.1*
Deferred taxes	*4.10*	*-6.3*	*32.5*
Comprehensive income		**136.4**	**149.3**
Share in net income attributable to the sole shareholder of the parent company		136.4	149.3

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

The notes on pages 1 to 49 are an integral part of these consolidated financial statements.

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. 2015	**.**	**1,075.6**	**-176.4**	**-2.0**	**897.2**
Comprehensive income			**136.8**	**-0.4**	**136.4**
Net income			101.7		101.7
Other comprehensive income			35.1	-0.4	34.7
Remeasurement of defined benefit plans			*35.1*		*35.1*
Change in accumulated other comprehensive income				*-0.4*	*-0.4*
Capital reduction		**-150.0**			**-150.0**
Profit transferred			**-24.1**		**-24.1**
31 Dec. 2015	**.**	**925.6**	**-63.7**	**-2.4**	**859.5**

*The subscr bed 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.).

The notes on pages 1 to 49 are an integral part of these consolidated financial statements.

in € million	Subscribed capital*	Additional paid-in capital	Retained earnings	Change in accumulated other comprehensive income Cash flow hedges	Total
1 Jan. 2014	**.**	**1,075.6**	**-304.9**	**1.3**	**772.0**
Comprehensive income			**152.6**	**-3.3**	**149.3**
Net income			225.2		225.2
Other comprehensive Income			72.6	-3.3	-75.9
Remeasurement of defined benefit plans			*72.6*		*72.6*
Change in accumulated other comprehensive income				*-3.3*	*-3.3*
Advance profit transfer			**-20.0**		**-20.0**
Profit transferred			**-4.1**		**-4.1**
31 Dec. 2014	**.**	**1,075.6**	**-176.4**	**-2.0**	**897.2**

*The subscr bed 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.).

The notes on pages 1 to 49 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in € million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Cash provided by operating activities	**321.8**	**428.7**
Net income	101.7	225.2
Depreciation and amortisation	153.8	146.4
Changes in provisions	12.8	4.8
Changes in deferred taxes	2.5	12.1
Dividend received[2]	21.1	19.4
Payments into plan assets	-39.4	-13.6
Interest received	0.3	1.1
Other non-cash income and expenses	69.4	70.9
Changes in operating assets, liabilities and income tax	-1.3	-37.7
Inventories	*3.0*	*0.9*
Trade receivables	*6.5*	*8.1*
Other operating receivables and tax claims	*13.2*	*-0.2*
Trade payables	*5.0*	*-31.5*
Other operating liabilities and tax obligations	*-29.0*	*-15.0*
Gain from disposal of assets	0.9	0.1
Intangible assets and property, plant and equipment	*0.9*	*0.1*
Cash used for investing activities	**-185.7**	**-199.4**
Proceeds from the disposal of intang ble assets and property, plant and equipment	11.3	8.4
Purchases of investments in intangible assets and property, plant and equipment	-199.7	-172.6
Proceeds from the disposal of other equity investments	0.0	0.1
Proceeds from / purchases of other financial investments	2.7	-35.3
Proceeds from the disposal of other financial investments	*3.0*	*12.6*
Purchases of other financial investments	*-0.3*	*-47.9*
Cash used for financing activities	**-234.8**	**-274.3**
Interest paid	-65.1	-69.3
Payments made from changes in capital	-150.0	0.0
Proceeds from financial liabilities	69.7	72.5
Repayments of financial liabilities	-76.6	-133.6
Dividends paid[3]	-12.8	-143.9
Changes in cash and cash equivalents	**-98.7**	**-45.0**
Cash and cash equivalents at beginning of period	**248.4**	**293.4**
Cash and cash equivalents at end of period	**149.7**	**248.4**

[2] Including in 2015 dividends received from non-consolidated equity investments as well as the distribution from outside shareholders resulting from joint operations amounting to € 0 9 million.
[3] In addition to the remaining profit transfer of € 4.1 million for the 2014 financial year to VGS, in 2015 this item includes distributions of € 8.7 million to outside shareholders resulting from joint operations.

Additional information on cash provided by operating activities

in € million	31 Dec. 2015	31 Dec. 2014
Income tax paid (minus refunds)	-7.5	-7.4
Non-cash income and expenses from equity adjustment	6.2	6.8

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

Further information on the consolidated cash flow statement is given in section 6.1 of the Notes to the consolidated financial statements.

The notes on pages 1 to 49 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements of Vier Gas Transport GmbH for the Financial Year from 1 January 2015 to 31 December 2015

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, Essen (“VGS”). 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 financial statements and a management report. VGS is invoking this exemption. It is a publicly traded corporation within the meaning of Section 264d HGB. As the publicly traded parent company domiciled in Germany, VGT is obliged to prepare consolidated financial statements pursuant to Section 315a of the German Commercial Code (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

The financial year is the calendar year.

On 14 March 2016, these consolidated financial statements were approved by the Management for publication.

2 Summary of Significant Accounting Policies

2.1 Basis of presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), the interpretations of the International Accounting Standards Boards (IASB) as well as the commercial provisions to be applied in accordance with Section 315a (1) HGB.

The consolidated financial statements of the VGT Group are generally prepared based on historical cost, with the exception of available-for-sale financial assets that are recognised at fair value and of financial assets and liabilities (including derivative financial instruments) recognised at fair value through profit or loss.

The preparation of IFRS consolidated financial statements requires management to make estimates. Furthermore, the application of Group-wide accounting policies requires management assessments to be made.

In accordance with IAS 1 “Financial Statements: Presentation”, the consolidated balance sheet has been prepared using a classified balance sheet structure. Assets that will be realised within twelve months of the reporting date as well as liabilities that are due to be settled within one year of the reporting date are classified as current.

The consolidated income statement is classified using the nature-of-expense method.

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

2.2 Reporting standards applied

All accounting standards and interpretations for which application was mandatory from the 2015 financial year have been taken into consideration.

All new, amended or revised accounting standards are generally applied from the date when their application is mandatory.

IFRIC 21 "Levies"

In May 2013, the IASB published the Interpretation IFRIC 21 "Levies", which provides guidance for the timing of recognition of a liability for a levy imposed by a government. The Interpretation is to be applied both to levies that are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and to those where the timing and amount of the levy is certain. The Interpretation does not, however, apply to levies which are already covered by other standards, such as "Income Taxes" (IAS 12). The amendments have been adopted by the EU into European law. The recognition and measurement rules are to be applied for the first time for financial years beginning on or after 17 June 2014. There is no effect on the consolidated financial statements of VGT.

Annual Improvements to International Financial Reporting Standards, Cycle 2011-2013

The omn bus standard published by the IASB in December 2013 contains amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40. The amendments have all been adopted by the EU into European law and are to be applied for financial years beginning on or after 1 January 2015. There are no substantial effects on the consolidated financial statements of VGT.

The following new, amended or revised standards and interpretations which have been published but whose adoption is not yet mandatory in the financial year were not yet applied:

Standard / Interpretation		Published by IASB	Adoption by EU	Effective date	Probable effects
New Standards/Interpretations					
IFRS 9	Financial Instruments: Classification and measurement	24 Jul. 2014	No	1 Jan. 2018 (IASB)	As a result of IFRS 9, changes to the classification and measurement of financial assets and financial liabilities are required. New rules and requirements regarding hedge accounting will be introduced and the previous impairment model modified. It is planned to examine the possible effects on the Group in the 2016 financial year.
IFRS 14	Regulatory Deferral Accounts	30 Jan. 2014	No	1 Jan. 2016 (IASB)	No effects on the Group are expected
IFRS 15	Revenue from Contracts with Customers	28 May 2014	No	1 Jan. 2018 (IASB)	IFRS 15 will replace IAS 18 "Revenue" and IAS 11 "Construction Contracts". Contracts with customers will in future lead to sales revenue when control of a product or a service passes to the customer. The possible effects on the Group are being examined and cannot be reliably estimated at the present time.
IFRS 16	Leases	13 Jan. 2016	No	1 Jan. 2019	IFRS 16 replaces the previous standard on the accounting treatment of leases IAS 17 and the interpretations IFRIC 4, SIC-15 and SIC-27. In future, lessees will be required to recognise all leases in the balance sheet in the form of a right-of-use asset and a corresponding lease liability. Possible effects on the Group are currently being examined.

Standard / Interpretation		Published by IASB	Adoption by EU	Effective date	Probable effects
Amendments to Standards/Interpretations					
IAS 1	Disclosure Initiative (Amendments to IAS 1)	18 Dec. 2014	Yes	1 Jan. 2016	Possible effects on the Group are being examined
IAS 7	Statement of Cash Flows	29 Jan. 2016	No	1 Jan. 2017 (IASB)	Possible effects on the Group are being examined
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	19 Jan. 2016	No	1 Jan. 2017	No effects on the Group are expected
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	12 May 2014	Yes	1 Jan. 2016	No effects on the Group are expected
IAS 16 and IAS 41	Bearer Plants	30 Jun. 2014	Yes	1 Jan. 2016	No effects on the Group are expected
IAS 19	Employee Contributions to Defined Benefit Plans	21 Nov. 2013	Yes	1 Feb. 2015	No material effects on the Group are expected
IAS 27	Equity Method in Separate Financial Statements	12 Aug. 2014	Yes	1 Jan. 2016	No effects on the Group are expected
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	11 Sep. 2014	No	1 Jan. 2016 (IASB)[4]	Possible effects on the Group are being examined
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	18 Dec. 2014	No	1 Jan. 2016 (IASB)	No effects on the Group are expected
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	6 May 2014	Yes	1 Jan. 2016	No effects on the Group are expected
Miscellaneous	Improvements to International Financial Reporting Standards, 2010-2012 Cycle [5]	12 Dec. 2013	Yes	1 Feb. 2015	No material effects on the Group are expected
Miscellaneous	Improvements to International Financial Reporting Standards, 2012-2014 Cycle[6]	25 Sep. 2014	Yes	1 Jan. 2016	No effects on the Group are expected

[4] First-time application date has been postponed indefinitely.
[5] Changes to a large number of FRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24).
[6] Changes to a large number of FRS (IFRS 5, IFRS 7, IAS 19, IAS 34).

2.3 Consolidation policies

(a) Subsidiaries

Subsidiaries are all entities in which the Group is exposed to variable returns from its involvement with the entity or has rights in the entity and has the ability to affect those returns through its power over the entity (control as defined in IFRS 10).

Subsidiaries are included in the consolidated financial statements of VGT (full consolidation) from the time at which control passes to VGT. They are deconsolidated at the time at which control ends.

Acquired subsidiaries are accounted for by applying the acquisition method. The acquisition costs of the acquiree are considered to be the fair value of the assets given, the equity instruments issued and the liabilities incurred and/or assumed at the transaction date. Furthermore, they include the fair values of all assets or liabilities recognised which arise out of a contingent consideration agreement. Assets, liabilities and contingent liabilities identifiable as part of a business combination are measured on initial consolidation at their fair value at the acquisition date. For each company acquisition, the Group decides on a case-by-case basis whether the non-controlling shares in the acquiree are recognised at their fair value or by means of the pro-rata interest in the net assets of the acquiree.

Acquisition-related costs incurred are recognised directly as expense.

Goodwill is measured as the excess of the sum of the cost of acquisition, the amount of any non-controlling interests in the acquiree and the fair value of any previously held equity interest at the acquisition date over the fair value of the net assets.

If the fair value of the net assets of the acquired subsidiary exceeds the cost of acquisition, after a second appraisal of the measurement, the difference is recognised directly in the income statement under the item “other operating income”.

All material transactions, balances and unrealised gains from transactions between companies included in the consolidated financial statements of VGT are eliminated.

In accordance with IFRS 10, the financial statements of the domestic subsidiaries included in the consolidation are prepared using uniform accounting and measurement methods. Accordingly, accounting and measurement methods of subsidiaries were adjusted as necessary.

(b) Joint Arrangements

Joint arrangements are accounted for in accordance with the requirements of IFRS 11.

Companies which, in accordance with IFRS 11, have been classified as joint operations are, for the purposes of simplification, generally proportionately consolidated in line with the share of ownership interest, with the exception of expansion investments involving only one joint operator. These are recognised in full in the consolidated financial statements of that joint operator.

All material transactions and balances between joint operations and other affiliated companies that are included in the consolidated financial statements of VGT are generally proportionately eliminated with the exception of internal sales revenue from the joint operations and the corresponding cost of materials of the joint operator. As the parties to the joint operation take its entire output, these items are, in accordance with the IFRIC Update published in March 2015 by the IFRS IC, fully eliminated where the share of ownership interest is the same as the share of the output purchased. In the event of differences between the share of ownership interest and the share of output purchased, which is the case in the VGT Group, only sales revenue or cost of materials measured proportionately in the amount of the difference between the two percentage shares therefore remain in the consolidated financial statements. When applying this procedure, a transaction between the joint operation parties involved is assumed. If one party to the joint operation takes less output than the percentage share it would be due in relation to its share of ownership interest, according to this approach it is assumed that a sale to the other party of the joint operation has taken place in the amount of the "shortfall quantity" – i.e. the difference between the share of output due to the party of the joint operation based on its ownership interest and the share of output it has actually taken. If a party to the joint operation takes more output than the percentage share it would be due in relation to its share of ownership interest, it is similarly assumed that a purchase from the other party to the joint operation has taken place in the amount of the "excess quantity" – i.e. the difference between the share of output actually taken and the share of output due to the party to the joint operation based on its ownership interest. In this fictive transaction it is also assumed that the purchase price is the same as the price at which the joint operation sells to the parties of the joint operation. As joint operations are included and transactions between the Group and the joint operations generally proportionately eliminated, as descr bed, in line with ownership interest, whilst sales revenues from the joint operations and the corresponding cost of materials are fully eliminated where the share of ownership interest is the same as the share of the output purchased, receivables and/or liabilities which, from the Group point of view, have not led to sales revenue or cost of materials may have to be reported in the consolidated financial statements. As transactions between the joint operations and the parties thereto which lead to sales revenue of the joint operation are generally monthly and immediately cash-effective, such receivables and/or liabilities – where existing at the reporting date – are normally not material compared with the operating receivables or liabilities as a whole reported in the consolidated financial statements.

In accordance with the requirements of IFRS 11, joint ventures are accounted for using the equity method. Gains or losses from the sale of the Group's own assets to joint ventures are recognised in the amount of the proportion of the gain or loss attributable to the interests of the other joint venturers. However, the full amount of any loss on such transactions is recognised immediately if the loss provides reliable evidence of a reduction in the net realisable value of assets to be sold or an impairment loss.

The Group's shares of profits and losses of joint ventures which arise from the purchase of assets from a joint venture are not recognised by the Group until it resells the assets to a company not belonging to the Group. If a loss provides reliable evidence of a reduction in the net realisable value of assets to be purchased or an impairment loss, the Group's share of such losses is recognised immediately.

(c) Associates

An associate is an entity over which the Group has significant influence but does not have exclusive control.

Interests in associates are accounted for using the equity method. Interests in associates accounted for using the equity method are reported on the balance sheet at cost, adjusted for changes in VGT’s share of the net assets after the date of acquisition, as well as any impairment charges. Losses that might potentially exceed the Group’s interest in an associate when attributable long-term loans granted are taken into consideration are not recognised. Any goodwill resulting from the acquisition of an associate is included in the carrying amount of the associate.

Unrealised gains and losses arising from transactions with associates accounted for using the equity method are eliminated in the consolidation process on a pro-rata basis if and insofar as they are material.

Companies accounted for using the equity method are tested for impairment by comparing the carrying amount with the recoverable amount. If the carrying amount exceeds the recoverable amount, the carrying amount is adjusted for this difference (impairment). If the reasons for previously recognised impairment losses no longer exist, such impairment losses are reversed accordingly.

The financial statements of the equity investment accounted for using the equity method are generally prepared using accounting that is uniform within the Group.

2.4 Scope of consolidation

As of the reporting date, four domestic subsidiaries taken over as part of the acquisition of the OGE Group were fully consolidated. The fully consolidated subsidiaries are controlled by virtue of the fact that VGT holds the majority of the voting rights either directly or indirectly. Subsidiaries are not consolidated if they are immaterial for the consolidated financial statements of VGT. In accordance with IAS 39, these subsidiaries are accounted for at cost and shown under financial assets. This applied to three domestic companies as of the reporting date.

As of the reporting date, three domestic joint operations were proportionately consolidated. Despite the fact that these companies are legally separate entities, the examination of other factors and circumstances leads to the conclusion that rights to their assets and obligations for their liabilities exist as these companies provide their services exclusively for the joint operation parties. OGE is contractually bound to the other joint operators not only through the Articles of Association but also through consortium agreements. These agreements also form the basis for the classification of the joint arrangements as joint operations. Furthermore, the joint operations grant OGE and the other joint operators the use of their pipeline network under grant-of-use agreements. These pipeline networks are a vital prerequisite for the Company’s business activity as a gas transmission network operator on the current scale.

The joint operations operate in a regulated business environment. As a result, there is a general business risk for these companies because of the uncertainty surrounding the development of the regulatory framework in Germany and Europe. However, as the joint operations do not apply for their own revenue caps under the incentive regulation, but lease their pipeline network under individual contracts to the joint operators, the risk is limited.

Seven domestic joint arrangements are accounted for at cost in the consolidated financial statements in accordance with IAS 39 as they are only of immaterial significance for giving a true and fair view of the assets, liabilities, financial position and profit or loss of the VGT Group. They are reported under financial assets.

As of the reporting date, six associates were identified. Five of them are also accounted for at cost in accordance with IAS 39 and shown under financial assets due to their immaterial significance for the consolidated financial statements. The only associate accounted for using the equity method is GasLINE GmbH & Co. KG ("GasLINE KG"), Straelen, whose business is the construction, acquisition, rental, maintenance and grant of use particularly of fibre-optic cables and cable ducts for telecommunications purposes. OGE and GasLINE KG provide services for each other.

See section 7 “List of shareholdings” for a detailed description of the companies included in the consolidated financial statements as well as unconsolidated companies.

There are regulatory restrictions on the transfer of assets between the companies within the Group. They relate to the following assets of the affiliates OGE and Mittelrheinische Erdgastransportleitungsgesellschaft mbH ("METG"), Essen, within the consolidated balance sheet:

in € million	31 Dec. 2015	31 Dec. 2014
Assets		
Non-current assets		
Intang ble assets	67.2	81.8
Property, plant and equipment	2,146.6	2,125.2
Deferred tax assets	27.3	16.2
Non-current receivables	0.6	0.3
Total	**2,241.7**	**2,223.5**
Current assets		
Inventories	12.7	15.4
Trade receivables (incl. advance payments made)	22.3	21.3
Income tax receivables	1.0	3.6
Other receivables	3.4	2.1
Cash and cash equivalents	31.5	50.0
Total	**70.9**	**92.4**
Total assets	**2,312.6**	**2,315.9**

We refer to section 4.5 for the carrying amounts of the joint operations within the consolidated balance sheet.

2.5 Segment reporting

Reporting on the business segment is performed in the same manner as internal reporting to the main decision-maker. The main decision-maker is respons ble for decisions on the allocation of resources and for reviewing profitability. The management of OGE has been determined to be the main decision-maker.

2.6 Foreign currency translation

The items contained in the financial statements of each Group company are measured in euros as this currency is the functional currency of all Group companies. The consolidated financial statements are also prepared in euros, which is the functional currency and the reporting currency of VGT.

Transactions denominated in foreign currency are translated into the functional currency at the exchange rate at the transaction date or at the measurement date in the case of remeasurement. Gains and losses resulting from the settlement of such transactions as well as from the translation of monetary assets and liabilities denominated in foreign currency at the reporting date are recognised in the income statement unless they are to be recognised within equity as qualified cash flow hedges and qualified net investment hedges.

Foreign currency gains and losses are shown in the income statement under other operating income and other operating expenses.

2.7 Property, plant and equipment

Property, plant and equipment are initially measured at acquisition or production cost and are generally depreciated over the expected useful lives of the components, using the straight-line method, unless a different method of depreciation is deemed more suitable in certain exceptional cases. The useful lives of the major components of property, plant and equipment are presented below:

- Buildings 25-50 years
- Technical equipment, plant and machinery 10-40 years
- Other equipment, fixtures, furniture and office equipment 5-14 years

The remaining carrying amounts and economic useful lives are reviewed at every reporting date and adjusted where necessary.

As part of the purchase price allocation (PPA), assets and liabilities were recognised at their fair value. The fair values of the non-current assets were derived from the present value of the estimated future cash flows taking the regulatory framework into consideration. Estimates of future potential benefits and useful lives were also made.

Subsequent costs are only recognised as part of the acquisition or production cost of the asset, or - if relevant - recognised as a separate asset if it is probable that the Group will receive a future economic benefit and the cost can be determined reliably. Repair and maintenance costs that do not constitute significant replacement capital expenditure (day-to-day servicing) are expensed as incurred.

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset may be impaired. In such a case, items of property, plant and equipment are tested for impairment under IAS 36 by comparing the carrying amount of an item of property, plant and equipment with a definite or indefinite life with the asset's recoverable amount, which is the higher of its value in use and its fair value less costs to sell. Should the carrying amount exceed the corresponding recoverable amount, an impairment loss equal to the difference between the carrying amount and the recoverable amount is recognised and reported in income under "Depreciation and amortisation".

If an impairment loss is determined, the remaining useful life of the asset may also be subject to adjustment, where applicable. If the reasons for previously recognised impairment losses no longer exist, such impairment losses are reversed and recognised in income. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment taken place during the preceding periods.

Private investment subsidies do not reduce the acquisition and production costs of the respective assets; they are instead reported on the balance sheet as deferred income.

2.8 Goodwill

Goodwill is created when subsidiaries, associates and jointly controlled companies are acquired and is the amount by which the consideration transferred exceeds the fair value of the Group's shares in the acquired identifiable assets, the liabilities assumed and the contingent liabilities at the date of acquisition.

In accordance with IFRS 3, "Business Combinations", goodwill is not amortised but rather tested for impairment at the cash-generating unit level on at least an annual basis according to the requirements of IAS 36 "Impairment of Assets". Impairment tests must also be performed between these annual tests if events or changes in circumstances indicate that the carrying amount of the respective cash-generating unit might not be recoverable.

The VGT Group represents one single cash-generating unit and is consequently a one-segment group. Therefore, no allocation of goodwill had to be performed.

In a goodwill impairment test, the recoverable amount of the cash-generating unit is compared with its carrying amount, including goodwill. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. Measurement from the viewpoint of the fair value less costs to sell is performed using the discounted cash flow method, and accuracy is verified through the use of appropriate multipliers, to the extent available. In addition, market transactions or valuations prepared by third parties for comparable assets are used to the extent available. If needed, a calculation of value in use is also performed. Unl ke fair value, the value in use is calculated from the viewpoint of management. In accordance with IAS 36, it is further ensured that restructuring expenses, as well as initial and subsequent capital investments (where those have not yet commenced), in particular, are not included in the valuation.

If the carrying amount exceeds the recoverable amount, the goodwill allocated to that cash-generating unit is adjusted in the amount of this difference.

If the impairment thus identified exceeds the goodwill, the remaining assets of the unit must be written down in proportion to their carrying amounts. Individual assets may be written down only if their respective carrying amounts do not fall below the highest of the following values as a result:

- fair value less costs to sell
- value in use or
- zero.

Any additional impairment loss that would otherwise have been allocated to the asset concerned must instead be allocated pro rata to the remaining assets of the unit. Impairment charges on the goodwill reported in the income statement under “Depreciation and amortisation” may not be reversed in subsequent reporting periods.

VGT has elected to perform the annual testing of goodwill for impairment at the cash-generating unit level in the fourth quarter of each financial year.

For the impairment test as of 31 December 2015, the recoverable amount was determined, as in the previous year, by taking the fair value less costs to sell on the basis of the forecast of future cash flows ("fair value less costs to sell view“). This method is in line with level 3 of the measurement hierarchy in accordance with IFRS 13.

The cash flow forecasts used for the valuation are based on the medium-term planning of the Group representing the net assets, financial position and results of operations in the past projected into the future. In this context, significant assumptions are regulatory revenues reflecting the current regulatory regime, the planning of operating costs and the investment planning that is mainly characterised by investments under the network development plan. The key parameters of the regulatory framework as well as the network development plan are information that is publicly available. The calculations for impairment-testing purposes are generally based on the five planning years of the medium-term plan. In certain justified exceptional cases, a longer detailed planning period is used as the calculation basis, especially when that is required under a regulatory framework or specific regulatory provisions. The cash flow assumptions extending beyond the detailed planning period are determined using specific growth rates that are based on historical analysis and prospective forecasting. The inflation rate assumed in the medium-term planning is based on publicly available market data and unchanged from the previous year at 2.0% in the terminal value; the sustained growth rate was conservatively derived from this inflation rate and assumed to be unchanged from the previous year at 1.5%. The interest rate used for discounting cash flows (WACC after tax) is calculated using market data and at the measurement date was unchanged from the previous year at 3.4%.

2.9 Intangible assets

IAS 38 requires that intangible assets be amortised over their expected useful lives unless their lives are considered to be indefinite. Factors such as typical product life cycles and legal or similar limits on use are taken into account in the classification.

Intang ble assets subject to amortisation are measured at cost of acquisition or production and amortised on a straight-line basis over their respective useful lives. Internally generated intang ble assets subject to amortisation are mainly related to software and are amortised over a maximum of five years. Acquired intangible assets subject to amortisation are largely software and software licences as well as contract-based intang ble assets. The useful life of acquired software and software licences is generally three years. Contract-based intangible assets are amortised in accordance with the provisions specified in the contracts. Useful lives and amortisation methods are subject to annual review. Intangible assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

As part of the PPA in 2012 financial year, assets and liabilities were recognised at their fair value. The fair values of the identified intangible assets were derived from the present value of the estimated future cash flows. Estimates of future potential benefits and useful lives were also made.

Intang ble assets not subject to amortisation are measured at cost of acquisition or production and tested for impairment annually or more frequently if events or changes in circumstances indicate that such assets may be impaired. Moreover, such assets are reviewed annually to determine whether an assessment of indefinite useful life remains applicable.

In accordance with IAS 36, the carrying amount of an intangible asset, whether subject to amortisation or not, is tested for impairment by comparing the carrying amount with the asset's recoverable amount, which is the higher of its value in use and its fair value less costs to sell. Should the carrying amount exceed the corresponding recoverable amount, an impairment loss equal to the difference between the carrying amount and the recoverable amount is recognised and reported in income under “Depreciation and amortisation".

If the reasons for previously recognised impairment losses no longer exist, such impairment losses are reversed. A reversal shall not cause the carrying amount of an intangible asset subject to amortisation to exceed the amount that would have been determined, net of amortisation, had no impairment loss been recognised during the period.

If the recoverable amount for an individual intangible asset cannot be determined, the recoverable amount is determined for the smallest identifiable group of assets (cash-generating unit) to which the individual intangible asset can be assigned.

Under IFRS, emission rights held under national and international emission-rights systems for the settlement of obligations are reported as intangible assets. Since emission rights are not depleted as part of the production process, they are reported as intangible assets not subject to amortisation. Emission rights are capitalised at cost when issued for the respective reporting period as (partial) fulfilment of the notice of allocation from the national authorities responsible, or upon acquisition.

The provision is measured at the carrying amount of the emission rights held or, in the case of a shortfall, at the current fair value of the emission rights needed. The expenses incurred for the recognition of the provision are reported under cost of materials.

2.10 Research and development costs

In accordance with IAS 38.57 ff, research and development costs must be allocated to a research phase and a development phase. While expenditure on research is expensed as incurred, development costs must be capitalised as an intangible asset if all of the general criteria for recognition specified in IAS 38, as well as certain other specific prerequisites, have been fulfilled. In the financial year, these criteria were fulfilled for internally generated software, which were capitalised accordingly. No research costs were incurred.

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities are only recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to payments from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial assets. A financial liability is to be derecognised when the obligations agreed in the contract have been fulfilled and the financial liability has thus been discharged, cancelled or expired.

Non-derivative financial instruments

Non-derivative financial instruments are recognised at fair value on the settlement date when acquired. In the case of financial instruments which will not be subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the purchase also have to be taken into account. In the case of financial instruments which will subsequently be measured at fair value, the associated transaction costs are recognised in profit or loss. Unconsolidated equity investments and securities are measured in accordance with IAS 39, “Financial Instruments: Recognition and Measurement”. Financial instruments are classified in accordance with the measurement categories of IAS 39. VGT categorises financial assets as assets measured at fair value through profit or loss, which include financial instruments held for trading, available-for-sale securities as well as loans and receivables. Classification depends on the purpose for which the financial asset was acquired. Management determines the categorisation of the financial assets at initial recognition.

Securities categorised as available for sale are carried at fair value on a continuing basis. Any resulting unrealised gains and losses, net of related deferred taxes, are reported as a component of equity (other comprehensive income) until realised.

Realised gains and losses are determined by analysing each transaction individually. If there is objective evidence of impairment, any losses previously recognised in other comprehensive income are instead recognised in the financial result. When estimating a possible impairment loss, VGT takes all available information into consideration, such as market conditions and the length and extent of the impairment.

Assets measured at fair value through profit or loss are financial assets which are held for trading. A financial asset is assigned to this category if it was, in principle, acquired with the intention to sell it in the short term.

Current loans and receivables (including trade receivables) are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Current loans and receivables are reported on the balance sheet under “Receivables and other assets.” They are subsequently measured at amortised cost. Valuation allowances are provided for identifiable individual risks.

Non-derivative financial liabilities (including trade payables and bonds) within the scope of IAS 39 are measured at amortised cost using the effective interest method. Initial measurement takes place at fair value, with transaction costs included in the measurement. In subsequent periods, the residual carrying amount is adjusted for accretion of any premium and amortisation of any discount remaining until maturity. The premium/discount is recognised in the financial result over the term.

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset available for sale or measured at amortised cost is impaired. A financial asset or group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset or group of assets (a "loss event") and that loss event has an impact which can be reliably estimated on the expected future cash flows of the financial asset or group of financial assets.

Objective evidence of impairment may include indications that a debtor or group of debtors is experiencing financial difficulty as evidenced by default or delinquency in interest or principal payments or a higher probability of insolvency.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows (excluding future credit losses that have not been incurred) – discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of the loss. The amount of the loss is recognised in the consolidated income statement. If a loan or receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was first recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

If there is objective evidence of impairment of an asset classified as available for sale, the cumulative loss recognised in equity – measured as the difference between the acquisition cost (less any redemptions and amortisations) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a financial asset classified as available for sale increases and this increase can objectively be related to an event occurring after the impairment was first recognised in profit or loss, the impairment loss is reversed through the consolidated income statement. Impairment losses recognised in profit or loss for an equity instrument classified as available for sale are reversed directly in equity when the fair value of the equity instrument increases. In 2015, there was no objective evidence of impairment of financial assets in the VGT Group.

Derivative financial instruments and hedging transactions

Derivative financial instruments and separated embedded derivative financial instruments are measured at fair value at initial recognition and in subsequent periods. IAS 39 requires that they be categorised as financial instruments measured at fair value through profit or loss as long as they are not a component of a hedge accounting relationship. Gains and losses from changes in fair value are immediately recognised in income.

The instruments mainly used are foreign currency transactions as well as interest rate swaps.

IAS 39 sets requirements for the documentation of hedging relationships, the hedging strategy as well as ongoing retrospective and prospective measurement of effectiveness in order to qualify for hedge accounting. Retrospective measurement of effectiveness is performed using the cumulative dollar offset method and prospective measurement of effectiveness using the critical term match method. Hedge accounting is retrospectively considered to be appropriate if the assessment of hedge effectiveness indicates that the change in fair value of the designated hedging instrument, including a risk premium in accordance with IFRS 13, is 80 to 125% effective at offsetting the change in fair value due to the hedged risk of the hedged item or transaction.

For qualifying fair value hedges, the change in the fair value of the derivative, including a risk premium in accordance with IFRS 13, and the change in the fair value of the hedged item that is due to the hedged risk(s) are recognised in income. If a derivative financial instrument qualifies as a cash flow hedge under IAS 39, the effective portion of the hedging instrument's change in fair value is recognised in equity as a component of other comprehensive income. A risk premium is also taken into consideration. A reclassification into income is performed in the period or periods during which the cash flows of the transaction being hedged affect income. The hedging result is reclassified to income immediately if it becomes probable that the hedged underlying transaction will no longer occur. For hedging instruments used to establish cash flow hedges, the change in fair value of the ineffective portion is recognised immediately in the income statement to the extent required.

Changes in fair value of derivative instruments that must be recognised in income are presented as other operating income or expenses. Gains and losses from interest-rate derivatives are netted for each contract and included in interest result.

Additional information on financial instruments is provided in sections 3 and 4.1.

2.12 Inventories

Of the inventories, raw materials and supplies are generally measured at the lower of weighted average cost and net realisable value. The net realisable value is the estimated selling price achievable in the ordinary course of business less the necessary variable costs to sell. Inventory risks resulting from excess and obsolescence are provided for using appropriate valuation write-downs.

Work in progress is measured at production cost. In addition to production materials and wages, production costs include pro-rata material costs and production overheads based on normal capacity. The costs of general administration are not capitalised. The acquisition and production costs do not include any borrowing costs.

The gas inventories in the pipeline network are measured at acquisition cost using the weighted average cost method.

Construction contracts

A construction contract is defined according to IAS 11 as a contract specifically negotiated for the construction of an asset. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period.

For projects running over more than one period, mainly gas industry construction projects, the Group uses the percentage-of-completion method (PoC) to determine the contract revenue to be recognised in a particular financial year in line with the percentage of completion. The percentage of completion is the proportion of contract costs incurred for work performed up to the reporting date compared with the estimated total contract costs (cost-to-cost method). The contract costs incurred in the current financial year that relate to future activities are not included in the contract costs when determining the percentage of completion.

The net amount for a construction contract is shown as an asset or liability on the balance sheet. A construction contract is shown as an asset when the costs incurred plus recognised profits (less recognised losses) exceeds progress billings. In the opposite case, a liability is recognised.

2.13 Receivables and other assets

Receivables and other assets are initially measured at fair value, which generally approximates nominal value. They are subsequently measured at amortised cost using the effective interest method. Valuation allowances, included in the reported net carrying amount, are provided for identifiable individual risks. If the loss of a certain part of the receivables is probable, valuation allowances are provided to cover the expected loss.

2.14 Cash and cash equivalents

Cash and cash equivalents include cheques, cash on hand and bank balances with an original maturity of less than three months. Cash and cash equivalents with an original maturity of less than three months are considered to be cash and cash equivalents, unless they are restricted.

2.15 Borrowing costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalised and subsequently amortised alongside the related asset. Qualifying assets are assets which necessarily take more than twelve months to get ready for their intended use or sale. In the case of a specific financing arrangement, the respective borrowing costs incurred for that particular arrangement during the period are used. For non-specific financing arrangements, a financing rate uniform within the Group of 2.5% was applied for 2015 (previous year: 2.6%). Other borrowing costs are expensed.

2.16 Income taxes

Tax expense for the period consists of current and deferred taxes. Taxes are recognised in the income statement unless they relate to items which have been directly recognised within equity or other comprehensive income. . In the latter case, the taxes are also recognised within equity or other comprehensive income.

The current tax expense is calculated using the tax regulations applicable on the reporting date (or soon to apply) of the countries in which the Company and its subsidiaries operate and generate taxable income. The Management regularly reviews tax declarations, above all with regard to issues subject to interpretation, and, when appropriate, establishes provisions based on the amounts which it expects will have to be paid to the tax authorities.

Under IAS 12, "Income Taxes", deferred taxes are recognised on temporary differences arising between the carrying amounts of assets and liabilities on the balance sheet and their tax bases (balance sheet liability method). Deferred tax assets and liabilities are recognised for temporary differences that will result in taxable or deductible amounts when taxable income is calculated for future periods, unless those differences are the result of the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither pre-tax profit/loss nor taxable profit (so-called initial differences). Deferred tax liabilities are also not recognised when they result from the first-time recognition of goodwill. IAS 12 further requires that deferred tax assets be recognised for unused tax loss carryforwards and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the temporary differences, unused tax loss carryforwards and unused tax credits can be utilised. Each of the corporate entities is assessed individually with regard to the probability of a positive tax result in future years. Any existing history of losses is incorporated in this assessment. For those deferred tax assets to which these assumptions do not apply, the value of the deferred tax assets is reduced.

Deferred tax liabilities caused by temporary differences associated with investments in subsidiaries and associates are recognised unless the timing of the reversal of such temporary differences can be controlled within the Group and it is probable that, owing to this control, the differences will in fact not be reversed in the foreseeable future.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be applicable for taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of enacted or substantially enacted changes in tax rates and tax law is generally recognised in income. Equity is adjusted for deferred taxes that had previously been recognised directly in equity. The adjustment is generally made in the period in which the legislation mandating the change is substantively enacted.

Deferred taxes for domestic companies are calculated using a total tax rate of 31.0%. This tax rate includes, in addition to the 15.0% corporate income tax, the solidarity surcharge of 5.5% on the corporate tax and the average trade tax rate of 15.0% applicable to the Group.

Deferred tax receivables and liabilities are netted against each other when a legally enforceable right to netting exists and when the deferred tax receivables and liabilities relate to income taxes levied by the same tax authority for either the same taxable entity or different taxable entities which intend to settle on a net basis.

2.17 Employee benefits

(a) Pension obligations

Various pension plans exist in the Group. The plans are generally funded by payments to insurance companies or trust funds, the amounts paid being based on regularly updated actuarial calculations.

The Group has both defined benefit plans and defined contribution plans: a defined contribution plan is a pension plan under which the Group pays fixed amounts to a company (fund) which does not belong to the Group. The Group has no legal or constructive obligation to pay additional contributions if the fund does not hold sufficient assets to settle the pension entitlements of all employees arising from the current and prior financial years. A defined benefit plan is a plan which is not a defined contr bution plan.

Defined benefit plans typically fix an amount which the employees will receive on retirement and which normally depends on one or more factors (such as age, years of service and salary).

To protect against insolvency and fund the employees' entitlements under pension commitments and similar obligations, the Group as the trustor established a two-sided CTA trust relationship with Helaba Pension Trust e. V. (Helaba), Frankfurt am Main (trustee), under agreements dated 14 December/21 December 2011 and as trustor transferred, as a precautionary measure, assets to 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 meet the requirements for being classified as plan assets.

In accordance with IAS 19 "Employee Benefits", the provision for defined benefit plans recognised on the balance sheet corresponds to the present value of the defined benefit obligation (DBO) on the reporting date less the fair value of the plan assets. The DBO is calculated annually by an independent actuary using the projected unit credit method. This method takes into account not only the pension obligations known on the reporting date and acquired vested rights but also economic trend assumptions which are chosen according to realistic expectations. The assessment is based on the 2005 G mortality tables of Prof. Dr Klaus Heubeck which serve as a biometric basis for calculation.

The present value of the DBO is calculated by discounting the expected future cash outflows using interest rates of corporate bonds with a very high rating. The corporate bonds are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liabilities.

The expected return on plan assets is determined on the basis of the discount rate used to measure pension obligations.

The remeasurement component, which is based on experience adjustments and changes in the actuarial assumptions, is recognised directly within equity in other comprehensive income in the period in which they occur and thereafter reported under retained earnings.

The employer service cost representing the additional benefits that employees earned under the benefit plan during the financial year is reported under personnel costs; net interest cost/income resulting from the net pension obligation is reported under the financial result.

Past service cost is recognised immediately in income.

With defined contr bution plans, the Group pays contributions to public or private pension insurance plans on the basis of a statutory or contractual obligation or on a voluntary basis. The Group has no further payment obligations beyond the payment of the contributions. The payments are expensed as incurred and reported under personnel costs.

(b) Other post-employment benefits

The Group grants some of its pensioners a post-employment benefit in the form of a gas allowance. An accounting method corresponding to that used for defined benefit plans is used to measure the gas allowances.

(c) Termination benefits

Termination benefits are paid when a Group company terminates an employee’s employment contract before the normal retirement date or when employees volunteers to terminate the employment contract in exchange for severance benefits. The Group recognises severance benefits when it can be proved that it is obliged to terminate the employment of current employees according to a detailed formal plan which cannot be reversed, or if it can be proven that it is obliged to make severance payments after voluntary termination of employment by employees. Benefits which are due more than twelve months after the reporting date are discounted to their present value.

(d) Other long-term benefits

The provisions for long-service anniversary benefits and part-time phased-retirement obligations were calculated in line with actuarial principles, taking into account a reasonable discount rate, reasonable salary increases and - if applicable to the relevant obligation – reasonable pension increases and staff turnover rate. Measurement was performed on the basis of the 2005 G mortality tables compiled by Prof. Dr. Klaus Heubeck.

The provisions for long-term working-time accounts are measured using the discount rate for the pension obligations.

The plan assets resulting from the insolvency insurance to cover employee claims under part-time phased-retirement obligations and long-term working-time accounts are offset against the respective provisions.

(e) Short-term benefits

A provision based on estimates is established for performance-related and company success-related bonus payments to employees.

In addition, a provision is recognised in the consolidated financial statements in cases where a contractual obligation exists or where there is a constructive obligation resulting from past business practice. These cases mainly include vacation and short-term working time account provisions. These provisions are measured at the daily rates and/or the average hourly rate including social security contributions due.

2.18 Provisions

In accordance with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”, provisions are recognised when the Company has a legal or constructive present obligation towards third parties as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured in accordance with IAS 37 at the best estimate of expenditure required to settle the present obligation, taking the probability of occurrence and the timing of settlement into account. The provision is recognised at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts if the interest rate effect (the difference between present value and repayment amount) resulting from discounting is material; future cost increases that are foreseeable on the balance sheet date and likely to occur must also be included in the measurement. Long-term obligations are discounted at the market interest rate applicable as of the respective balance sheet date. The accretion amounts and the effects of changes in interest rates are presented as part of the financial result. A reimbursement related to the provision that is virtually certain to be collected is capitalised as a separate asset. No offsetting within provisions is permitted. Advance payments remitted are deducted from the provisions.

Changes in estimates arise in particular from deviations from original cost estimates, from changes to the maturity or the scope of the relevant obligation, and also as a result of the regular adjustment of the discount rate to current market interest rates.

Where necessary, provisions for restructuring costs are recognised at the present value of the future outflows of resources. Provisions are recognised once a detailed restructuring plan has been decided on by management and publicly announced or communicated to the employees or their representatives. Only those expenses that are directly attributable to the restructuring measures are used in measuring the amount of the provision. Expenses associated with the future business operations are not taken into consideration.

As part of the PPA, contingent liabilities were identified for the removal of decommissioned pipelines as well as the back-filling of pipeline trenches. The obligations were measured at their fair value on the date of acquisition (31 July 2012) and have been adjusted for changes in accordance with IFRS 3.56.

2.19 Recognition of income

The Company recognises sales revenue upon delivery of goods to customers or purchasers, or upon completion of services rendered. Delivery is deemed complete when the risks and rewards associated with ownership have been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable. Revenues from the sale of goods and services are measured at the fair value of the consideration received or receivable.

Sales revenue is shown net of sales taxes and less any rebates and discounts given as well as returns, and after elimination of intragroup transactions.

Interest income is recognised pro rata using the effective interest method. Dividend income is recognised when the right to receive the distr bution payment arises.

2.20 Leases

Leases in which substantially all of the risks and rewards incident to ownership of the leased property remain with the lessor are classified as operating leases. Payments made under an operating lease (net after deduction of incentive payments made by the lessor) are recorded on a straight-line basis in income over the term of the lease.

No Group company is a lessee under a finance lease in accordance with IAS 17.

2.21 Consolidated cash flow statement

In accordance with IAS 7 "Cash Flow Statements", the consolidated cash flow statement is classified by operating, investing and financing activities. Income taxes paid and refunded as well as dividends and interest received are classified as cash from operating activities. Dividends and interest paid are classified as cash from financing activities. The purchase prices paid and selling prices received in acquisitions and disposals of companies are reported, net of any cash and cash equivalents acquired (disposed of), under investing activities if the respective acquisition or disposal results in a gain or loss of control. In the case of acquisitions and disposals that do not result in a gain or loss of control, the corresponding cash flows are reported under financing activities.

2.22 Estimates and assumptions as well as judgements in the application of accounting policies

The preparation of the consolidated financial statements requires management to make estimates and assumptions that may influence the application of accounting principles within the Group and affect the measurement and presentation of reported figures. Estimates are based on past experience and on additional knowledge obtained on transactions to be reported. Actual amounts may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognised in the period in which the estimate is revised if the change affects only that period, or in the period of the revision and subsequent periods if both current and future periods are affected.

Estimates are particularly necessary for the measurement of the value of property, plant and equipment and of intangible assets, especially in connection with purchase price allocations, the recognition and measurement of deferred tax assets, the accounting treatment of provisions for pensions and other provisions, for impairment testing in accordance with IAS 36, as well as for the determination of the fair value of certain financial instruments.

The underlying principles used for estimates in each of the relevant topics are outlined in the respective sections.

2.23 Changes to the accounting method

At its meeting on 24 March 2015, the IFRS IC explained its decision not to include various questions relating to IFRS 11 in the work programme of the IFRS IC. This agenda decision was published in an IFRIC Update in March 2015. In the explanation of the decision, material statements relating to IFRS 11 were made. Although they are published expressly for information purposes only, the IASB accords these explanations practical relevance. The explanations of decisions are generally also referred to as "Non-IFRIC" or "NIFRIC".

One of these NIFRICs addresses the issue of joint operations which are structured as a separate vehicle and as a result of other factors and circumstances are classified as such, as the parties take the entire output of the joint operation in relation to their rights and obligations to said joint operation.

With regard to the inclusion and consolidation of sales of such joint operations, this NIFRIC clarifies that internal sales to be fully eliminated and therefore must not be included in the (consolidated) financial statements of the joint operator. As the internal sales of the joint operations MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG ("MEGAL"), Essen, Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG ("TENP"), Essen, and NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG ("NETRA"), Schneiderkrug, were previously proportionately eliminated in the VGT Group, this NIFRIC is a change to the accounting method within the meaning of IAS 8. The change only relates to the items sales and cost of materials in the VGT consolidated income statement and has no effect on net income.

The following reconciliation shows the effect of the retrospective adjustment on the income statement for 2014:

	2014		
in € million	**Before adjustment**	**Adjustment**	**After adjustment**
Sales	1,017.3	-57.6	959.7
Cost of materials	-379.2	+57.6	-321.6

The adjustment of the prior-year figures for sales revenue also results in a change in the presentation of sales revenue as an entity-wide disclosure under segment reporting.

If the previous method had been continued, the items sales revenue and cost of materials would have been presented as follows compared to the changes in method in the reporting period:

	2015		
in € million	**Before adjustment**	**Adjustment**	**After adjustment**
Sales	943.1	-57.4	885.7
Cost of materials	-406.6	+57.4	-349.2

3 Financial Risk Management

3.1 Financial risk factors

In the normal course of business, the Group is exposed to various financial risks: (a) market risks (covering foreign currency risks and interest risks), (b) credit risks and (c) liquidity risks. The overarching Group risk management focuses on unforeseeable developments in the financial markets and its aim is to minimise the potentially negative effects on the Group's financial situation. The Group uses derivative financial instruments to hedge certain risks.

Risk management is performed decentrally both by the Finance department of OGE, and by the Investment Controlling department of the shareholders. The Corporate Finance department identifies, assesses and hedges financial risks in close cooperation with the Group's operational units. Owing to the very limited volume of transactions in foreign currency as well as the only occasional raising and securing of loans, the currency risks, interest risks and credit risks are handled and the use of derivative and non-derivative financial instruments is agreed on a case-by-case basis with the relevant bodies of the company affected.

(a) Market risk

(i) Foreign currency risk

Foreign currency risk may largely arise from procurement transactions with business partners outside the euro zone. When such non-euro-based procurement transactions of a significant volume are conducted, foreign currency forwards and currency swaps are used to hedge the foreign currency risk. Owing to the very limited volume of transactions in foreign currency, the Group is currently only exposed to an insignificant foreign currency risk.

(ii) Interest rate risk

The Group's interest risks arise from long-term interest-bearing liabilities. The liabilities with floating interest rates expose the Group to interest-related cash flow risks which are partly offset by bank balances with floating interest rates. The liabilities with fixed interest rates result in an interest-related risk arising from changes in the fair value.

The long-term focus of the business model generally means meeting a high proportion of financing requirements at fixed interest rates in the planning period by the securing of fixed-rate loans or by the use of interest rate swaps if floating-rate loans are taken out.

(b) Credit risk

Credit risk is managed at Group level. Credit risk results mainly from receivables from banks and other financial institutions from bank deposits and derivative financial instruments as well as receivables from wholesale and retail customers.

In the financing area, the Group only works with banks with an independent rating given by the three big rating agencies of at least "BBB+" to "A-" (Standard & Poor's, Fitch) or "Baa1" to "A3" (Moody's) (the focus being on the "unsecured long-term rating" if available). The ratings of all banks as well as other indicators of credit standing (such as current prices of credit default swaps) are continuously monitored.

The Group generates the vast majority of its sales with a small number of key accounts.

Customers are reviewed in credit assessments to the extent customary in the industry. Credit risk is managed in a risk-based manner, i.e. the customers that generate the highest revenues are regularly assessed with regard to their creditworthiness. For this purpose, assessments of recognised credit bureaus or published ratings of renowned rating agencies are used.

The vast majority of sales are generated in the regulated gas transport business. The regulated fees are largely determined on the basis of the Company's capital and operating costs.

In the past there have been no significant payment defaults. The Management is also not expecting any defaults in future as a result of non-performance by these business partners.

Credit risks result from non-delivery or partial delivery by a counterparty of the agreed consideration for services rendered, from total or partial failure to make payments owing on existing accounts receivable, and from replacement risks in open transactions. Credit risks are monitored and controlled using uniform credit risk management procedures in place throughout the Group which identify, measure and control the credit risks. The maximum risk of default is equal to the carrying amounts of the financial assets.

The financial assets shown in other receivables are neither impaired nor past due and totalled € 70.9 million (previous year: € 62.1 million). They are recognised in the balance sheet both under current and non-current assets. The financial receivables are also neither impaired nor past due. They totalled € 1.1 million in the reporting period (previous year: € 3.6 million). The age structure analysis of trade receivables is to be found in section 4.8.

(c) Liquidity risk

The cash flow forecasts are prepared at the level of the operating companies and combined in the Group. The Management monitors the rolling advance planning of the Group's liquidity reserve to ensure that sufficient liquidity is available to cover operational requirements and that unutilised credit facilities provide enough flexibility at all times. Such forecasts take into account the Group financing plans, the observance of loan agreements as well as the meeting of internal target balance sheet figures.

The liquidity of the Group comprises cash and cash equivalents as well as cash inflows from operating activities which, owing to the profitability of OGE, guarantee adequate liquidity at all times. Furthermore, the liquidity risk is minimised by regular liquidity planning, the Group Finance department covering the short-term and the Group Planning department the medium and long-term perspectives.

The following table shows the contractually agreed (undiscounted) cash outflows arising from the liabilities included in the scope of IFRS 7:

	Cash outflows		
in € million	**2016**	**2017-2020**	**from 2021**
Non-derivative financial instruments	-52.6	-598.1	-870.3
Derivative financial instruments	-0.6	-1.4	0.0

For financial liabilities with floating interest rates, the floating-interest rates on the reporting date are used to calculate future interest payments for subsequent periods as well.

In gross-settled derivatives (usually currency derivatives), outflows are accompanied by related inflows of funds or commodities. The derivatives are therefore to be seen in conjunction with the associated underlying transactions.

In line with the approach to loans with floating interest rates, to calculate future payments for net-settled derivatives (here interest rate swaps) the floating rates as of the reporting date are also used for subsequent periods.

3.2 Capital management

The Group's capital structure is regularly measured and monitored. The primary aim is to steer the financing conditions of the Group by securing an investment grade rating. In line with the relevant KPIs of the leading bank and rating analysts, the Group calculates the debt-asset ratio in accordance with IFRS as the ratio of net debt to assets. Net debt comprises all financial liabilities less cash and cash equivalents and interest-bearing financial receivables. Non-current assets result from the values recognised as of the reporting date. As of 31 December 2015, the Group had a debt-asset ratio of 82% (previous year: 81%).

in € million	31 Dec. 2015	31 Dec. 2014[7]
Financial liabilities	-2,523.8	-2,533.5
Provisions for pensions	-72.0	-137.2
Deferred tax assets on provisions for pensions[8]	54.8	64.2
Financial receivables	1.1	3.6
Cash and cash equivalents	149.7	248.4
Net debt VGT Group	**-2,390.2**	**-2,354.5**
Property, plant and equipment	2,851.2	2,800.4
Intangible assets	74.0	92.3
Debt-asset ratio	**82 %**	**81 %**

[7] The calculation of the net debt-asset ratio has been adjusted in that pension provisions, any resulting deferred taxes and intangible assets are taken into account. Prior-year figures adjusted.
[8] Before netting of deferred tax assets in the balance sheet.

4 Information on the Balance Sheet

4.1 Categories of financial instruments

The balance-sheet value of the current financial assets and current financial liabilities (= carrying amount) is, in the Group's opinion based on the information available at the reporting date, the best-possible approximation of the respective fair values of these financial instruments.

The credit quality of financial assets which are neither past due nor impaired is determined by reference to available credit ratings or past experience of default rates of the business partners. In the financial year, no conditions were renegotiated for a financial asset which would otherwise have been past due or impaired. Additional information is provided in section 4.5 "Financial assets". No financial asset which can be regarded as material from the Group's point of view is past due or impaired.

On the basis of the credit ratings available and past experience, for all assets which were neither past due nor impaired on the reporting date, there is no indication that these assets might be impaired.

Derivative financial instruments and hedging transactions

Hedge accounting in accordance with IAS 39 is employed primarily for interest rate derivatives used to hedge long-term liabilities as well as for currency derivatives.

Cash flow hedges are used to protect against the risk arising from variable cash flows which result from loans, non-current liabilities and future payment obligations in foreign currency. Particularly interest rate swaps and foreign currency swaps are used to limit the risk resulting from changes in interest rates and exchange rates.

In 2015, a further interest rate swap was concluded to hedge interest rate risks. The parameters of the interest cash flow hedge were agreed in line with the parameters of the underlying transaction. Of the previous year's derivatives, one cash flow hedge expired in 2015 as contractually agreed. As of the reporting date, there were no foreign currency hedges in place.

As of 31 December 2015, the hedged transactions in place are included in interest cash flow hedges with maturities of up to four-and-a-half years. The cash flows from hedged transactions secured in cash flow hedge accounting occur in the period from 2016 to 2020 and affect the income statement at the same time.

The effective components of cash flow hedge accounting are recognised within equity as a component of other comprehensive income and reclassified to income under other operating income or other operating expenses in the period when the cash flows of the hedged item affect income. Gains and losses from the ineffective portions of cash flow hedges are recognised under other operating income or other operating expenses. Interest cash flow hedges are reported under other interest and similar.

The fair values of the derivatives used in cash flow hedges total € -3.1 million (previous year: € -3.0 million).

No ineffectiveness resulted in the financial year. In the financial year, accumulated other comprehensive income before allowance for deferred taxes changed by € 0.4 million to € -2.8 million (previous year: - € 2.4 million). Of this figure, income of € 0.9 million (previous year: € 0.1 million) was reclassified 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 Company 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 the nominal values and fair values of the derivatives existing as of 31 December 2015. The derivatives all qualify as hedging instruments under cash flow hedge accounting in accordance with IAS 39:

	31 Dec. 2015		31 Dec. 2014	
in € million	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Interest-rate swap (fixed-rate payer)	163.2	-3.1	178.5	-3.0

As part of the sensitivity analyses in accordance with IFRS 7, an examination is conducted for the relevant risk variables to establish what effects the change of the relevant values as of the reporting date would have on the other operating income and expenses and the other comprehensive income for hedging transactions before taking deferred tax into account. The interest analysis assumes a shift in the interest structure curve on the reporting date by -/+ 100 basis points (bp) in each case.

The sensitivity analyses of the interest-rate swaps as of 31 December 2015 are as follows:

	Equity sensitivity		Income statement sensitivity	
in € million	**Interest curve -1%/currency curve -10%**	**Interest curve +1%/ currency curve +10%**	**Interest curve -1%/currency curve -10%**	**Interest curve +1%/ currency curve +10%**
Interest-rate swaps	-4.1	4.8	0.0	0.0

The sensitivity analyses as of 31 December 2014 were as follows:

	Equity sensitivity		Income statement sensitivity	
in € million	**Interest curve -1%/currency curve -10%**	**Interest curve +1%/ currency curve +10%**	**Interest curve -1%/currency curve -10%**	**Interest curve +1%/ currency curve +10%**
Interest-rate swaps	-5.7	6.1	0.0	0.0

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 2015 to 31 December 2015, 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 31 December 2015:

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	**1.1**	**1.1**		**n/a**			
Other financial receivables and financial assets	1.1	1.1	LaR	n/a			
Trade receivables and other operating assets	**98.0**	**98.0**					
Trade receivables and long-term loans granted	27.1	27.1	LaR	n/a			
Derivatives with hedging relationships	-	-	-	-			
Other operating assets	70.9	70.9	LaR	n/a			
Cash and cash equivalents	**149.7**	**149.7**	**LaR**	**n/a**			
Total assets	**287.9**	**287.9**		**n/a**			
Financial liabilities	**2,523.8**	**2,523.8**	**AmC**	**2,692.6**	**2,450.1**	**242.5**	
Bonds	2,239.2	2,239.2	AmC	2.450,1	2,450.1		
Liabilities to banks	191.4	191.4	AmC	191.1		191.1	
Other financial liabilities	93.2	93.2		51.4		51.4	
Trade payables and other operating liabilities	**110.9**	**110.9**	**AmC**	**3.1**		**3.1**	
Trade payables	10.8	10.8	n/a				
Derivatives with hedging relationships	3.1	3.1	AmC	3.1		3.1	
Other operating liabilities	97.0	97.0					
Total liabilities	**2,634.7**	**2,634.7**		**2,695.7**	**2,450.1**	**245.6**	

[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 2014:

					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	**3.6**	**3.6**		**n/a**			
Other financial receivables and financial assets	3.6	3.6	LaR	n/a			
Trade receivables and other operating assets	**95.8**	**95.8**					
Trade receivables and long-term loans granted	33.7	33.7	LaR	n/a			
Derivatives with hedging relationships	-	-	-	-			
Other operating assets	62.1	62.1	LaR	n/a			
Cash and cash equivalents	**248.4**	**248.4**	**LaR**	**n/a**			
Total assets	**386.9**	**386.9**		**n/a**			
Financial liabilities	**2,533.5**	**2,533.5**		**2,757.9**	**2,521.8**	**236.1**	
Bonds	2,237.8	2,237.8	AmC	2,521.8	2,521.8		
Liabilities to banks	235.7	235.7	AmC	236.1		236.1	
Other financial liabilities	60.0	60.0	AmC	n/a			
Trade payables and other operating liabilities	**99.2**	**99.2**		**3.0**		**3.0**	
Trade payables	10.8	10.8	AmC	n/a			
Derivatives with hedging relationships	3.0	3.0	n/a	3.0		3.0	
Other operating liabilities	85.4	85.4	AmC	n/a			
Total liabilities	**2,632.7**	**2,632.7**		**2,760.9**	**2,521.8**	**239.1**	

[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 both derivative interest rate hedging contracts and foreign currency transactions, which are based on ISDA (International Swaps and Derivatives Association) agreements and on the German Master Agreement on 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 current market interest rates over the remaining terms of the financial instruments. Fair value measurement was not applied to any shareholdings (apart from the investment 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.

The net gain/loss from financial instruments by IAS 39 measurement categories is shown in the following table:

in € million	2015	2014
Loans and receivables	-0.2	0.8
Financial liabilities measured at amortised costs	-66.9	-69.7
Total	**-67.1**	**-68.9**

In addition to interest income from long-term loans granted, the net gain/loss in the loans and receivables category consists primarily of write-downs on trade receivables.

The net gain/loss in the financial liabilities measured at amortised cost category is primarily due to interest on bonds and financial liabilities and the reversal of bond discounts.

Further information on the risk factors can be found in section 3.1 “Financial risk factors”.

4.2 Goodwill

The acquisition of OGE in 2012 results in goodwill which, according to IFRS 3, is not amortised. Therefore, in the financial year, impairment testing in accordance with IAS 36.80 ff. was performed on the basis of the cash-generating unit, which in the present case represents the Group; this impairment testing gave no indication of impairment.

Further details on the impairment test are given in section 2.8.

The tax deductible goodwill amounted to € 18.6 million as of 31 December 2015 (previous year: € 20.3 million). Since January 2012, tax goodwill has been amortised on a straight-line basis over 15 years in the tax balance sheet of OGE.

4.3 Intangible assets

We refer to the consolidated statement of changes in non-current assets for the development and composition of the intangible assets.

In 2015, the Group recorded amortisation expense of € 29.8 million (previous year: € 31.8 million). There were no impairment losses or reversals of impairments. Intangible assets in the amount of € 2.2 million (previous year: € 0.0 million) were derecognised. The expense was recognised under other operating expenses. As part of the acquisition of OGE in 2012, beneficial contracts in the amount of € 89.8 million were identified and recognised at the present value of the estimated margins. The carrying amount of these intangible assets totalled € 33.2 million as of 31 December 2015. € 32.8 million have a remaining useful life up to 31 December 2017 and € 0.4 million have a remaining useful life up to 31 December 2018.

As of the reporting date, the carrying amount of intangible assets with indefinite useful lives is € 2.3 million (previous year: € 2.4 million). Of this figure, easements account for € 1.7 million (previous year: € 1.7 million) and emission rights for € 0.6 million (previous year: € 0.7 million).

In the financial year, there were additions of € 0.9 million to the internally generated intangible assets (previous year: € 0.4 million).

4.4 Property, plant and equipment

We refer to the consolidated statement of changes in non-current assets for the development and composition of the property, plant and equipment. Borrowing costs in accordance with IAS 23 in the amount of € 2.9 million were capitalised in 2015 (previous year: € 3.1 million). Depreciation of property, plant and equipment amounts to € 120.0 million (previous year: € 114.6 million). Furthermore, impairments in the amount of € 4.0 million (previous year: € 0.0 million) were recognised. The impairments refer to the write-down of a pipeline construction project which will not be realised as planned. The carrying amount after recognition of impairment losses is € 1.4 million and represents the cost of the part of the pipeline construction project which can probably still be used. There were no reversals of impairments.

4.5 Financial assets

in € million	31 Dec. 2015	31 Dec. 2014
Companies accounted for using the equity method	52.8	59.1
Equity investments	39.2	39.1
Long-term loans granted	3.2	3.3
Total	**95.2**	**101.5**

The list of shareholdings is given in section 7.

The main equity investments are Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co.KG ("NETG"), Dortmund, amounting to € 29.8 million (previous year: € 29.8 million), and PLEdoc GmbH, Essen, amounting to € 4.2 million (previous year: € 4.2 million).

The following table provides information in accordance with IFRS 12.B12 ff. on the company accounted for using the equity method:

in € million	31 Dec. 2015	31 Dec. 2014
Dividends received	13.9	10.7
Current assets*	98.1	146.4
Cash and cash equivalents	87.9	124.8
Non-current assets*	326.9	333.0
Current liabilities*	89.1	98.2
Current financial liabilities	0.3	-
Non-current liabilities*	126.4	146.7
Non-current financial liabilities	-	-
Pro-rata equity	52.4	58.6
Other effects	0.4	0.5
Carrying amount of company accounted for using the equity method	52.8	59.1
Sales*	90.3	87.8
Depreciation and amortisation*	12.8	12.5
Interest income / expense*	0.2	0.9
Income tax expense*	4.7	3.6
OCI*	0.0	0.0
Income statement result*	43.6	49.0
Total*	**43.6**	**49.0**

* Figures refer to the total shareholder share (100%).

The companies MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG ("MEGAL"), Essen, Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG ("TENP"), Essen, und NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG ("NETRA"), Schneiderkrug, are, as joint operations, included in the Group on a pro-rata basis.

In the financial year, the consolidated balance sheet includes the following carrying amounts of the joint operations:

in € million	MEGAL	TENP	NETRA
Non-current assets			
Intangible assets	-	0.0	2.5
Property, plant and equipment	292.2	217.8	108.8
Deferred tax assets	4.3	1.3	-
Current assets			
Trade receivables (including advance payments made)	-	-	-
Income tax receivables	0.5	0.3	0.2
Other receivables	0.2	2.1	1.0
Cash and cash equivalents	0.8	0.9	6.6
Non-current liabilities			
Provisions for pensions and similar obligations	0.1	0.2	0.0
Other provisions	0.8	-	0.0
Financial liabilities	104.6	91.8	0.0
Other non-current liabilities	1.0	22.0	-
Deferred tax liabilities	21.9	14.5	11.7
Current liabilities			
Other provisions	-	-	0.0
Financial liabilities	40.9	5.3	-
Trade payables	0.5	0.1	0.0
Other liabilities	0.5	7.5	-

Carrying amounts of the joint operations in the consolidated balance sheet as of 31 December 2014:

in € million	MEGAL	TENP	NETRA
Non-current assets			
Intangible assets	-	0.0	3.4
Property, plant and equipment	283.7	194.4	112.4
Deferred tax assets	4.5	0.4	0.0
Current assets			
Trade receivables (including advance payments made)	-	-	1.4
Income tax receivables	0.0	0.0	1.1
Other receivables	0.3	2.1	2.5
Cash and cash equivalents	7.0	1.8	22.3
Non-current liabilities			
Provisions for pensions and similar obligations	0.1	0.2	0.0
Other provisions	-	-	-
Financial liabilities	89.3	91.8	0.0
Other non-current liabilities	0.8	17.7	0.0
Deferred tax liabilities	18.6	9.7	11.3
Current liabilities			
Other provisions	-	-	-
Financial liabilities	54.5	0.2	0.0
Trade payables	1.0	-	0.0
Other liabilities	2.2	5.9	0.1

The balance sheet and profit/loss data of all other equity investments held by the Group and measured at cost are not material in aggregate.

4.6 Non-current receivables and assets

As in the previous year, non-current receivables include receivables of € 50.5 million from the two proportionately consolidated pipeline companies MEGAL and TENP from accounting for the one-sided capital increase. The financial statements of these pipeline companies reflected this by recognising the capital contributions as borrowings in accordance with IAS 32. Receivables from the application of the percentage-of-completion method (PoC method) with a remaining term of two to five years account for € 36.8 million (previous year: € million). The costs incurred and profits recognised from these construction contracts total € 66.3 million (previous year: € 65.5 million). Advance payments of € 13.3 million (previous year: € 15.5 million) received for these construction contracts are shown under other operating liabilities.

4.7 Inventories

Inventories break down as follows:

in € million	31 Dec. 2015	31 Dec. 2014
Raw materials and supplies	14.8	13.8
Work in progress	3.2	2.9
Gas inventories	13.3	17.6
Total	**31.3**	**34.3**

In accordance with IAS 2.34, reversals of write-downs of warehouse materials of € 0.1 million were performed in the reporting period (previous year: € 0.6 million). Due to the accounting of gas stocks at the lower market price at the reporting date after application of the average cost formula, a valuation allowance on these stocks in the amount of € 6.0 million (previous year: € 0.0 million) was recognised.

A third party has a right to recover possession of these gas stocks and a valuation allowance in the same amount was also taken into account in the measurement of this right to recover so that there was no effect on profit or loss.

4.8 Trade receivables and other current receivables

Receivables and other assets break down as follows:

in € million	31 Dec. 2015	31 Dec. 2014
Trade receivables	23.9	30.4
Other current operating receivables	26.1	62.5
Trade receivables and other current operating receivables	50.0	92.9
Financial receivables	.	2.6
Total	**50.0**	**95.5**

All receivables contained in this item have a maturity of less than one year. The other receivables mainly comprise equity investment income receivables from GasLINE in the amount of € 11.6 million (previous year: € 13.2 million), income tax and input tax refund receivables from tax creditors of € 3.0 million (previous year: € 6.8 million), prepaid expenses of € 1.4 million (previous year: € 2.9 million) as well as receivables from taxes chargeable to VGS of € 3.1 million (previous year: € 1.3 million).

The age schedule of trade receivables is presented in the table below:

in € million	31 Dec. 2015	31 Dec. 2014
Not yet due	18.5	18.8
0 to 30 days past-due	2.5	6.0
31 to 60 days past-due	0.7	0.2
61 days to one year past-due	1.7	4.5
Over one year past-due	4.7	4.5
Gross trade receivables excl. valuation allowances	**28.1**	**34.0**
Doubtful debts	5.5	4.4
Valuation allowances	4.3	3.6
Net value of trade receivables	23.9	30.4

The written-down receivables are due from a large number of customers from whom it is unlikely that full repayment will ever be received. Receivables are monitored in the individual Group companies.

The valuation allowance for trade receivables has changed as shown in the following table:

in € million	2015	2014
Start of financial year	3.6	3.8
Utilisation / Reversal	-0.2	-0.5
Net addition	0.9	0.3
End of financial year	**4.3**	**3.6**

All write-downs were recognised as individual valuation allowances.

4.9 Cash and cash equivalents

Cash and cash equivalents are solely to balances at banks which are mainly invested as current account balances, overnight money and one-month money.

4.10 Equity

Subscribed capital

The subscribed capital of VGT is fully paid in and remains unchanged from the previous year at 25,000 shares, each with a value of € 1. The shares are held by the sole shareholder, VGS.

The changes in equity and other comprehensive income are shown separately in the statement of changes in equity and in the statement of total comprehensive income.

Additional paid-in capital

Additional paid-in capital amounts to € 925.6 million (previous year: € 1,075.6 million). In the reporting year, an amount of € 150.0 million (previous year: € 0.0 million) was released and paid out to the shareholder.

Retained earnings

Retained earnings total € -63.7 million (previous year: € million). The change results from the consolidated net income for the year of € 101.7 million (previous year: € 225.2 million) and the remeasurement of defined benefit plans amounting to € 41.4 million (previous year: € -105.1 million) as well as the deferred taxes thereon of € -6.3 million (previous year: € 32.5 million), reduced by the transfer of profits of € 24.1 million (previous year: advance profit distribution of € 20.0 million and profit transfer of € 4.1 million).

Other Comprehensive Income

Accumulated OCI totals € -2.4 million (previous year: € -2.0 million) and results from the measurement of derivatives amounting to € -2.8 million (previous year: € -2.4 million) and the deferred taxes thereon of € 0.4 million (previous year: € 0.4 million).

4.11 Deferred taxes

The following table shows the deferred tax assets and deferred tax liabilities:

	Deferred tax assets		Deferred tax liabilities	
in € million	**2015**	**2014**	**2015**	**2014**
Intangible assets	8.5	8.9	12.6	15.5
Goodwill	5.8	6.3	0.0	0.0
Property, plant and equipment	2.1	3.0	490.5	469.4
Financial assets	0.1	0.1	49.3	43.6
Other assets	18.9	16.1	42.1	16.1
Special reserve items	0.0	0.0	4.0	0.2
Provisions	54.8	65.9	18.1	36.0
Liabilities	37.7	3.0	3.4	2.8
Loss carryforward	18.4	15.5	n/a	n/a
Deferred taxes before netting	**146.3**	**118.8**	**620.0**	**583.6**
Netting	-82.6	-88.4	-82.6	-88.4
Deferred taxes after netting	**63.7**	**30.4**	**537.4**	**495.2**

In 2015, current deferred tax assets of € -2.4 million (previous year: € -0.2 million) and non-current deferred tax assets of € -80.2 million (previous year: € -88.2 million) were netted against deferred tax liabilities.

The Group has trade tax loss carryforwards of € 122.9 million (previous year: € 105.2 million). Deferred tax assets of €18.4 million (previous year: € million) were recognised on these loss carryforwards.

The maturity structure of the deferred taxes is as follows:

	31 Dec. 2015		31 Dec. 2014	
in € million	**Current**	**Non-current**	**Current**	**Non-current**
Deferred tax assets	51.0	12.7	16.7	13.7
Deferred tax liabilities	-0.4	-537.0	-0.5	-494.7
Net amount	**50.6**	**-524.3**	**16.2**	**-481.0**

Of the deferred tax assets shown, € 6.3 million (previous year: € 33.5 million) were recognised within equity in the reporting period.

These deferred taxes are attributable in their entirety to the remeasurement of defined benefit plans recognised in comprehensive income as well as to the measurement of derivatives (cash flow hedges).

	1 Jan. - 31 Dec. 2015		
in € million	**Before tax**	**Income tax**	**After tax**
Changes from the remeasurement of defined benefit plans	41.4	-6.3	35.1
Cash flow hedges	-0.4	0.0	-0.4
Other comprehensive income	41.0	-6.3	34.7

	1 Jan. - 31 Dec. 2014		
in € million	Before tax	Before tax	Before tax
Changes from the remeasurement of defined benefit plans	-105.1	32.5	-72.6
Cash flow hedges	-4.3	1.0	-3.3
Other comprehensive income	-109.4	33.5	-75.9

No deferred taxes were recognised on temporary differences of € 280.1 million (previous year: € 103.8 million) connected with shares in subsidiaries.

4.12 Provisions for pensions and similar obligations

In addition to their entitlements under government retirement systems and the income from private retirement planning, the employees in the Group are also covered by company retirement plans. These company retirement plans are based on company-wide agreements and on agreements in individual contracts.

Both defined contribution and defined benefit plans are in place, which provide retirement, invalidity and surviving dependant benefits. All pension commitments exist solely in Germany.

In the VGT Group, there are currently five different pension plans in the form of direct commitments, of which one pension plan for new employees is still open, and one pension plan in the form of an insurance-based pension vehicle.

With the exception of the insurance-based pension option, the basis for the relevant pension plan is always a works agreement in conjunction with the individual's employment contract. The individual employment contracts of senior executives contain pension commitments. Apart from the statutory rules customarily applying in Germany, the pension plans are not subject to any legal or regulatory rules.

All pension commitments (with the exception of direct insurance) constitute direct legal claims of the employees against the respective company and therefore provisions have to be shown in the balance sheet.

If and insofar as plan assets are created which serve solely to fulfil pension commitments, they are offset in the balance sheet against the present value of the obligation.

Provisions for pension obligations were established solely in connection with defined benefit pension commitments for current and former employees. As part of defined benefit pension commitments, beneficiaries are granted pensions with a defined benefit when they retire.

Employees in the Group mainly have pension commitments with fixed benefit commitments. The majority of pension commitments for the active workforce is based on capital components that the employees earn for each year of service with the company. The amount of the capital component earned in a year depends on the employees' income and their individual ages or length of service with the company.

Defined benefit pension commitments also generally include benefits for invalidity and death. Obligations from defined benefit pension commitments are largely covered by assets in bond, equity and real estate funds which are outsourced on a long-term basis.

Furthermore, the Group makes commitments under defined contribution plans. In this case, fixed contr butions are paid to external insurance companies or funds. The VGT Group has generally no further benefit obligations or risks from these pension plans beyond the payment of the defined contributions. In addition, the Group pays contributions to statutory retirement systems.

Respons bility for managing the pension commitments, in particular with regard to investment plans and contr bution plans, rests with each management.

Individual contractual pension benefit commitments

There are pension commitments under individual contracts of managing directors and senior executives. They contain retirement, invalidity and surviving dependants' benefits based on the Bochumer Verband Benefits Plan, the "VO Pension Plan" and deferred compensation. Employer-financed direct life insurance contracts exist in individual cases.

Defined benefit plans

Defined benefit plan commitments constitute direct pension claims of the employees against the company and therefore provisions have to be shown in the balance sheet. If plan assets are created which serve solely to meet retirement plan commitments, they are offset on the balance sheet against the present value of the obligations.

Extent of obligations for pension commitments

The direct pension obligations, measured by their present value, have developed as follows:

in € million	2015	2014
Present value at start of financial year	**387.4**	**256.3**
Service cost	15.4	10.7
Past service cost	1.8	0.4
Interest cost	8.7	10.2
Gains/losses from plan settlements	-0.1	-0.2
Payments from plan settlements	-0.2	-0.3
Remeasurement of defined benefit plans	-40.9	112.6
Pension benefits paid	-2.5	-2.3
Present value at end of financial year	**369.6**	**387.4**

Past service cost is solely the result of new early retirement agreements and contains not only the social security compensation but also the effects on general pension obligations.

Plan settlements in the reporting period mainly relate to transfers of obligations at the commercial balance sheet carrying amount resulting from transfers of employees.

The remeasurement of defined benefit plans in the financial year is due to changes to the financial assumptions (€ -40.1 million; previous year: € 115.6 million) and experience adjustments (€ -0.8 million; previous year: €-3.0 million).

The weighted average duration of the obligation is 23.1 years (previous year: 24.2 years) as of the reporting date.

In the following 10 years, the following pay-outs for pension benefits are expected:

in € million	31 Dec. 2015
2016	4.0
2017	5.3
2018	6.8
2019	7.6
2020	9.0
2021	10.2
2022	11.3
2023	13.5
2024	15.5
2025	16.7

Actuarial assumptions

The following parameters were used for measurement:

	31 Dec. 2015	31 Dec. 2014
Discount rate	2.75 %	2.25 %
Expected salary increase rate	2.50 %	2.50 %
Expected pension increase rate	2.00 % or in line with promised guaranteed increase	2.00 % or in line with promised guaranteed increase
Biometric data	Prof. Dr Klaus Heubeck 2005 G mortality tables based on disability incidence rates which are reduced to 80%	Prof. Dr Klaus Heubeck 2005 G mortality tables based on disability incidence rates which are reduced to 80%

Sensitivity analysis

If the assumptions vary by +/– 0.25 percentage points or the expected mortality in the mortality tables varies by +/- 10%, the effects on the scope of the obligation will be as follows:

2015	+ 0.25%p or +10%	- 0.25%p or -10%
Discount rate	-4.88%	+5.24%
Future salary increase rate	+1.40%	-1.36%
Future pension increase rate	+3.06%	-2.91%
Mortality	-2.34%	+2.60%

2014	+ 0.25%p or +10%	- 0.25%p or -10%
Discount rate	-5.23 %	+5.63 %
Future salary increase rate	+1.60 %	-1.55 %
Future pension increase rate	+3.23 %	-3.07 %
Mortality	-2.51 %	+2.79 %

The effects were determined using the same methods as for the measurement of the obligation at the end of the year.

Apart from the normal risks to which the pension commitments expose the Group, such as longevity or volatility of the assets, the Group is not exposed to any unusual or company-specific risks in connection with the pension commitments.

Fair value of plan assets

The fair value of the plan assets changed as follows:

in € million	2015	2014
Start of financial year	**250.2**	**215.9**
Interest income from plan assets	5.6	8.6
Remeasurement of defined benefit plans	0.5	7.6
Transfers	-	0.1
Payments into plan assets	41.3	18.0
End of financial year	**297.6**	**250.2**

To minimise the effects of the loss of individual investments or the failure of individual investments to provide the expected return, the Group spreads asset investments widely. The Group intends to ensure that plan assets fully cover the pension obligations under commercial law at every reporting date.

Should the development of plan assets fall short of the development of the obligations, payments into the plan assets are made.

As of the reporting date, the trustee has invested the plan assets in the following asset classes:

%	Target allocation	31 Dec. 2015	31 Dec. 2014
Bonds	70.0	57.1	63.2
Equity funds	20.0	19.7	19.5
Real estate funds	10.0	8.2	8.6
Cash and money market instruments	0.0	15.0	8.7

All assets are traded in an active market.

The expected return on plan assets for the subsequent year amounts to € 8.2 million. The expected payments into plan assets for the subsequent year amount to € 18.9 million.

Presentation of provisions for pensions

Provisions for pensions changed as follows:

in € million	2015	2014
Start of financial year	**137.2**	**40.4**
Service cost	15.4	10.7
Past service cost	1.8	0.4
Net interest expense	3.1	1.5
Plan settlement gain/loss	-0.1	-0.2
Transfers/payments from plan settlements	-0.2	-0.2
Remeasurement effects	-41.4	105.0
Pension benefits paid	-2.5	-2.3
Payments into plan assets	-41.3	-18.0
End of financial year	**72.0**	**137.2**

Pension cost

The net periodic pension cost for defined benefit pension plans breaks down as follows:

in € million	1 Jan. - 31 Dec. 2015	1 Jan. - 31 Dec. 2014
Current cost (incl. plan settlement gain/loss)	15.3	10.7
Past service cost	1.8	0.4
Interest cost	8.7	10.2
Interest income from plan assets	-5.6	-8.6
Total	**20.2**	**12.7**

The remeasurement of defined benefit plans is accrued and recognised in full. It is reported outside the income statement as part of equity in the statement of recognised income and expenses.

The remeasurements of defined benefit plans recognised in equity and corresponding plan assets are shown in the following table:

in € million	2015	2014
Accumulated remeasurement recognised in equity at start of financial year	**-80.2**	**24.9**
Remeasurement of the current financial year recognised in equity	41.4	-105.1
Accumulated remeasurement recognised in equity at end of financial year	**-38.8**	**-80.2**

4.13 Other provisions

Provisions with a maturity of more than one year are recognised at the present value of the expected future cash flows.

The other provisions changed in the financial year as follows:

in € million	Start of period	Additions	Disposals	Unwinding of discounting	Reclassifi-cations	Change in plan assets	Utilisation	End of period
Other provisions	**131.4**	**31.1**	**-6.2**	**1.3**	**0.0**	**1.9**	**-30.9**	**128.6**
Provisions – production sector	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.1**
Provisions for emission rights – current	0.1	0.1	0.0	0.0	0.0	0.0	-0.1	0.1
Provisions – pipeline sector	**76.2**	**0.3**	**-4.3**	**0.0**	**0.0**	**0.0**	**-1.9**	**70.3**
Provisions for miscellaneous in the pipeline sector - current	14.9	0.0	-4.3	0.0	0.0	0.0	0.0	10.6
Provisions for miscellaneous in the pipeline sector - non-current	61.3	0.3	0.0	0.0	0.0	0.0	-1.9	59.7
Provisions – sales sector	**0.0**	**0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**
Provisions for miscellaneous in the sales sector - current	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.8
Provisions – personnel sector	**54.0**	**27.5**	**-1.3**	**1.3**	**0.0**	**1.9**	**-28.4**	**55.0**
Provisions for early-retirement obligations and part-time phased retirement - non-current	14.4	5.1	-0.4	0.2	0.0	4.7	-8.0	16.0
Provisions for annual and special bonuses etc. – current	17.1	15.8	0.0	0.0	0.0	0.0	-17.1	15.8
Provisions for annual and special bonuses etc. - non-current	1.7	1.4	0.0	0.0	0.0	0.0	0.0	3.1
Provisions for long-service anniversary obligations - non-current	6.7	0.1	0.0	0.1	0.0	0.0	-0.5	6.4
Provisions for gas allowance obligations - non-current	8.3	0.2	-0.9	0.2	0.0	0.0	-0.1	7.7
Provisions for other personnel expenses – current	3.1	2.5	0.0	0.0	0.0	0.0	-2.7	2.9
Provisions for other personnel expenses - non-current	2.7	2.4	0.0	0.8	0.0	-2.8	0.0	3.1
Provisions for environmental protection and site remediation	**0.0**	**0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**
Provisions for rehabilitation/decontamination work (site remediation) - non-current	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.8
Provisions for other risks	**0.5**	**0.1**	**-0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**
Provisions for litigation cost risks and compensation obligations – current	0.5	0.1	-0.5	0.0	0.0	0.0	0.0	0.1
Miscellaneous other provisions	**0.6**	**1.5**	**-0.1**	**0.0**	**0.0**	**0.0**	**-0.5**	**1.5**
Provisions for external annual financial statement audit cost /review – current	0.2	0.2	0.0	0.0	0.0	0.0	-0.2	0.2
Miscellaneous other provisions – current	0.3	0.5	-0.1	0.0	0.2	0.0	-0.3	0.6
Miscellaneous other provisions – non-current	0.1	0.8	0.0	0.0	-0.2	0.0	0.0	0.7
Total – current	**36.2**	**20.1**	**-4.9**	**0.0**	**0.2**	**0.0**	**-20.4**	**31.2**
Total - non-current	**95.2**	**11.0**	**-1.3**	**1.3**	**-0.2**	**1.9**	**-10.5**	**97.4**

VGT expects the complete amount of current provisions (€ 31.2 million) to be utilised within the year.

As part of the acquisition of OGE, contingent liabilities were identified, measured and accounted for as provisions in 2012. These include provisions for restoration obligations for the decommissioned pipeline network in the same amount as the previous year of € 59.5 million which are recognised under provisions for the pipeline sector and for which, according to current estimates, utilisation can be expected from 2025 onwards.

The following obligations are grouped under personnel obligations:

Obligations for bonus payments amounting to € 18.9 million (previous year: € 18.8 million)

Early retirement obligations and other restructuring measures in the amount of € 13.8 million (previous year: € 9.9 million)

Obligations for part-time phased-retirement arrangements amounting to € 2.1 million (previous year: € 4.5 million)

Obligations for gas allowance payments amounting to € 7.7 million (previous year: € 8.3 million)

Obligations for long-service anniversary payments amounting to € 6.4 million (previous year: € 6.7 million)

Obligations for long-term working-time accounts amounting to € 3.1 million (previous year: € 2.7 million)

Other current obligations amounting to € 3.2 million (previous year: € 3.1 million)

The existing plan assets for part-time phased-retirement obligations and long-term working-time account obligations are only for fulfilling the pension commitments and are not available to the creditors, even in the event of the Company's insolvency. For this reason, the plan assets for long-term working-time accounts (€ 16.7 million; previous year: € 13.6 million) are netted with the present value of the obligations for long-term working-time accounts (€ 19.7 million; previous year: € 16.3 million) and the remaining amount (€ 3.0 million; previous year: € 2.7 million) is recognised as a liability. Plan assets relating to obligations for part-time phased retirement (€ 5.5 million; previous year: € 10.3 million) are netted with the present value of the share of the obligations for part-time phased retirement attributable to the performance arrears (€ 5.5 million; previous year: € 10.6 million) and the remaining amount (€ 0.0 million; previous year: € 0.4 million) is recognised as a liability. The share of the obligations for part-time phased retirement attr butable to the top-up amount (€ 2.1 million; previous year: € 4.1 million) is also recognised as a liability.

For the purpose of simplification, the same duration for the provisions for gas allowance obligations, long-service anniversary payments and long-term working-time accounts is assumed as for pension provisions. The following utilisation periods result:

in € million	2015	2014
Utilisation within 1 year	0.2	0.1
Utilisation between 1 and 5 years	1.3	1.1
Utilisation after 5 years	15.7	16.5

Utilisation of the remaining other provisions amounting to € 20.4 million (previous year: € 16.2 million) is expected within the next two to five years.

4.14 Liabilities

The following table provides a breakdown of the liabilities:

	31 Dec. 2015		31 Dec. 2014	
in € million	**Current**	**Non-current**	**Current**	**Non-current**
Bonds	0.0	2,239.2	0.0	2,237.8
Liabilities to banks	46.0	145.4	54.6	181.1
Liabilities to proportionately consolidated companies	3.3	0.0	20.4	0.0
Other financial liabilities	38.9	51.0	39.6	0.0
Financial liabilities	**88.2**	**2,435.6**	**114.6**	**2,418.9**
Trade payables	10.8	0.8	10.5	0.3
Investment grants / construction cost grants	0.0	3.4	0.0	1.7
Liabilities to proportionately consolidated companies	12.2	0.0	10.9	0.0
Liabilities to affiliated companies	11.0	0.0	33.6	0.0
Income tax liabilities	0.1	0.0	5.8	0.0
Accruals	6.8	0.0	5.4	0.0
Liabilities from derivative financial instruments	0.0	3.1	0.0	3.0
Payments received on account of orders	15.2	0.0	15.5	0.0
Other operating liabilities	31.0	20.1	24.4	15.7
Trade payables and other operating liabilities	**87.1**	**27.4**	**106.1**	**20.7**
Total	**175.3**	**2,463.0**	**220.7**	**2,439.6**

The three bonds issued in 2013, each for € 750.0 million and maturing in 2020, 2023 and 2025 and the revolving credit facility for € 200.0 million concluded in December 2013 and maturing in 2018 all still exist. They continue to provide a secure and balanced maturity and liquidity profile for the VGT Group. Other financial liabilities include promissory notes in the amount of € 51.0 million (previous year: € 0.0 million).

Other operating liabilities mainly result from obligations to other shareholders of joint ventures amounting to € 4.6 million (previous year: € 8.3 million). There are also liabilities to E.ON from a subsequent adjustment to the purchase price of OGE in the amount of € 7.7 million (previous year: € 0.0 million) as well as deferred income items amounting to € 5.3 million (previous year: € 5.6 million) and liabilities from taxes amounting to € 5.4 million (previous year: € 4.9 million).

5 Information on the Income Statement

5.1 Sales

Of the sales generated in 2015, € 741.4 million result from the gas transmission business (previous year: € 809.5 million) and € 20.3 million from transport-related services (previous year: € 26.3 million[9]). € 124.0 million result from technical and commercial services (previous year: € 123.9 million). This includes revenue from construction contracts of € 27.8 million (previous year: € 20.1 million).

5.2 Own work capitalised

Own work capitalised amounts to € 23.7 million (previous year: € 21.5 million) and results primarily from engineering services in the network sector and in connection with new construction projects.

5.3 Other operating income

Other operating income mainly includes € 29.7 million (previous year: € 34.5 million) from the purchase price adjustment due to the tax clause agreed between VGT and E.ON on the acquisition of OGE, income from the disposal of property, plant and equipment in the amount of € 2.0 million (previous year: € 0.1 million) as well as various income not relating to the period of € 0.3 million (previous year: € 10.0 million), including income of € 0.1 million from the reversal of provisions (previous year: € 7.3 million).

Realised exchange rate gains and income from foreign currency translation on the reporting date were of an insignificant amount (< € 250 k).

5.4 Cost of materials

in € million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Expenses for raw materials and supplies	229.3	226.8
Expenses for purchased goods	119.9	94.8
Total	**349.2**	**321.6**

Expenses for raw materials and supplies mainly comprise expenses for fuel energy, usage fees and load flow commitments. This item also includes expenses for biogas, which are largely passed on to the customers and collected in sales of the transport business. The expenses for purchased goods mainly relate to maintenance costs as well as other services purchased in connection with the services business.

5.5 Personnel costs

Personnel costs contain the following components:

in € million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Wages and salaries	117.8	117.6
Social security contributions	17.4	17.5
Pension costs and other employee benefits	16.9	13.6
Total	**152.1**	**148.7**

Of the pension costs and other employment benefits totalling € 16.9 million, € 0.4 million relate to defined contribution plans (previous year: € 0.2 million).

In the reporting period, the Group employed an average of 1,437 employees (previous year: 1,427), of which 328 were industrial workers (previous year: 333), 1,033 were salaried employees (previous year: 1,022), 72 were apprentices (previous year: 68) and 4 were managing directors (unchanged from the previous year). As in the previous year, the figure includes four employees from proportionately consolidated Group companies.

The personnel figures were determined on an average basis from the end figure of each quarter. Employees from proportionately consolidated companies were included in full.

[9] The prior-year figures for sales and cost of materials were adjusted (see section 2.23).

5.6 Other operating expenses

The other operating expenses break down as follows:

in € million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
IT costs	38.3	30.0
Subsequent purchase price adjustment in favour of E.ON	7.7	0.0
Social security contributions	6.7	3.2
Vehicle costs	5.0	5.3
Expenses for services rendered by third parties	4.7	4.8
Rental and lease costs	3.8	3.0
Insurance premiums	3.5	3.4
Travelling costs	3.2	3.1
Losses from the disposal of fixed assets	2.9	0.2
Fees and contributions	2.8	1.3
External audit and consulting costs	2.0	2.7
Training courses and conferences	1.6	1.3
Valuation allowances on receivables	0.9	0.3
Other taxes	0.8	0.6
Expenses from exchange differences	0.1	0.0
Miscellaneous other operating expenses	8.9	5.6
Total	**92.9**	**64.8**

5.7 Depreciation and amortisation

in € million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Amortisation of intangible assets	29.8	31.8
Depreciation of property, plant and equipment	120.0	114.6
Impairment of property, plant and equipment	4.0	0.0
Total	**153.8**	**146.4**

5.8 Financial result

in € million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Income/loss (-) from equity investments	**-0.5**	**-0.4**
Income from company accounted for using the equity method	**6.1**	**6.4**
Interest income	**1.1**	**2.3**
Interest expenses	**-67.5**	**-69.2**
Interest share of the addition to provisions	*-3.5*	*-2.6*
Tax-related interest expense	*.*	*-0.1*
Other interest expenses	*-64.0*	*-66.5*
Financial result	**-60.8**	**-60.9**

The interest share of the addition to provisions is mainly the interest cost from pension provisions (€ 8.7 million) – after deduction of the expected return on plan assets (€ 7.2 million) – as well as the unwinding of discounting of the other non-current personnel provisions totalling € 2.1 million.

Other interest expenses are largely interest on debt in connection with the bonds (€ 60.0 million; previous year: € 60.0 million).

An interest expense of € 1.5 million (previous year: € 1.5 million) resulted from the effective interest rate of the bonds.

The other interest expenses are reduced by the capitalised interest on debt amounting to € 2.9 million (previous year: € 3.1 million).

5.9 Income taxes

A profit-and-loss transfer agreement has existed since 1 January 2013 with OGE as the controlled company and VGT as the controlling company which provides the reason for the establishment of a fiscal entity for income tax purposes between VGT and OGE. The conclusion of a further profit-and-loss transfer agreement at the same time established a further fiscal entity for income tax purposes with VGT as the controlled company and VGS as the controlling company.

In addition, income tax allocation agreements were concluded between VGT and OGE, and between VGS and VGT with the aim of allocating the income taxes economically incurred by OGE and VGT to these companies. Consequently, the VGT Group shows income tax allocations for the reporting year.

The domination and profit-and-loss transfer agreements between OGE as the intermediate controlling company and its subsidiaries METG, Essen, Open Grid Regional GmbH, Essen ("OGR"), PLEdoc Gesellschaft für Dokumentations-erstellung und -pflege mbH, Essen ("PLE"), Open Grid Service GmbH, Essen ("OGS"), Line WORX GmbH, Essen and NEL Beteiligungs GmbH, Essen ("NELB") continue in existence. No agreements on income tax allocation were made between OGE and its controlled companies.

The income taxes break down as follows:

in € million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Income taxes for current financial year	3.7	3.9
Income tax allocations	28.5	54.5
Income taxes for prior financial years	0.0	-2.8
Deferred taxes for current financial year	6.8	13.7
Deferred taxes for prior financial years	-4.3	-1.6
Income taxes	**34.7**	**67.7**

The pro-rata trade tax of a partnership is shown as an effective tax expense for the current year. Income taxes for prior financial years include deferred tax income from partnerships.

The deferred tax expense is due to the change in temporary differences.

The following reconciliation shows the differences between the expected and the recognised tax expense / rate in the Group:

		1 Jan. – 31 Dec. 2015		1 Jan. – 31 Dec. 2014	
		in € million	%	in € million	%
	Profit before tax in accordance with IFRS	136.4		292.9	
	Group income tax rate		31.0		31.0
	Expected income tax expense	42.3		90.8	
1.	Permanent effects	-4.9	-3.6	-17.1	-5.8
2.	Difference due to the trade tax assessment basis	2.8	2.1	5.1	1.7
3.	Taxes not relating to the period	-4.3	-3.2	-4.3	-1.5
4.	Effect from measurement using the equity method	1.9	1.4	2.1	0.7
5.	Change in deferred taxes on loss carryforwards	-1.3	-1.0	0.0	0.0
6.	Other	-1.8	-1.2	-8.9	-3.0
	Effective tax expense / rate	**34.7**	**25.5**	**67.7**	**23.1**

The difference between the calculated tax expense and the actual tax expense is due in particular to permanent effects from purchase price adjustments as a result of the tax clause agreed between VGT and E.ON on the acquisition of OGE.

6 Other Information

6.1 Information on the cash flow statement

Cash provided by operating activities amounted to € 321.8 million in the reporting year (previous year: € 428.7 million). The reduction of € 106.9 million is largely due to lower sales as a result of a lower cap on revenues in the regulated gas transport business.

Changes in working capital amounted to € 1.3 million in 2015 (previous year: € 37.7 million). The reduction was largely due to the settlement of a receivable in the amount of € 29.4 million which was recognised in the 2014 financial year in connection with an adjustment to the purchase price of OGE and its shareholdings.

Cash used for investing activities decreased slightly in the financial year and amounted to € -185.7 million (previous year: € -199.4 million). Purchases of investments totalled € -199.7 million (previous year: € -172.6 million), increasing by some 14% in the reporting year, mainly as a result of new build and expansion projects. Of the additions to non-current assets in the financial year, € 4.0 million were non-cash (previous year: € 13.0 million). Proceeds from the disposal of intangible assets and property, plant and equipment increased by € 2.9 million to € 11.3 million (previous year: € 8.4 million).

In the 2015 financial year, cash used for financing activities amounted to € -234.8 million (previous year: € -274.3 million). The reduction in cash outflow for financing activities is mainly due to lower repayments of financial liabilities (€ 57.0 million) and lower profit transferred (€ 131.1 million). These effects more than compensated for the payment from additional paid-in capital in the amount of € -150.0 million.

For the purposes of the cash flow statement, cash and cash equivalents comprise exclusively cash at banks totalling € 149.7 million (previous year: € 248.4 million).

See section 4.5 for information on the cash and cash equivalents of the joint operations.

6.2 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.

6.3 Other financial obligations

The other financial obligations which cannot be seen from the balance sheet amount to € 68.8 million per annum (previous year: € 78.8 million) as of the reporting date and arise from long-term contracts for the grant of use of the pipeline network. The minimum lease payments for pipeline networks listed in section 6.4 are not included.

The following purchase commitments existed as of the reporting date:

in € million	31 Dec. 2015	31 Dec. 2014
Purchase commitment for investments in intangible assets	3.5	1.9
Purchase commitment for investments in property, plant and equipment	219.7	109.8
Purchase commitment for maintenance work (incl. inventory materials)	229.2	159.4
Total purchase commitment	**452.4**	**271.1**

6.4 Leases

The Group rents pipeline networks, business premises, vehicles and other operating equipment under cancellable operating leases. For significant operating leases, there is an option to extend the contract. The existing contract relationships result in the following minimum lease payments for the Group:

j	Due within 1 year		Due in 1 to 5 years		Due in more than 5 years	
in € million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Pipeline networks	12.3	12.1	12.3	18.4	0.0	0.0
Buildings	1.9	1.8	6.1	0.3	2.5	0.0
Vehicles, IT and others	4.9	5.2	6.7	7.1	0.0	0.0
Minimum lease payments	**19.1**	**19.1**	**25.1**	**25.8**	**2.5**	**0.0**

In the 2015 financial year, payments under leases of € 21.1 million were recognised in income (previous year: € 20.4 million).

The Group is also a lessor under operating leases. The lease business is, however, only a side-line activity for the Group. The existing leases do not normally refer to individually separable assets and also do not grant a particular customer exclusive usage of a separable asset; thus there is no indication in the balance sheet of the assets bound by operating leases. The contract relations with the Group as lessor result in minimum lease payments received as follows:

	Due within 1 year		Due in 1 to 5 years		Due in more than 5 years	
in € million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Buildings	1.5	1.9	0.0	0.3	0.0	0.0
IT and others	0.2	0.1	0.3	0.1	0.0	0.0
Minimum lease pay-ins	**1.7**	**2.0**	**0.3**	**0.4**	**0.0**	**0.0**

In the 2015 financial year, payments under leases of € 1.9 million were recognised in income (previous year: € 2.0 million).

Sub-leases under the operating leases were only made with one subsidiary not included in the Group in an insignificant volume.

6.5 Segment reporting

In accordance with IFRS 8, the segments are defined according to the internal steering and reporting in the VGT Group (management approach). The entire Management of OGE is identified as the chief operating decision-maker (CODM) of the VGT Group. In particular the implementation of the concept of an Independent Transmission Operator (ITO) prohibits intervention of higher levels in the business operations of the OGE Group. Consequently, resource allocation at higher level is not possible.

The VGT Group has two business segments, the Transport and Other Services businesses. The sales of these two business segments are reported separately to the Management of OGE. However, as expenses exist in both business segments which are neither immaterial nor independent of sales, the sales are not a result metric within the meaning of IFRS 8.5 (b). Another result metric for the two business segments is not reported separately to the Management of OGE. As a result, the VGT Group constitutes a "one segment company".

Entity-wide disclosures

External sales break down as follows:

in € million	2015	2014
Transport business	761.7	835.8[10]
Other Services business	124.0	123.9
Total	**885.7**	**959.7**

Information on geographical regions in accordance with IFRS 8.33 is not given as the business of the VGT Group largely relates to one region (Germany; place of performance and/or seat of the companies).

The VGT Group generated € 162.0 million with one customer in 2015 (previous year: € 191.0 million). That is more than 10% of total sales.

6.6 Business transactions with related parties

From the Group's perspective, the following companies and bodies are related parties as defined by IAS 24:

Controlling companies: through VGH and VGS, a consortium consisting of the British Columbia Investment Management Corporation (32.15%), Abu Dhabi Investment Authority (24.99%), Macquarie Infrastructure and Real Assets (23.58%), Münchener Rückversicherungs-Gesellschaft AG (18.73%) as well as Halifax Regional Municipality Master Trust (0.55%), together holding 100% of the shares in VGT.

On the basis of the profit-and-loss transfer agreement concluded with VGS on 1 January 2013, VGT is to transfer its profits of € 24.1 million to VGS (previous year: € 24.1 million) and to pay € 28.5 million (previous year: € 54.6 million) to VGS under the income tax allocation agreement with VGS. An advance payment of € 40.0 million (previous year: € 45.1 million) was already made to VGS on the basis of these two agreements. On the reporting date, the total remaining amount of € 12.6 million (previous year: € 33.6 million) after deduction of tax receivables chargeable to VGS is recorded in current operating liabilities to affiliated companies.

Apart from the above, no significant business transactions were performed in the reporting period with controlling companies.

Associates and joint arrangements

The list of shareholdings is given in section 7. Significant business relations only exist with NETG, Deudan, GasLINE KG and NetConnect Germany GmbH & Co.,

[10] Prior-year figures adjusted (see section 2.23).

Ratingen. The individual business transactions were as follows:

in € million	2015	2014
Receivables	13.3	16.4
Liabilities	1.3	1.2
Sales	17.9	30.4
Cost of materials	17.1	15.2

Most of the sales (€ 15.2 million; previous year: € 15.8 million) were generated with technical and commercial services. At € 13.2 million (previous year: € 11.2 million), fees for usage contracts for the pipeline network account for most of the cost of materials.

In addition to the open receivables and liabilities from these business relations on the reporting date, total receivables also include a receivable of € 16.9 million from pro-rata profit distributions of associates (previous year: € 13.4 million).

Related parties

In line with IAS 24, the remuneration of key management personnel (Management of VGT as well as Management and members of the Supervisory Board of OGE) is to be disclosed. The managing directors of VGT are employed at the member companies of the controlling investor consortium and receive no remuneration from VGT for their work. As the managing directors perform similar pipeline and monitoring activities for a large number of companies and the costs are not allocated to the individual companies, it is not possible to attribute the individual remunerations to their VGT management work.

The Supervisory Board of OGE received remuneration totalling € 0.1 million in the reporting period, the same as in the previous year. The remuneration of the members of the OGE Management for their services as employees (in line with IAS 24.17) breaks down as follows:

in € million	2015	2014
Salaries and other current benefits	2.1	1.9
Post-termination benefits	-	-
Other benefits due in the long term	1.4	1.7
Total remuneration	**3.5**	**3.6**

Otherwise, no transactions took place with members of the Management in key positions.

6.7 Events after the balance sheet date

Up to the date of the preparation of the 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.

6.8 Independent auditors' fees

The auditors of the VGT consolidated financial statements are PricewaterhouseCoopers AG WPG, Essen. The fees for financial statement audits include in particular fees for statutory auditing of the consolidated financial statements and the annual financial statements of the Group companies of VGT.

in € million	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Financial statement audits	0.5	0.5
Other services	0.3	0.6
Total	**0.8**	**1.1**

6.9 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.

Frank Rothäusler, Munich, Senior Investment Manager, Private Equity & Infrastructure, MEAG MUNICH ERGO Asset Management GmbH, until 31 October 2015

Dominik Damaschke, Munich, Senior Investment Manager, Private Equity & Infrastructure, MEAG MUNICH ERGO Asset Management GmbH, from 1 November 2015

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

The managing directors are not employees of the Company.

7 List of Shareholdings as of 31 December 2015

Name	Seat	Trade register number	Share in %	Equity in € k(1)	Net income in € k(1)
Consolidated					
Vier Gas Transport GmbH	Essen	HRB 24299	100.00	925,623	24,057
Open Grid Europe GmbH	Essen	HRB 17487	100.00	1,153,274	173,770
Open Grid Regional GmbH	Essen	HRB 19964	100.00	500	-1,848
Mittelrheinische Erdgastransportleitungsgesellschaft mbH	Essen	HRB 24567	100.00	64,150	52,947
Line WORX GmbH	Essen	HRB 23536	100.00	80,725	12,549
Proportionately consolidated					
MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG	Essen	HRA 8536	51.00	118,947	24,895
NETRA GmbH Norddeutsche Erdgas Transversale & Co. Kommanditgesellschaft	Schneiderkrug	HRA 150471	40.55	61,716	63,767
Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG	Essen	HRA 8548	51.00	100,497	13,249
Associated – equity-accounted					
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. Kommanditgesellschaft (2)	Straelen	HRA 1805	25.00	0	48,962
Non-consolidated companies due to immaterial importance					
Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (2) (3)	Dortmund	HRA 17834	50.00	28,985	5,466
MEGAL Verwaltungs-GmbH (3)	Essen	HRB 18697	51.00	45	2
PLEdoc Gesellschaft für Dokumentationserstellung und -pflege mbH (4)	Essen	HRB 9864	100.00	589	71
Open Grid Service GmbH (4)	Essen	HRB 22210	100.00	100	703
NEL Beteiligungs GmbH (4)	Essen	HRB 23527	100.00	25	0
Trans Europa Naturgas Pipeline Verwaltungs-GmbH (3)	Essen	HRB 18708	50.00	43	2
Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH (3)	Dortmund	HRB 26278	50.00	36	1
DEUDAN - Deutsch/Dänische Erdgastransport-Gesellschaft mbH & Co. Kommanditgesellschaft (2) (3)	Handewitt	HRA 3848 FL	24.99	5,334	828
DEUDAN-HOLDING-GmbH (2) (3)	Hanover	HRB 214	49.00	21	-1
NetConnect Germany GmbH & Co. KG (2) (5)	Ratingen	HRA 20201	35.00	5,000	0
NetConnect Germany Management GmbH (2) (5)	Ratingen	HRB 59556	35.00	69	3
NETRA GmbH-Norddeutsche Erdgas Transversale (2) (3)	Schneiderkrug	HRB 150783	33.33	107	2
caplog-x GmbH (2) (5)	Leipzig	HRB 23614	31.33	647	447
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH (2) (5)	Straelen	HRB 4812	25.00	62	1
PRISMA European Capacity Platform GmbH (2) (6)	Leipzig	HRB 21361	1.33	342	95
LIWACOM Informationstechnik GmbH (2) (5)	Essen	HRB 7829	33.33	490	165

(1) Equity and net income are based on country-specific accounting policies
(2) Equity and net income refer to the previous year
(3) Joint arrangement (not consolidated pro rata/measured using the equity method)
(4) Non-consolidated affiliated company
(5) Associate (not measured using the equity method)
(6) Other equity investments

8 Statement of Changes in Non-current Assets

Consolidated Statement of Changes in Non-current Assets of the VGT Group as of 31 Dec. 2015

							Accumulated depreciation and amortisation					Carrying amounts
	1 Jan. 2015 in € million	Additions in € million	Appreciation in € million	Disposals in € million	Reclassifications in € million	31 Dec. 2015 in € million	1 Jan. 2015 in € million	Additions in € million	Disposals in € million	Reclassifications in € million	31 Dec. 2015 in € million	31 Dec. 2015 in € million
Intangible assets												
Internally generated industrial property rights and similar rights and assets	2.0	0.3	0.0	0.0	0.6	2.9	-0.6	-0.5	0.0	0.0	-1.1	1.8
Purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets	147.6	10.5	0.0	-2.8	5.8	161.1	-70.1	-29.3	2.7	0.0	-96.7	64.4
Advance payments	13.4	2.7	0.0	-2.2	-6.1	7.8	0.0	0.0	0.0	0.0	0.0	7.8
	163.0	**13.5**	**0.0**	**-5.0**	**0.3**	**171.8**	**-70.7**	**-29.8**	**2.7**	**0.0**	**-97.8**	**74.0**
Goodwill	**830.4**	**0.0**	**0.0**	**0.0**	**0.0**	**830.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**830.4**
Property, plant and equipment												
Land leasehold rights and buildings including buildings on third-party land	159.6	4.2	0.0	0.0	2.7	166.5	-11.4	-4.9	0.0	0.0	-16.3	150.2
Pipeline system	2,061.3	34.7	0.0	-9.6	16.3	2,102.7	-160.1	-68.1	0.6	0.0	-227.6	1,875.1
Technical plant, equipment and machinery	658.4	61.8	0.0	-0.1	80.0	800.1	-83.3	-40.8	0.0	0.0	-124.1	676.0
Other equipment, fixtures, furniture and office equipment	38.6	6.4	0.0	-0.3	0.7	45.4	-12.0	-6.2	0.1	0.0	-18.1	27.3
Advance payments and construction in progress	149.2	77.9	0.0	-0.6	-100.0	126.5	0.0	-4.0	0.0	0.0	-4.0	122.6
	3,067.1	**185.0**	**0.0**	**-10.6**	**-0.3**	**3,241.2**	**-266.8**	**-124.0**	**0.7**	**0.0**	**-390.1**	**2,851.2**
Financial assets												
Equity investments	107.7	0.0	0.0	-6.3	0.0	101.4	-9.4	0.0	0.0	0.0	-9.4	92.0
Long-term loans granted	3.3	0.4	0.0	-0.5	0.0	3.2	0.0	0.0	0.0	0.0	0.0	3.2
	111.0	**0.4**	**0.0**	**-6.8**	**0.0**	**104.6**	**-9.4**	**0.0**	**0.0**	**0.0**	**-9.4**	**95.2**
	4,171.5	**198.9**	**0.0**	**-22.4**	**0.0**	**4,348.0**	**-346.9**	**-153.8**	**3.4**	**0.0**	**-497.3**	**3,850.8**

Consolidated Statement of Changes in Non-current Assets of the VGT Group as of 31 Dec. 2014

							Accumulated depreciation and amortisation					Carrying amounts
	1 Jan. 2014	Additions	Appreciation	Disposals	Reclassifications	31 Dec. 2014	1 Jan. 2014	Additions	Disposals	Reclassifications	31 Dec. 2014	31 Dec. 2014
	in € million	in € million	in € million	in € million	in € million	in € million	in € million	in € million	in € million	in € million	in € million	in € million
Intangible assets												
Internally generated industrial property rights and similar rights and assets	1.6	0.2	0.0	0.0	0 2	2.0	-0.2	-0.4	0.0	0.0	-0.6	1.4
Purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets	130.1	10.0	0.0	0.0	7 5	147.6	-38.7	-31.4	0.0	0.0	-70.1	77.5
Advance payments	14.3	6.8	0.0	0.0	-7.7	13.4	0.0	0.0	0.0	0.0	0.0	13.4
	146.0	**17.0**	**0.0**	**0.0**	**0.0**	**163.0**	**-38.9**	**-31.8**	**0.0**	**0.0**	**-70.7**	**92.3**
Goodwill	**830.4**	**0.0**	**0.0**	**0.0**	**0.0**	**830.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**830.4**
Property, plant and equipment												
Land, leasehold rights and buildings including buildings on third-party land	152.3	4.5	0.0	-0.1	2 9	159.6	-6.5	-4.9	0.0	0.0	-11.4	148.2
Pipeline system	2,036.2	18.9	0.0	-0.1	6 3	2,061 3	-92.7	-67.5	0.1	0.0	-160.1	1,901.2
Technical plant, equipment and machinery	572.8	39.8	0.0	0.0	45 8	658.4	-46.4	-36.9	0.0	0.0	-83.3	575.1
Other equipment, fixtures, furniture and office equipment	30.5	7.5	0.0	-0 2	0 8	38.6	-6.7	-5.4	0.1	0.0	-12.0	26.6
Advance payments and construction in progress	130.3	74.9	0.0	-0 2	-55 8	149 2	0.0	0.0	0.0	0.0	0.0	149.2
	2,922.1	**145.6**	**0.0**	**-0.6**	**0.0**	**3,067.1**	**-152.3**	**-114.7**	**0.2**	**0.0**	**-266.8**	**2,800.4**
Financial assets												
Equity investments	114.3	0.0	0.0	-6.6	0.0	107.7	-9.4	0.0	0.0	0.0	-9.4	98.2
Long-term loans granted	3.5	0.2	0.2	-0.6	0.0	3 3	0.0	0.0	0.0	0.0	0.0	3.3
	117.8	**0.2**	**0.2**	**-7.2**	**0.0**	**111.0**	**-9.4**	**0.0**	**0.0**	**0.0**	**-9.4**	**101.5**
	4,016.3	**162.8**	**0.2**	**-7.8**	**0.0**	**4,171.5**	**-200.6**	**-146.5**	**0.2**	**0.0**	**-346.9**	**3,824.6**

Essen, 14 March 2016

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

Auditor's Report

We have audited the consolidated financial statements prepared by Vier Gas Transport GmbH, Essen, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to De-cember 31, 2015. The preparation of the consolidated financial statements and the group manage-ment report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a (1) HGB [Handelsgesetzbuch - German Commercial Code] are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the consolidated financial state-ments and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Insti-tut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal con-trol system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in con-solidation, the determination of the entities to be included in consolidation, the accounting and con-solidation principles used and significant estimates made by the Company's Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, March 14, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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