

Annual Report 2013

Open Grid Europe GmbH

Translation the German text is authoritative

Open Grid Europe GmbH, Essen

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Introduction

Open Grid Europe GmbH (OGE), based in Essen, is one of Germany's leading natural gas transmission system operators. OGE operates Germany's largest transmission system, with a length of approximately 12,000 km. As a transmission system operator, OGE is subject to supervision by the Federal Network Agency, the German regulatory authority, and is bound by statutory regulations both at EU and German national level.

OGE's core activities include constructing high-pressure gas pipelines, operating and maintaining the pipeline system, as well as controlling and monitoring the network and the storage stations. Furthermore, core activities include marketing of gas transport capacities and servicing customers, as well as determining quantities and settlement.

General economic development

According to the annual report by the German Council of Experts assessing overall economic development, the global economy stabilised in the course of the year 2013. Germany retains its good positioning compared to other EU countries, even though gross domestic product only increased by 0.4% in 2013 (2012: 0.7%). This was the result of the ongoing and difficult economic situation, particularly in the first half of the year. Sentiment assuming that the euro crisis has been overcome is becoming stronger. However, the German Council of Experts is of the opinion that the nascent upswing is not self-supportive yet. The increase in global production was 2.2% in 2013 (2012: 3.2%).

Primary energy consumption in Germany

In 2013, energy consumption in Germany increased year on year by over 2.6% compared according to a prognosis by the Working Group on Energy Balances. Natural gas (6.7%), renewable energy (5.8%) and coal (4.1%) are gaining, while lignite (-1.2%) and nuclear energy (-2.5%) declined. The consumption of natural gas increased primarily due to the persistently cold weather in the first half of the year. This was offset by lower consumption of natural gas for electricity generation in power stations. Natural gas represents a share of 22.5% (previous year: 21%) of total domestic energy consumption. In addition, natural gas recorded the highest growth, leading to a further increase of the gap between itself and the other fossil primary energy sources.

Energy policy developments in Europe

On 14 October 2013, the Commission adopted the first EU-wide network code establishing a mechanism for allocating capacity in gas transmission systems. The goal of this initiative is to achieve a more efficient allocation of capacity at the interconnectors between Europe's high-pressure gas pipeline networks so as to promote trading with gas and the establishment of well-functioning gas wholesale markets in the EU.

These European requirements for standardising the allocation of capacity in the transmission systems came into force on 4 November 2013. The Capacity Allocation Mechanisms (CAM) network code was published in the Official Journal of the European Union as EU Directive No. 984/2013 on 15 October 2013. The regulations must be implemented across Europe by 1 November 2015. This implementation was anticipated in part before the CAM network code entered into effect, when the European PRISMA European Capacity Platform GmbH (PRISMA) was established and designed in January 2013. Today, it is the established standard process in Germany.

This means that a significant obstacle has been cleared on the road towards a European gas market. The network code for Gas Balancing in Transmission Systems was resolved across the EU in 2013 and is currently awaiting the results of the examination by the EU Parliament and the EU Council and subsequent publication in the Official Journal of the European Union. The Federal Network Agency has requested the market area coordinators to submit drafts, proposals and recommendations for implementing the EU regulation in national law by 3 March 2014. The implementation deadline set out in the network code is 1 October 2015, or in the event of an application for an extension, 1 October 2016.

Energy policy developments in Germany

In Germany, the Federal Network Agency is mandated with ensuring compliance with the Telecommunications Act, Post Act (PostG) and the Energy Industry Act (EnWG) and their regulations. It shall achieve the liberalisation and deregulation of the telecommunication, post and energy markets through a non-discriminatory network access and efficient grid usage fees.

From an energy policy viewpoint, the issue of temporarily critical storage levels for natural gas has still not been solved adequately. In winter 2012/2013, it became particularly evident that conflicting targets existed between trader behaviour driven purely by market principles on the one hand and reliability of supply on the other hand. The Federal Network Agency recognised the issue to a certain extent and made a first move with the requested definition of system-

relevant power stations. However, at present a solution providing all market participants with a legal framework that clarifies the question of responsibility for supply reliability on a sustainable basis has not been found yet.

On 1 January 2013, the Federal Network Agency issued a provisional regulation which classified the costs for flow commitments as volatile costs (KOLA formal procedure). This stipulates an obligation for transmission system operators to adjust the costs of flow commitments, which are included in the revenue cap, in the anticipated budgeted cost levels expected for the respective year, and to incorporate the balance in the revenue cap in the following year as part of a plan/actual cost comparison.

Open Grid Europe GmbH (OGE) has lodged an appeal against this regulation. The appeal does not aim to reverse the classification of flow commitments as volatile costs. But from OGE's viewpoint, volatile costs may not be a component of the cost block on which the efficiency benchmarking is based. Furthermore, OGE criticises the principle of an efficiency requirement that impacts volatile costs as volatile cost adjustment mechanism prevents the realisation of efficiencies in this area. OGE's appeal is based on the fact that this position is worse than the previous procedural regulation. The oral hearing of the appeal procedure took place before the Düsseldorf Higher Regional Court on 11 December 2013. The appeal was rejected by the Higher Regional Court on 29 January 2014.

On 31 July 2013, the Federal Government adopted the Ordinance Governing the Amendment of Ordinances in the Area of the Energy Industry Legislation Act (hereinafter "Ordinance"). On 5 July 2013, the Bundesrat had already approved the Federal Government's draft, with a few proposed amendments. In particular, the Ordinance includes amendments to the German Gas Network Changes Ordinance (GasNEV) and the German Incentive Regulation Ordinance (ARegV).

The most important amendments to the German Gas Network Changes Ordinance relate to the revision of the price indices to determine the new daily values (Section 6a GasNEV), the new regulation of the interest rate for the share of shareholders' equity exceeding the equity ratio ("EK II interest rate"; Section 7 GasNEV) and the introduction of a uniform biogas levy throughout Germany (Section 20b GasNEV).

The price indices for determining the new daily values are also regulated for the first time – retroactively from 1 January 2013 – for the periods in which no index series are available yet from the Federal Statistical Office. Substitute index series were determined for this. Furthermore, the authorities are allowed to take progress in productivity into account.

To determine the EK II interest rate, three interest series will be used on the basis of the yields on current debt outstanding published by Deutsche Bundesbank. This is also done on a retroactive basis from 1 January 2013.

Taking into account particular structural characteristics of the efficiency benchmarking, the threshold in the German Incentive Regulation Ordinance has been raised from 3% to 5% (Section 15 ARegV).

Furthermore, the deadline has been brought forward to submit a report to the Federal Network Agency with the evaluation and proposals for future design for regulating incentives. The report will now be due on 31 December 2014, instead of 1 January 2016. As a result, in November 2013 the Federal Network Agency published extensive questionnaires for all transmission system operators. The official data enquiry began in January 2014.

On 1 October 2013, NetConnect Germany (NCG) – in which OGE holds a 35% stake – successfully implemented the target model for balancing energy, which was drawn up in the previous year by the market area coordinators in close coordination with the transmission system operators and the Federal Network Agency. The aim of the model is to offer a standardised procurement of external balancing energy throughout Germany, focusing on exchange trading in the market areas. In this context, increasing liquidity on the wholesale markets is of particular importance, on the premise of securing network stability and reliability of supply.

Network development plans

The expansion of the network is particularly important for the turnaround in energy policy which has been decided by the Federal Government. Both European as well as national regulations oblige transmission system operators to draw up plans which contain a forecast of future network expansion requirements.

The Energy Industry Act specifies that natural gas transmission system operators shall jointly submit a ten-year network development plan every year, starting from 1 April 2012. Preparation of the network development plan shall be performed in close cooperation with all main market participants 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 for the network development plans from 2013 to 2022 for the national gas pipeline network (NEP Gas) on 1 April 2013 and submitted it to the Federal Network Agency. In this draft, gas flows in the German gas network are modelled for the next ten year-period in order to establish the development and/or potential investments in the

German transmission networks. The basis for this model is the scenario framework established by Prognos AG upon request from the transmission system operators and then revised as part of a public consultation process with market participants and subsequently amended accordingly.

On 18 December 2013, the Federal Network Agency published an amendment request in respect of the Network Development Plan Gas 2013 as submitted by the transmission system operators on 1 April 2013. The Federal Network Agency decided not to demand extensive re-modelling. However, the transmission system operators have to incorporate the requested changes and submit the final Network Development Plan Gas 2013 by March 2014. In parallel to this, the transmission system operators are required to have already drawn up and conducted consultations on the Network Development Plan 2014 by 1 April 2014. The overlapping of these two procedures suggests that there is an urgent necessity for stretching the annual preparation of the plans over a certain period of time. The legislator is asked to provide synchronisation in this respect, e.g. with a two-year rhythm for the European Gas Network Development Plan.

The obligation to expand the grid must not be detrimental to the transmission system operators who are investing. On the political side, it must be ensured on a sustainable basis that investors provide the necessary capital to realise the turnaround in energy policy. On the one hand, this requires an adequate rate of interest in line with the capital market that also takes particular account of the extensive utilisation risks to expand the grid over the useful life. On the other hand, the massive, externally determined grid expansion investment must not create disadvantages in the relative efficiency benchmarking proceedings established in the German Incentive Regulation Ordinance for those transmission system operators who are investing. The mutual objective of everyone involved should be to subordinate all investments to an overall economic optimum and in this way ensure supply reliability in the long-term and strengthen Germany as an industrial location.

In July 2013, the transmission system operators published the scenario framework for the Gas Network Development Plan, making it available for consultation 2014. At the end of the submission period, all comments received were passed on to the Federal Network Agency pursuant to Section 15a EnWG for evaluation of the scenario framework. On 16 October 2013, the Federal Network Agency confirmed the scenario framework with amendments and requirements. In comparison to the scenario framework of the previous year, the primary focus was placed on the various options for structuring the gas network for the demand of downstream transmission system operators.

In the financial year 2013, the European Network of Transmission System Operators for Gas (ENTSOG) published its European Network Development Plan for 2013 to 2022 for the EU-wide development of the gas grid. This serves as a basis for Germany's network development plan and is considered in the scenario framework for the Gas Network Development Plan 2014.

Business review 2013

At the beginning of the financial year 2013, there was a late, long-lasting cold period across large parts of Europe. Caused by this late onset of winter and the resulting high withdrawals, many natural gas storage facilities in Europe were emptied as far as is technically possible. Furthermore, unlike in previous years, storage for the following winter could not be started in this period. As a result, in the first half of 2013 storage levels fell to historic lows in Europe, increasing the probability of critical supply situations. Up to now the winter has recorded mostly mild temperatures, so that a critical supply situation is not anticipated.

Open Grid Europe has applied to the Federal Network Agency for certification as independent transmission operator. By resolution of 2 December 2013, the Federal Network Agency granted OGE as full subsidiary of Vier Gas Transport GmbH (VGT) certification as independent transmission operator.

At the end of December 2013, OGE received the final notification on determining the calendar year-end revenue cap of the 2nd regulatory period (2013-2017) in line with Section 29 (1) EnWG in conjunction with Sections 32 (1.1) and (2) of the German Incentive Regulation Ordinance, which became effective in 2014. With the notification, the OGE efficiency figure determined in the efficiency benchmarking in line with Section 12 of the German Incentive Regulation Ordinance also became effective. OGE achieved an efficiency factor of 100%.

As of 1 January 2013, a change in the booking behaviour of transport customers made it necessary to increase the specific transport fees of OGE by an average of 30%. Long-term capacity bookings are increasingly being replaced by short-term so-called profiled capacity bookings. Since April 2013, capacity marketing is performed via PRISMA, the European platform (previously TRAC-X primary). Along with 21 other European transmission operators, OGE is a shareholder in PRISMA. The platform enables cross-border gas transport and is steadily growing in importance.

As a result of significant additional transport capacity bookings compared to the original forecast, OGE recorded additional revenues of approximately 8% in the financial year 2013, compared to the approved revenue cap permitted in accordance with Section 4 of the German Incentive Regulation Ordinance.

Technology and environmental protection

Technical operation and development of the gas grid proceeded as scheduled during the financial year 2013. Restrictions in capacity through maintenance, repair and integration measures were communicated in good time and information was updated consistently on the Internet.

OGE introduced various measures to modernise and update its technical infrastructure in 2013. These include measures of the investments integrated in the OGE grid Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Trans-Europa-Naturgas-Pipeline GmbH & Co. KG (TENP), Mittelrheinische Erdgastransportgesellschaft mbH (METG) and Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (NETG).

- TENP, a joint venture between OGE and Fluxys TENP GmbH, is implementing an ambitious project in their system to implement the requirements of the 13th Federal Emission Protection Ordinance for a total of nine machine units by 2015. Engineering services for this project are performed by OGE for TENP. Two machine units were thus commissioned successfully in 2013 by OGE on TENP. It is planned to commission one further machine for the beginning of 2014.
- On TENP, the sections Bocholtz-Stolberg and Stolberg-Auderath sections were investigated using ultrasound pigging (US pigging) in summer 2013. To do this, existing natural gas was extracted from the two pipelines using a mobile compressor, customer connections transferred, double block and bleed systems equipped and fittings exchanged. Water necessary for the US pigging (90 million litres) was supplied using mobile high-pressure pumps through a 5 km-long temporary water pipe into the TENP. The US pigging of TENP was one of OGE's largest inspection projects.
- On MEGAL, the construction measures for realising the MEGAL - MIDAL – network connection were conducted. MEGAL is a joint venture between OGE and GRTgaz Deutschland. With the commissioning of machine unit 5 in December 2013, the network connection was taken into operation ahead of plan, on 1 January 2014. Engineering services for this project were performed by OGE.
- On the compressor stations Bunde and Emsbüren control and energy technology has been replaced for one machine unit respectively.
- On the compressor station Porz of METG, the gas turbine drive on machine unit 5 was exchanged for a machine with lower emission levels. Commissioning is to be concluded at the start of 2014.
- Planning has begun to construct a catalytic exhaust gas cleaner at one machine unit of the compressor station Elten, (NETG). The utilization of

this technology is new for the European gas transport sector. The projected will be realised in 2014.

- The north European gas pipeline, which has been working at partial capacity since August 2012, achieved its full transport capacity of over 20 billion cubic metres of natural gas on 1 November 2013. With the last welding seam, OGE successfully concluded a connection more than 1,600 kilometres long, from Wyborg in Russia to Rehden in the Netherlands. The north European gas pipeline connects the Nord Stream with the European transmission grid, from the landfall point in Lubmin in Greifswald along a length of approximately 450 km, past Schwerin and Hamburg, to Rehden in Lower Saxony. The 133 km-long section in Lower Saxony, for which the OGE technical department is responsible as a service provider, faced numerous challenges related to construction specifics and legal approval requirements.

The annual external monitoring audit was successfully completed in September and existing certifications for the integrated management system according to DIN EN ISO 9001 (Quality Management), DVGW G 1000 (Technical Safety Management), OHSAS 18001 (Occupational Health & Safety Management) and DIN EN 14001 (Environmental Management) were confirmed.

Compressor stations continue to be subject to the German Greenhouse Gas Emissions Trading Act (TEHG) as well as the related Allocation Act and the related ordinances. In autumn 2012, emission rights for 2013 were applied for on a timely basis due to the start of the new trading period in the EU Emissions Trading Scheme. A conclusive allocation decision is still pending and the corresponding emission rights have not been issued yet.

OGE is working on an ongoing basis to develop procedures required for gas transportation, plant and pipeline construction and the secure operation of the transmission network. In addition, the challenges linked to the energy turnaround continue to form one of the local working area. Therefore, OGE actively supports the implementation of the power-to-gas-technology, which enables the storage of surplus renewable electricity can be stored by converting it into synthetic natural gas (SNG) and feeding it into the natural gas grid.

Employees

At the end of 2013, OGE had 1,381 employees (excluding management and trainees). Personnel expenses during the financial year amounted to € 146.0 million.

OGE trains apprentices for technical and administrative jobs at six locations in North Rhine-Westphalia (Essen), Lower Saxony (Krummhörn), Bavaria

(Waidhaus, Wildenranna), Hesse (Gernsheim) and Rhineland Palatinate (Mittelbrunn).

In the course of further endeavours to increase efficiency, OGE continued its existing programmes for early retirement consistently and supplemented them with new measures in the past financial year.

Occupational Health and Safety is a matter of highest priority for OGE. The continuous reduction of the number of accidents and other harmful effects on the health of OGE employees as well as employees of partner companies is therefore pursued on an ongoing basis. As a result of these efforts the number of work accidents was significantly reduced in the OGE in the financial year 2013.

Investments

OGE invested a total of € 154.8 million during the financial year (previous year: € 249.2 million). € 148.2 million related to investments in tangible assets and intangible assets. This represents approximately 95.7% of total investments. Financial investments amounting to € 6.6 million were mainly due to shareholder equity injections at the pipeline companies TENP (€ 4.5 million) and MEGAL (€1.6 million). The most important investments in the previous financial year included the acquisition of Etzel-Gas-Lager pipeline (EGL) for € 47.2 million and of machine unit 5 in Bierwang for € 16.7 million. Further significant investments made by OGE were the measures on the Sannerz-Rimpar pipeline, which was commissioned in 2012 (€ 4.1 million), and the reinvestment in telecontrol technology (€ 3.9 million). € 1.2 million on investments related to obligations from the network development plan.

Based on a sale and purchase agreement dated 17 December 2013, OGE sold its 50% stake in the Senden-Lindau pipeline (section of the former CEL – Central European Line) to terranets bw GmbH for € 8.1 million.

Financing

OGE is a full subsidiary of VGT. With effect from 1 January 2013, OGE concluded a profit and loss transfer agreement with VGT, under which OGE undertakes to pay its entire profit to VGT and VGT undertakes to offset any losses sustained by OGE. The contract was concluded for a period of five years and is extended by one year if it is not terminated. Since 1 January 2013, VGT and OGE have formed a trade tax group, with VGT as the controlling company and OGE as the controlled company. OGE and VGT concluded an income tax allocation agreement to allocate to OGE the taxes on income economically incurred by OGE. In this way, OGE shows an income tax expense due to the income tax allocations that OGE would have incurred without having formed a single tax group with VGT.

The takeover of OGE by VGT in 2012 was financed largely by external funds. The bank loans taken out by VGT to finance the acquisition of OGE in the financial year 2012 (totalling € 2,750.0 million, of which € 2,200.0 million was utilised) were fully refinanced on the capital market by VGT in 2013 on the basis of three bond tranches for a total volume of € 2,250.0 million. In the context of the partial repayment of liabilities to banks as at 12 June 2013, initially the collateral granted by OGE was released by the banks. With the full repayment of liabilities to banks as at 10 July 2013, as well winding up the existing loan agreement including the remaining free credit lines as of 20 December 2013, both the Company and its full subsidiaries (METG, Open Grid Service GmbH and PLE-doc Gesellschaft für Dokumentationserstellung und -pflege mbH) were released in full from their liability for VGT to the bank consortium. With the old syndicated loan agreement being wound up, a new syndicated loan agreement with a reduced volume of € 200 million at improved conditions was concluded at the same time.

With the exception of a bilateral ancillary facility to the syndicated loan in the amount of € 1.1 million used as a guarantee line, the freely available credit lines made available in the past financial year were not used.

In order to cover the obligations from pension commitments, OGE continues to use a Contractual Trust Agreement (CTA). The trust fund set up in this connection is managed on a trust basis by Helaba Pension Trust e.V. (Helaba), Frankfurt am Main. Plan assets at Helaba have been netted with the corresponding pension commitments on the balance sheet. In December 2013, € 12.7 million was added to the plan assets for pension commitments and € 1.3 million for early-retirement part-time obligations. On the balance sheet date, the fund's resources exceeded the provisions set up at OGE for pension commitments, early-retirement part-time and long-term commitments by € 2.5 million.

Disclosures in accordance with Section 289 (2.2) HGB

There are foreign exchange risks for OGE from procurement transactions with business partners outside the Euro region. A foreign exchange risk of US\$ 0.2 million was hedged by concluding a currency forward transaction as part of micro hedges under Section 254 HGB. This is a micro hedge for the currency forward transaction, which is given prospective effectiveness through matched maturities and volumes. Derivative financial instruments are concluded exclusively for hedging purposes.

Profitability and financial condition

In the following, the main earnings drivers and income statement items of OGE are compared with the figures of the previous year, in order to provide an overview of the profitability situation.

In the financial year 2013, OGE recorded a decline in sales of 8.1% to € 959.3 million (previous year: € 1,044.0 million). Total sales comprise sales from the Gas Transport business and the Service business. The decline in sales mainly results from a lower permitted revenue cap, which is regulated by Section 4 of the German Incentive Regulation Ordinance.

Sales from Gas Transport business exceeded the permitted revenue cap in the financial year 2013. For these so-called additional revenues in comparison to the permitted revenue cap, a provision of € 63.9 million was set up for the regulatory account. With growth of 8%, sales actually achieved from the Gas Transport business exceeded the threshold of 5% in the financial year 2013, in comparison to the revenues permitted pursuant to Section 4 of the German Incentive Regulation Ordinance. The current German Incentive Regulation Ordinance mechanism stipulates a repayment of additional revenues in 2015, which is then offset by utilising the provision thus increasing sales.

Sales from the Service business recorded a decline of 5.2% to € 178.3 million compared to the previous year.

The result from ordinary activities of OGE fell by € 16.0 million to € 323.3 million compared to the previous year. Net income prior to transfer of profit/loss amounted to € 278.4 million (net income for the previous year: € 292.6 million). The decline in profit was mainly due to lower sales from the Gas Transport business caused by the lower permitted revenue cap. This was offset by lower expenses in other operating expenses, cost of materials and personnel expenses.

The balance sheet total of OGE amounted to € 1,433.3 million on the reporting date of 31 December 2013. As a result, the equity ratio came to 53.0%. External funds relate to provisions (61.7%), payables (38.1%) and deferrals (0.2%). Cash and cash equivalents came to € 203.5 million as at 31 December 2013, increasing by € 72.2 million in comparison to the previous year. OGE achieved a cash flow from operating activities of € 464.2 million in the financial year 2013. Cash flow from investing activities amounted to € -156.4 million. All investments were again funded solely from operations.

Cash flow from financing activities amounted to € -235.6 million and was mainly related to the distribution of € -240.1 million to the parent company, VGT.

In summary, a positive and secure profitability and financial condition can be determined for the past financial year.

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

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

With revenues of € 801.5 million in the past financial year (previous year: € 868.2 million), the segment “Grid Business” achieved a profit on ordinary activities of € 181.6 million (previous year: € 183.9 million).

The segment “Activities within Gas Sector” includes dispatching for other network operators and suppliers of gas infrastructure. The segment “Other Activities within Gas Sector” achieved a profit on ordinary activities of € 4.0 million (previous year: € 4.0 million) from sales of € 7.8 million (previous year: € 7.4 million).

“Activities outside Gas Sector” consists primarily of equity income, technical and engineering services, business and IT services as well as rental and leasing. In the past financial year, the segment “Activities outside Gas Sector” achieved a profit on ordinary activities of € 137.7 million (previous year: € 151.4 million) from sales of € 150.0 million (previous year: € 168.5 million) and income from equity investments of € 111.8 million (previous year: € 117.4 million).

Risk report

The opportunity and risk situation of the Company is assessed and documented every quarter in the form of a standardised process. As a part of this process, Management and supervisory board are informed regularly. The process aims at recognising opportunities and risks at an early time and – wherever necessary and possible – introducing appropriate mitigation measures.

The risk situation of OGE as at 31 December 2013 is largely determined by the regulatory environment. As a regulated company, the earnings situation and prospects of OGE are directly dependent upon decisions of the regulatory authorities. Important parameters in this respect are the approval of the cost base and the efficiency factor. Regulatory decisions in this respect directly affect revenues and profit as well as the liquidity of OGE. The general regulatory risk with

regard to earnings was significantly reduced by the recognition of the efficiency factor of 100% for OGE. The Federal Network Agency's decision on the revenue cap for the third regulatory period (2018-2022) is expected from 2016 onwards

In addition, OGE also uses complex information technology (IT) to operate and control the pipeline network. As a consequence, there is a fundamental risk of the failure of parts of the IT systems leading to a temporary impairment to business activities.

OGE earns the majority of its revenues with a small group of large customers.

Due to the regulatory account system, terminations of long-term capacity bookings only lead to temporary declines in sales. Resulting losses in comparison to the approved revenue cap are recognised in the so-called regulatory account and settled through an adjustment of the calendar year-end revenue cap for the following regulatory period, including an interest component. There is therefore no sustained risk from fluctuations in demand. Furthermore, the liquidity risk is minimised by the existing revolving credit facility.

The refinancing that took place led to OGE being released from its liability to the banks for VGT.

Foreign exchange risks from ongoing procurement transactions at OGE are hedged using currency forward transactions. The Company does not deploy any further derivative financial instruments. There is currently no evidence of any risks threatening the existence of the company.

Furthermore, there is also no knowledge of any substantial environmental risks.

There are opportunities primarily through additional increases in efficiency compared to the approved revenue cap. However, due to the regulatory framework these are only temporary. In principle, further opportunities and risks are possible, as the regulatory framework might change.

Material legal disputes

A material legal dispute brought by a customer against OGE and Thyssengas GmbH, which started in 2010 because of alleged use of flexibility and commodity products in 2008/2009, was settled between Thyssengas and the customer in the Dortmund Regional Court.

A balancing energy vendor asserted equalisation claims against NetConnect Germany because of problems with automated volume processing at a border delivery point that led to limit values being exceeded for certain balancing energy products. Since OGE provides the volume processing service for NetConnect Germany, there was a risk of recourse in this regard. A settlement agree-

ment was concluded with the transport customer that settled the facts of the matter conclusively.

Two storage operators had filed capacity expansion claims for natural gas storage with OGE, pursuant to Sections 38 and 39 of the German Gas Network Access Ordinance (GasNZV). OGE was of the opinion that the conditions for each of the claims did not exist and rejected these claims accordingly. Subsequently both storage operators had initiated proceedings for abuse against OGE with the Federal Network Agency. In one case, a settlement with the storage operator was reached before the Federal Network Agency announced a decision. In the other case, an appeal against the decision of the authorities on capacity expansion is pending at the Düsseldorf Higher Regional Court.

Events after the balance sheet date

There are no events to be reported.

Forecast Report 2013

According to the Council of Expert's prognosis on the overall economic situation it can be expected that the Germany economy will record stronger growth in the course of the year 2014. A rise in gross domestic product (GDP) is forecasted at 1.6 percent on an average for the year 2014. The number of people in employment is at a high of 42.1 million.

Transport fees were adjusted with effect from 1 January 2014. As in the previous year, regular adjustment of fees is based on the booking behaviour of transport customers, which is changing significantly and is leading to short-term, profiled bookings. This change in booking behaviour has made it necessary to increase the specific transport fees of OGE by an average of 12% as of 1 January 2014. For individual points with an increased risk of interruption, the fee for interruptible capacities was reduced from 70% to 65% of the fee for fixed capacities.

As a regulated company, OGE calculates the fees on the basis of the revenue cap stipulated by the Federal Network Agency. In addition to these specific fees, which are calculated taking into account the expected bookings, a biogas levy is charged. The economic framework in which OGE operates as a regulated company, continues to be dominated by decisions of the Federal Network Agency. For 2014, the Management expects net income for the year at the same level as the previous year. It is assumed that transport sales will be at the level of the permitted revenue cap. In addition, the management anticipates a stable and safe liquidity situation for the Company. All necessary investment measures will again be funded solely from operations.

In the area of occupational safety, the Management's aim is to achieve a further reduction in work accidents. In order to achieve this, corresponding measures have been put in place, including cooperation with partner companies.

**Annual Financial Statements
for the Period from
January 1 to December 31, 2013**

Assets				Shareholders' Equity and Liabilities			
	Notes	€	31/12/2012 k€		Notes	€	31/12/2012 k€
A. <u>Fixed assets</u>				A. <u>Shareholders' equity</u>			
I. Intangible assets	(1)			I. Capital shares	(8)		
1. Self-created intangible assets		1,933,239	1,223	Share capital		110,324,332	110,324
2. Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets		46,782,066	42,441	II. Capital reserve		573,703,068	573,703
3. Prepayments		13,717,807	12,553	III. Revenue reserves		75,441,472	75,441
			56,227	IV. Net income for the year / unappropriated retained earnings		0	90,120
II. Tangible assets	(2)					759,468,872	849,588
1. Land, similar rights and buildings		53,842,244	54,362	B. <u>Provisions</u>			
2. Technical equipment and machinery		604,808,994	574,794	1. Provisions for pensions and similar obligations	(9)	4,764,086	4,415
3. Other equipment, factory and office equipment		17,829,171	18,997	2. Tax provisions		25,695,415	31,982
4. Preparations and construction in process		72,326,823	42,119	3. Other provisions		385,289,574	347,881
			689,972			415,749,085	384,258
III. Financial assets	(3)			C. <u>Liabilities</u>			
1. Shares in affiliated companies		231,444,522	229,845	1. Customer advances	(10)	9,848,487	11,382
2. Other long-term equity investments		37,872,706	33,386	2. Trade payables		46,361,942	41,603
3. Other loans		2,976,989	2,902	3. Payables to shareholders		166,654,232	0
			286,133	4. Payables to affiliated companies		12,404,534	9,385
1,083,594,561				5. Payables to companies in which participations are held		9,942,005	4,157
-----				6. Other liabilities		11,505,715	12,701
1,012,332						256,716,915	79,428
B. <u>Current assets</u>				D. <u>Deferred income</u>			
I. Inventories	(4)					1,266,675	1,057
1. Raw materials and supplies		6,674,131	7,637				
2. Work in process		48,639,998	54,019				
3. Merchandise		12,728,697	13,201				
4. Other inventories		707,150	566				
			75,623				
II. Receivables and other assets	(5)						
1. Trade receivables		29,979,755	29,089				
2. Receivables from shareholders		0	148				
3. Receivables from affiliated companies		30,838,185	24,692				
4. Receivables from companies in which participations are held		3,289,096	4,388				
5. Other assets		12,465,521	20,948				
			79,265				
III. Cash on hand and bank balances	(6)						
			131,335				
			286,223				
C. <u>Prepaid expenses and deferred charges</u>							
			306				
D. <u>Asset surplus arising from offsetting</u>	(7)						
			15,470				
			1,314,331				

	Cost				Cumulative amortisation/depreciation				Net book values	
	01/01/2013	Additions	Disposals	Transfers	31/12/2013	€	€	€	31/12/2013	€
Intangible assets										
Self-created intangible assets	1,225,090.82	1,009,547.39	0.00	0.00	2,234,638.21	1,827.86	239,571.82	0.00	1,983,238.53	1,223,262.96
Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets	85,529,962.88	8,030,003.29	0.00	8,933,767.45	102,493,733.62	43,089,419.25	12,622,247.93	0.00	48,782,066.44	42,440,543.63
Prepayments	12,562,651.41	10,088,923.06	0.00	-8,933,767.45	13,717,807.02	0.00	0.00	0.00	13,717,807.02	12,562,651.41
	99,317,705.11	19,128,473.74	0.00	0.00	118,446,178.85	43,091,247.11	12,861,819.75	0.00	62,493,111.99	56,226,458.00
Tangible assets										
Land, similar rights and buildings including buildings on leasehold land	175,821,392.58	1,773,483.51	-30,338.73	68,646.88	177,633,183.24	121,459,417.8	2,337,359.38	-5,838.32	53,842,244.38	54,361,974.78
Technical equipment and machinery	3,751,478,051.83	86,749,529.12	-11,812,993.93	6,417,466.56	3,832,632,053.58	3,176,683,530.84	63,142,868.81	-11,803,339.96	604,808,993.89	574,794,520.89
Factory and office equipment	66,185,969.10	3,255,779.03	-2,460,797.74	120,665.8	67,101,616.19	48,992,646.94	3,866,857.92	-2,411,187.36	16,653,298.69	17,193,322.16
Low-value assets	4,664,585.22	471,277.78	-18,225.97	0.00	5,117,637.03	3,160,860.06	799,193.73	-18,225.97	1,175,872.21	1,503,725.16
Prepayments and construction in process	42,118,809.90	36,814,791.51	0.00	-6,606,778.24	73,326,823.17	0.00	0.00	0.00	72,326,823.17	42,118,809.90
	4,040,268,805.63	129,064,860.95	-14,322,356.37	0.00	4,155,011,313.21	3,350,296,455.64	70,146,216.84	-14,238,591.61	748,807,232.34	689,972,352.99
Financial assets										
Shares in affiliated companies	229,844,522.39	1,600,000.00	0.00	0.00	231,444,522.39	0.00	0.00	0.00	231,444,522.39	229,844,522.39
Other long-term equity investments	33,386,172.61	4,500,000.00	-13,467.00	0.00	37,872,705.61	0.00	0.00	0.00	37,872,705.61	33,386,172.61
Other loans	3,815,460.01	482,079.31	-598,642.82	0.00	3,698,896.50	913,105.69	0.00	-191,196.24	2,976,989.05	2,902,354.32
	287,046,155.01	6,582,079.31	-612,109.82	0.00	273,016,124.50	913,105.69	0.00	-191,196.24	272,294,217.05	266,133,049.32
	4,406,632,665.75	154,775,414.00	-14,934,466.19	0.00	4,546,473,616.56	3,394,300,808.44	83,008,036.59	-14,429,789.85	1,083,594,561.38	1,012,331,860.31

Open Grid Europe GmbH, Essen
Income Statement
for the Period from January 1 to December 31, 2013

	Notes	€	€	2012 k€
1. Sales	(11)		959,283,405	1,044,012
2. Increase or decrease in finished goods and work in process			-7,379,304	6,211
3. Other own work capitalised	(12)		14,000,732	14,168
4. Other operating income - of which income from currency translation € 6,283 (prior year: T€ 1,539)	(13)		22,924,363	16,479
5. Cost of materials	(14)			
a) Cost of raw materials and supplies		-105,508,366		-111,209
b) Cost of purchased services		-354,270,488		-424,476
			-459,778,854	-535,685
6. Personnel expenses				
a) Wages and salaries		-117,341,179		-129,118
b) Social security, pensions and other benefits - of which relating to pensions € 11,135,724 (prior year: T€ 8,525)		-28,632,471		-28,387
			-145,973,650	-157,505
7. Amortisation and depreciation of fixed intangible and tangible assets	(15)		-83,008,037	-72,307
8. Other operating expenses - of which expenses from currency translation € 14,936 million (prior year: T€ 4)	(16)		-68,287,338	-93,455
9. Income from other long-term equity investments - of which from affiliated companies € 78,846,177 (prior year: T€ 84,879)	(17)		111,819,764	117,448
10. Other interest and similar income - of which from affiliated companies € 22,874 (prior year: T€ 17,367) - of which interest income from the discounting of provisions € 3,186,929 (prior year: T€ 120)	(18)		4,035,095	18,236
11. Interest and similar expenses - of which to affiliated companies € 9,356 (prior year: T€ 18) - of which interest expenses from the compounding of provisions € 24,276,771 (prior year: T€ 18,246)	(19)		-24,286,388	-18,292
12. Profit/loss on ordinary activities			323,349,788	339,310
13. Taxes on income	(20)		-44,570,359	-44,944
14. Other taxes	(21)		-380,616	-1,746
15. Expenses from profit and loss transfer	(22)		-278,398,813	0
16. Net income for the year			0	292,620
17. Advance distribution				-202,500
18. Unappropriated retained earnings				90,120

Open Grid Europe GmbH, Essen**NOTES TO THE FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2013****I. General Information on the Annual Financial Statements**

The annual financial statements have been prepared in accordance with the accounting principles of the German Commercial Code [HGB], the Limited Liability Companies Act (GmbHG) and the Energy Industry Act [EnWG].

In the reporting year, the company is a large corporation pursuant to Section 267 (3) HGB in conjunction with Section 267 (4) HGB.

The income statement was prepared in accordance with the total expenditure format.

Vier Gas Transport GmbH (VGT), Essen, is the sole shareholder of Open Grid Europe (OGE), Essen. A profit and loss transfer agreement has been concluded with VGT with effect from 1 January 2013. An income tax group has also existed between the two companies since 1 January 2013.

II. Accounting and Valuation Methods**Fixed assets**

Intangible assets and tangible assets are measured at acquisition or production cost less scheduled amortisation/depreciation. The production cost consists of the mandatory elements in accordance with commercial law, plus general administrative expenses. In addition to the straight-line depreciation method, the declining-balance depreciation method has been used. For tangible assets, which had already existed at the beginning of financial year 2009, having been depreciated on a declining-balance basis, the retention option is exercised in accordance with Art. 67 (4) Sentence 1 EGHGB and declining balance depreciation is continued. Additions since January 1, 2009 are only depreciated

on a straight-line basis underlying the assets' useful lives due to the annulment of reverse principle by the German Accounting Law Modernisation Act [BilMoG].

The Company exercises the option in accordance with Section 248 No. 2 Sentence 1 HGB and recognises self-created intangible fixed assets. Due to the amount of the freely available reserves (capital reserves and revenue reserves), the distribution and payment block, respectively, of Section 268 (8) HGB does not apply.

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

Due to their minor importance, low-value assets of acquisition cost of between € 150 and € 1,000 are posted to an asset pool and depreciated on a straight-line basis over a period of five years.

Shares in affiliated companies and other long-term equity investments are stated at acquisition cost. If permanent value impairment is anticipated, the lower fair value is recognised.

Other loans shown under financial assets relate to non-interest-bearing loans granted to employees, which are stated at their present value as of the balance sheet date. The present values are calculated on the basis of an interest rate which matches the residual term.

Inventories

Raw materials and supplies stated under inventories are generally recognised at average acquisition cost considering the lower of cost or market principle. In addition to this, the LIFO method is applied. Sufficient write-downs are made for inventory risks arising from the duration of storage and reduced usability.

Work in process is stated at production cost. The production cost is stated with the mandatory elements in accordance with commercial law, plus general administrative expenses.

The gas stocks in the transmission network disclosed under merchandise are recognised at acquisition cost. The valuation is based on the LIFO method.

The emission rights are stated at acquisition cost considering the lower of cost or market principle.

Receivables and other assets

Receivables and other assets are capitalised at nominal value and measured taking into account all recognisable risks. In addition to individual valuation allowances, the valuation of trade receivables considers the general credit risk by making a general valuation allowance of 1.50 % on net receivables less those receivables for which individual valuation allowances were made.

Cash and cash equivalents

Cash and cash equivalents are recorded at nominal value.

Provisions

Provisions are stated at their settlement amounts necessary according to reasonable commercial assessment pursuant to Section 253 (1) Sentence 2 HGB taking into account future price and cost increases. Provisions with a remaining term of more than one year are discounted in accordance with Section 253 (2) Sentence 1 HGB in conjunction with Section 253 (2) Sentences 4 and 5 HGB, underlying the remaining term-specific average interest rate (Euro zone) of the previous seven financial years monthly published by Deutsche Bundesbank. The individual provisions are discounted taking into account the remaining term of the respective provision as of the balance sheet date.

Income from the discounting of provisions as well as expenses from the subsequent compounding are stated in the income statement under "other interest and similar income" and "interest and similar expenses", respectively, and disclosed as thereof -items pursuant to Section 277 (5) HGB.

As unchanged to the prior year, the valuation of pension provisions is generally based on the 2005 G guideline tables of Prof. Dr. Heubeck.

Differing from the discounting of provisions generally based on their remaining terms in accordance with Section 253 (2) Sentence 1 HGB, the Company exercises the option right in accordance with Section 253 (2) Sentence 2 HGB. Accordingly, pension provisions are discounted for an assumed remaining term of 15 years, using an average interest rate determined by the Bundesbank.

Pensions and similar obligations are measured on the basis of actuarial principles using the projected unit credit method (BilMoG value) and taking into account the above mentioned average interest rate of 4.90 % p.a. In doing so, the following dynamic components are taken into account, in addition to the estimated duration of the benefitted employees:

- Wage and salary trend: 2.50% p.a.
- Pension trend: 2.00% p.a.

The market rate of 4.90 % p.a. is based on the discount rate published by Deutsche Bundesbank for October 2013. The difference to the discount rate published for December 2013 (4.88 %) is marginal and, therefore, negligible.

To secure against insolvency and to finance the employees' claims stemming from pension commitments and similar obligations, a double-sided CTA trust relationship exists between OGE as the trustor and Helaba Pension Trust e. V. (Helaba), Frankfurt am Main as the trustee. As the trustor, OGE transferred assets to the trustee as a precautionary measure in financial year 2012 and has added to this in financial year 2013.

The trustee holds and manages the trust assets for the trustor on a fiduciary basis and in an accounting group separated from the trust assets of other trustors and separated from the trustee's own assets.

The trust assets fulfil the preconditions required from plan assets in accordance with Section 246 (2) Sentence 2 HGB as they are protected from all other creditors and serve exclusively to meet the liabilities from retirement benefits and similar long-term obligations. In accordance with Section 253 (1) Sentence 4 HGB, the plan assets are stated at fair value, being netted with provisions for pensions and provisions for long-term time value accounts in accordance with Section 246 (2) Sentence 2 HGB. Due to the amount of freely available reserves, the distribution and payment block, respectively, of Section 268 (8) HGB does not apply.

Liabilities

Liabilities are stated at their settlement amounts in accordance with Section 253 (1) Sentence 2 HGB. The expenses and income from currency translation disclosed in the income statement result from a liquidation of liabilities denominated in foreign currency during the year at exchange rates which had been initially recognised at their spot rates applicable at the time of posting the liabilities and from the valuation of liabilities denominated in foreign currency which had been recognised at their spot rates at the time of posting.

Deferred taxes

As the controlling company, VGT established a fiscal entity for income tax purposes effective 1 January 2013. Therefore OGE as the controlled company does not recognise deferred taxes and does not provide further information in accordance with Section 285 No. 29 HGB.

III. Notes to the Balance Sheet

(1) Intangible assets

Additions to intangible assets mainly include software in the amount of € 13.1 million as well as construction cost subsidies made in the amount of € 4.9 million.

In the financial year, additions to self-created intangible assets amounted to € 1.0 million. The total amount of research and development expenses also add up to

€ 1.0 million in the financial year as no research expenses have incurred. € 0.3 million of these additions relate to assets which are still in development.

(2) Tangible assets

As of the closing date, the net book value of tangible assets amounts to € 748.8 million (prior year: € 690.0 million). The additions to tangible assets can be broken down as follows:

- Buildings	1.4 %
- Technical equipment and machinery	67.2 %
- Sundry tangible assets and construction in process	31.4 %
	<u>100.0 %</u>

Additions mainly result from the purchase of the Etzel Gas-Lager pipeline (€ 47.2 million) and the purchase of shares in a machine unit in Bierwang (€ 13.7 million).

(3) Financial assets

The schedule of shareholdings is attached to the notes.

Additions to financial assets mainly relate to a capital increase in the amount of € 4.5 million at Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP KG), Essen, as well as a capital increase in the amount of € 1.6 million at MEGAL Mittel-Europäische-Gasleitungsgesellschaft & Co. KG (MEGAL), Essen. Disposals of equity investments exclusively relate to the sale of shares in the amount of k€ 13 in PRISMA European Capacity Platform GmbH, Leipzig.

Other loans comprise non-interest-bearing loans to staff members.

(4) Inventories

The items disclosed under inventories relate to work in process (€ 46.6 million), merchandise (gas stocks in the transmission network (€ 12.7 million)) raw materials and supplies (€ 6.7 million) and emission rights (€ 0.7 million).

The difference resulting from the application of the LIFO method in the valuation of the gas stocks amounts to € 4.2 million.

(5) Receivables and other assets

Trade receivables mainly result from the transportation business.

Receivables from investment companies result exclusively from ongoing clearing transactions and the income from METG (€ 19.5 million), the ongoing clearing transactions and the income from Line Worx GmbH, Essen (€ 5.4 million) as well as the imputable taxes to Vier Gas Services GmbH & Co. KG (VGS), Essen, in the amount of € 6.1 million.

Receivables from companies in which participations are held comprise trade receivables from GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen (€ 1.5 million) and DEUDAN-Deutsch/Dänische Erdgastransport-Gesellschaft mbH & Co. KG (DEUDAN KG), Handewitt (€ 1.6 million).

Other assets mainly comprise accruals and deferrals for outstanding invoices from the levy account in the amount of € 8.3 million, input tax refund claims in the amount of € 1.5 million and receivables from corporation tax plus solidarity surcharge in the amount of € 0.8 million. Other assets amounting to € 1.0 million (prior year: € 1.0 million) have a residual term of more than one year.

(6) Cash on hand and bank balances

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

(7) Asset surplus arising from offsetting

This item includes an asset surplus from the offsetting of the plan assets with Helaba (€ 242.0 million) with the corresponding pension provisions (€ 214.5 million), the provisions for outstanding payments for partial retirement (€ 14.3 million) as well as the provisions for long-term time value accounts (€ 10.7 million). The acquisition costs of the plan assets amount to € 234.3 million.

(8) Shareholders' equity

As in the prior year, the **subscribed capital** (share capital) amounts to € 110.3 million.

The sole shareholder of Open Grid Europe GmbH is Vier Gas Transport GmbH (VGT), Essen.

The **capital reserve** remains unchanged to the prior year amounting to € 573.7 million.

The **revenue reserves** result from the direct allocation of released amounts from the first-time valuation of provisions in accordance with the provisions of the Bil-MoG and refer to the financial years 2009 and 2010.

In accordance with a resolution of the Supervisory Board, unappropriated retained earnings for financial year 2012 were distributed in full to VGT in the reporting year.

(9) Provisions

Provisions for pensions and similar obligations exclusively contain provisions for gas payments in kind.

Tax provisions mainly comprise provisions for possible tax obligations arising from the Company's withdrawal from the E.ON Group trust vehicle, which existed until 2012, in the amount of € 18.1 million as well as provisions for trade tax 2012 in the amount of € 7.5 million.

Other provisions (€ 385.3 million) mainly relate to provisions for excess revenue disgorgement amounting to € 128.4 million, provisions for the removal of underground piping amounting to € 65.9 million, provisions for offsetting the regulatory account amounting to € 63.9 million, provisions for the removal of above ground facilities amounting to € 46.0 million as well as staff-related provisions amounting to € 41.5 million. In addition, obligations in the amount of € 17.1 million exist with regard to outstanding invoices.

(10) Liabilities

	Total 31/12/2013 €	Residual term of up to 1 year €	Residual term of between 1 and 5 years €	Residual term of more than 5 years €	Total 31/12/2012 €
- Customer advances	9,848,487	9,848,487	0	0	11,382,197
- Trade payables	46,361,942	46,121,302	161,162	79,478	41,603,046
- Payables to share- holders	166,654,232	166,654,232	0	0	0
- Payables to affiliated companies	12,404,534	12,404,534	0	0	9,585,410
- Payables to compa- nies in which partici- pations are held	9,942,005	9,942,005	0	0	4,156,670
- Other liabilities (of which taxes)	11,505,715 (6,853,405)	11,505,715 (6,853,405)	0 0	0 0	12,700,800 (1,744,995)
	<u>256,716,915</u>	<u>256,476,275</u>	<u>161,162</u>	<u>79,478</u>	<u>79,428,123</u>

Trade payables mainly result from the transportation business.

Payables to shareholders result exclusively from the profit and loss transfer to VGT as well as from tax liabilities from the Group tax allocation.

Payables to affiliated companies mainly result from trade receivables and from clearing transactions and are netted with the income.

The trade receivables included in this item before off-setting amount to € 5.8 million and relate mostly to MEGAL KG (€ 5.3 million).

Payables to companies in which participations are held mainly result from the transportation business and advance payments and are netted with the receivables from the investment income and ongoing clearing transactions.

The trade payables included in this item amount to € 10.4 million before off-setting and mainly relate to TENP KG (€ 5.6 million), NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG (NETRA KG), Emstek (€ 3.9 million), and Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (NETG KG), Haan (€ 1.0 million).

Other liabilities mainly result from taxes amounting to € 6.9 million.

Contingent liabilities and other financial obligations

On 19 October 2012, OGE joined a syndicated loan agreement with a volume of up to € 2,750.0 million as borrower and warrantor, which the Company's sole shareholder, VGT, had concluded with an international syndicate of commercial banks on the occasion of the acquisition of 100% of the shares in OGE completed on 23 July 2012. Certain subsidiaries of OGE also joined the syndicated loan agreement as warrantors. In connection with entering into the syndicated loan agreement, a range of collaterals were provided in favour of the syndicate of commercial banks.

Through the placement of two unsecured EMTN bond tranches each amounting to € 750.0 million on 12 June 2013 and through the conclusion of a syndicated loan agreement (together with VGS and Vier Gas Services Management GmbH (VGSM), Essen as warrantor as well as OGE as an additional borrower) on 22 May 2013 amounting to € 1,226.0 million, (consisting of a term loan of € 726.0 million, a capital expenditure facility of € 400.0 million and a working capital facility of € 100.0 million), VGT repaid in full the syndicated loan agreement, which was concluded on 9 May 2012, and terminated it early, on 12 June 2013. In connection with winding up this syndicated loan agreement, all collateral and pledges that existed on 31 December 2012 as part of the agreement were rescinded in full. No collateral was provided for the new syndicated loan agreement.

With the funds from a third unsecured EMTN bond tranche also amounting to € 750.0 million, which was placed on the market on 10 July 2013, the outstanding term loan of € 726.0 million was repaid in full.

As at 20 December 2013, the syndicated loan agreement, which was concluded on 22 May 2013 and only still exists in the form of the remaining (and largely unused) capital expenditure facility and working capital facility, was finally terminated by VGT and replaced by a new syndicated loan agreement designed as a revolving credit facility amounting to € 200.0 million. Under this contract, which runs until 20 December 2018, both VGT and OGE act as borrowers. VGT also acts as

a warrantor. No collateral was granted for this new syndicated loan agreement, either.

In addition, as warrantor OGE was granted an ancillary credit line of € 1.1 million for bank guaranties in favour of third parties via Unicredit Bank AG within the scope of the available total volume of the new syndicated loan agreement. Utilisation of the ancillary credit line through guarantees drawn up by UniCredit Bank AG came to k€ 628.5 as at 31 December 2013.

Other financial obligations not recorded on the balance sheet amounting to € 195.5 million p.a. as of the balance sheet date relate to long-term contracts for the lease of network transmission capacity, of which € 116.4 million p.a. relate to affiliated companies.

Furthermore, other financial obligations exist in the amount of € 132.5 million, relating to purchase commitments.

IV. Notes to the Income Statement

(11) Sales

Sales result from the gas transportation business as well as transport-related services in the amount of € 781.0 million and from technical and commercial services in the amount of € 178.3 million (of which € 97.4 million with affiliated or associated companies), being mainly generated in Germany. The decrease in sales compared to the prior year mainly results from the Federal Network Agency-approved revenue cap, which was reduced in comparison to the previous year.

(12) Other own work capitalised

The Company capitalised own work for intangible assets in the amount of € 3.8 million.

(13) Other operating income

This item mainly consists of the sale of fixed assets in the amount of € 10.1 million, income from the release of provisions in the amount of € 6.8 million as well as credit entries relating to prior years in the amount of € 4.0 million.

(14) Cost of materials

Cost of materials summarises expenses for load flow commitments and fuel energy as well as beneficial use fees, also in regard to affiliated companies and companies in which participations are held. Furthermore, repair and maintenance expenses as well as other purchased services are included. The decrease in cost of materials compared to the prior year mainly results from the reduction of income for flow commitments.

(15) Amortisation/depreciation

Amortisation/depreciation of intangible assets and tangible assets amounts to € 83.0 million (prior year: € 72.3 million) in the reporting year. Amortisation of intangible assets amounts to € 12.9 million and depreciation on tangible assets amounts to € 70.1 million.

(16) Other operating expenses

Other operating expenses mainly comprise IT costs, insurance, social security expenses and other administrative expenses. The previous year was also negatively impacted by restructuring expenses.

(17) Income from other long-term equity investments

	2013	2012
	<u>€ m</u>	<u>€ m</u>
Income from equity investments	38.2	49.0
Income from profit and loss transfer agreements	73.6	68.4
Expenses from loss absorption	<u> .</u>	<u> .</u>
	111.8	117.4

(18) Other interest and similar income

Other interest and similar income mainly comprise income from discounting long-term provisions in the amount of € 3.2 million.

(19) Interest and similar expenses

The expenses separately to be disclosed in the income statement pursuant to Section 277 (5) Sentence 1 HGB comprise the compounding of provisions in the amount of € 31.8 million. Income from the valuation of the plan assets at fair value amounting to € 7.5 million is offset within this item. Due to the amount of freely available reserves, the distribution and payment block, respectively, of Section 268 (8) HGB does not apply.

(20) Taxes

This item includes taxes on income amounting to € 44.6 million. Of this, € 38.3 million relate to the Group tax allocations of the financial year and € 6.3 million to taxes for financial years prior to tax pooling.

(21) Other taxes

This item includes real estate taxes, input taxes and motor vehicle taxes.

(22) Expenses from profit and loss transfer

Expenses from profit and loss transfer result from profit and loss transfer agreement, which has been concluded with VGT, and relate to advance transfers within the financial year amounting to € 150.0 million.

V. Other Disclosures**Distribution block in accordance with Section 268 (8) HGB**

The capitalisation of self-created intangible assets (book value: € 2.0 million) as well as the accounting for the plan assets at fair value (+ € 7.7 million in comparison to the acquisition costs) result in a total amount of € 9.9 million, which is subject to a distribution

block pursuant to Section 268 (8) HGB. Due to the amount of the freely available reserves (capital reserves and revenue reserves) this distribution block does not apply.

Number of employees on annual average

In the financial year, the number of staff excluding management and trainees amounted to an average number of 351 industrial workers and 1,057 salaried employees (prior year: 419 industrial workers and 1,136 salaried employees).

Related parties

Related natural persons within the meaning of Section 285 No. 21 HGB are the management and the members of the Supervisory Board. Related legal entities are, in particular, VGT and VGS, as well as the participations.

Material transactions agreed at unusual market terms and conditions have neither taken place with natural person nor with legal entities in the reporting year.

Auditor's fee

The Company does not disclose the auditor's fee in accordance with Section 285 No. 17 HGB due to the disclosure of this figure in the consolidated financial statements of VGT.

Large-volume transactions pursuant to Section 6b (2) EnWG

Large-volume transactions were carried out mainly with the equity investments of OGE and primarily relate to income from services (€ 80.4 million) as well as expenses for the lease of network transmission capacity (€ 195.5 million).

Financial instruments

OGE uses foreign currency forwards to hedge the foreign currency risk of non-euro-based procurement transactions. These instruments are stated together with the underlying transaction as a valuation entity in accordance with Section 254 HGB.

The prospective effectiveness is determined using the critical term match method and is recognized on the basis of the net hedge presentation method.

The nominal value of currency derivatives as of 31 December 2013 amounts to k€ 155. As of the balance sheet date the derivatives have a negative market value totalling k€ -2. As this impairment is merely temporary, no provision for pending losses was set up in accordance with Section 253 (3) Sentence 3 HGB in conjunction with Section 249 HGB.

Supervisory Board of Open Grid Europe GmbH, Essen

Members of the **Supervisory Board** in financial year 2013 were:

Hilko Schomerus

Chairman

Managing Director, Macquarie Capital (Europe) Limited, Darmstadt

Frank Lehmann

Deputy Chairman

Chairman of the Works Council of Open Grid Europe GmbH, Essen

Thomas Engelkamp

Security Foreman of Open Grid Europe GmbH, Essen

Alice Forster

Senior Investment Manager, MEAG, Munich

Simon Richard Eaves

Regional Head, ADIA, Dubai/United Arab Emirates

Lincoln Hillier Webb

Vice President, British Columbia Investment

Management Corporation, Victoria/Canada

The members of the Supervisory Board received for their work remuneration in the amount of € 0.1 million in the financial year 2013.

Management of Open Grid Europe GmbH

The members of the **Management** in the reporting year were:

Stephan Kamphues, Essen
Spokesperson of the Management

Dr Jörg Bergmann, Bochum
Commercial Managing Director

Wolfgang Anthes, Moers
Managing Director Business Services

Heinz Watzka, Oberasbach	until 28 February 2013
Technical Managing Director	

Dr Thomas Hübener, Haltern	from 1 March 2013
Technical Managing Director	

In the reporting year, the Management received for its work total remuneration of k€ 2,174 within the meaning of Section 285 No. 9a HGB.

Group

OGE itself does not prepare consolidated financial statements and Group management report referring to Section 291 HGB, but is included with exempting effect in the consolidated financial statements of VGT in accordance with IFRS, as it is to be applied in the EU. VGT, as the parent company, prepares consolidated financial statements for the smallest group of companies. Vier Gas Holdings S.à r.l., Luxembourg, as the parent company, prepares consolidated financial statements for the largest group of companies. Both financial statements are published in the electronic Federal Gazette.

Essen, 10 March 2014

Open Grid Europe GmbH
The Management

Kamphues

Dr Bergmann

Anthes

Dr Hübener

Schedule of shareholdings in accordance with Section 285 No. 11 HGB
As of 31/12/2013

Conse- cutive number	Company	Shares of Open Grid Europe GmbH or subsidiary in company's equity in %	Shareholding company (consecutive number)	Equity (in k€) ¹⁾ 31/12/2013	Annual result (in k€) ¹⁾ 2013
Substantial affiliated companies					
1	Open Grid Europe GmbH, Essen ²⁾	100.00		759,469	278,399
2	Open Grid Regional GmbH, Essen ²⁾	100.00	1	500	739
3	Mittelrheinische Erdgastransportleitungsgesellschaft mbH, Haan (Rhld.) ²⁾	100.00	1	29,150	59,149
4	MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, Essen	51.00	1	42,414	20,362
5	Line Worx GmbH, Essen ²⁾	100.00	1	80,725	10,841
Other substantial long-term equity investments					
6	Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, Haan (Rhld.) ³⁾	50.00	1	28,275	4,755
7	NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, Schneiderkrug	40.55	1	137,992	54,952
8	Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Essen	51.00	1	48,565	12,603
9	GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen ³⁾	25.00	5	0	47,966
Affiliated companies of secondary importance					
10	MEGAL Verwaltungs-GmbH, Essen	51.00	1	41	2
11	PLEdoc GmbH, Essen ²⁾	100.00	1	589	2,382
12	Open Grid Service GmbH, Essen ²⁾	100.00	1	49	493
13	NEL Beteiligungs GmbH, Essen ²⁾	100.00	1	25	-1
Other long-term equity investments of secondary importance					
14	Trans Europa Naturgas Pipeline Verwaltungs-GmbH, Essen	50.00	1	40	2
15	Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, Haan (Rhld.) ³⁾	50.00	1	34	1
16	DEUDAN-Deutsch/Dänische Erdgastransport- gesellschaft mbH & Co. Kommanditgesellschaft, Handewitt	24.99	1	4,560	85
17	DEUDAN-HOLDING-GmbH, Hannover ³⁾	49.00	1	22	-1
18	NetConnect Germany GmbH & Co. KG, Ratingen ³⁾	33.33	1	5,000	0
19	NetConnect Germany Management GmbH, Ratingen ³⁾	33.33	1	63	3
20	NETRA GmbH Norddeutsche Erdgas Transversale, Schneiderkrug ³⁾	33.33	1	103	2
21	Caplog-X GmbH, Leipzig ³⁾	33.33	1	554	354
22	Liwacom Informationstechnik GmbH, Essen ³⁾	33.33	1	601	188
23	GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen ³⁾	25.00	5	58	2
24	GasLINE CP Customer Projects GmbH, Straelen ³⁾	100.00	9	141	8

1) Equity and annual result are based on country-specific accounting principles in accordance with HGB
2) Profit and loss transfer agreement (annual result before profit assumption or loss off-setting)
3) Equity and annual result relate to prior year

**Activity Reports
for the Period from
January 1 to December 31, 2013**

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of 31 December 2013

Assets		Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
€						
A.	<u>Fixed assets</u>					
	I. Intangible assets					
	1. Self-created intangible assets	1.399.512	14.587	579.140	0	1.993.239
	2. Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets	42.798.786	1.013.493	2.969.787	0	46.782.066
	3. Prepayments	11.468.620	387.498	1.861.689	0	13.717.807
		55.666.918	1.415.578	5.410.616	0	62.493.112
	II. Tangible assets					
	1. Land, similar rights and buildings	33.225.176	156.703	20.460.365	0	53.842.244
	2. Technical equipment and machinery	603.274.258	16.083	1.518.653	0	604.808.994
	3. Other equipment, factory and office equipment	9.705.335	32.438	8.091.398	0	17.829.171
	4. Prepayments and construction in process	70.316.249	25.830	1.984.744	0	72.326.823
		716.521.018	231.054	32.055.160	0	748.807.232
	III. Financial assets					
	1. Shares in affiliated companies	0	0	231.444.522	0	231.444.522
	2. Other long-term equity investments	0	0	37.872.706	0	37.872.706
	3. Other loans	1.721.890	36.617	1.218.482	0	2.976.989
		1.721.890	36.617	270.535.710	0	272.294.217
		773.909.826	1.683.249	308.001.486	0	1.083.594.561
B.	<u>Current assets</u>					
	I. Inventories					
	1. Raw materials and supplies	6.170.235	667	503.229	0	6.674.131
	2. Work in process	2.972.662	296	43.667.040	0	46.639.998
	3. Merchandise	12.728.697	0	0	0	12.728.697
	4. Other inventories	707.150	0	0	0	707.150
		22.578.744	963	44.170.269	0	66.749.976
	II. Receivables and other assets					
	1. Trade receivables	24.069.321	475.864	5.434.570	0	29.979.755
	2. Receivables from shareholders	0	0	0	0	0
	3. Receivables from affiliated companies	4.223.053	72.196	26.542.936	0	30.838.185
	4. Receivables from companies in which participations are held	2.361.857	0	4.054.440	-3.127.201	3.289.096
	5. Other assets	10.233.728	25.103	2.206.690	0	12.465.521
	<i>from that receivables with a residual term of one year</i>	1.037.821	0	0	0	1.037.821
		40.887.959	573.163	38.238.636	-3.127.201	76.572.557
	III. Cash on hand and bank balances	115.338.688	2.558.541	85.637.770	0	203.534.999
		178.805.391	3.132.667	168.046.675	-3.127.201	346.857.532
C.	<u>Prepaid expenses and deferred charges</u>	153.304	3.884	106.138	0	263.326
D.	<u>Asset surplus arising from offsetting</u>	1.437.977	30.579	1.017.572	0	2.486.128
E.	<u>Capital clearing item</u>	128.379.819	0	0	-128.379.819	0
		1.082.686.317	4.850.379	477.171.871	-131.507.020	1.433.201.547

Consolidated sector balance sheet as of 31 December 2013

Contingent liabilities and other financial obligations

On October 19, 2012, Open Grid Europe GmbH joined a syndicated loan agreement with a volume of up to € 2,750.0 million as borrower and warrantor, which the Company's sole shareholder, VGT, had concluded with an international syndicate of commercial banks on the occasion of the acquisition of 100% of the shares in Open Grid Europe GmbH completed on July 23, 2012. The syndicated credit has been completely replaced by two unsecured EMTN bond tranches and a new syndicated loan agreement in 2013. The obtained securities from the creditors are released again. For further details we refer to the Appendix.

In addition, as warrantor OGE was granted an ancillary credit line of € 1.1 million for bank guarantees in favour of third parties via Unicredit Bank AG within the scope of the available total volume of the new syndicated loan agreement. Utilisation of the ancillary credit line through guarantees drawn up by UniCredit Bank AG came to T€ 628.5 as at 31 December 2013. The ancillary credit line will be allocated to the Activities outside Gas Sector.

Other financial obligations not recorded on the balance sheet amounting to € 195.5 million p.a. as of the balance sheet date relate to long-term contracts for the lease of network transmission capacity (Grid Business), of which € 116.4 million p.a. relate to affiliated companies.

Furthermore, other financial obligations exist in the amount of € 132.5 million, relating to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid Business € 122.5 million and Activities outside Gas Sector € 10.0 million.

Fixed-Asset Movement Schedule of Open Grid Europe GmbH as of December 31, 2013

	Cost					Cumulative amortization/depreciation				Net book values	
	January 01, 2013	Accruals	Disposals	Transfers	December 31, 2013	January 01, 2013	Accruals	Disposals	December 31, 2013	December 31, 2012	
	€	€	€	€	€	€	€	€	€	€	
Intangible Assets											
Self-created intangible assets	1.225.090,82	1.009.547,39	0,00	0,00	2.234.638,21	1.827,86	239.571,82	0,00	241.399,68	1.993.238,53	
from that Grid Business	1.031.555,74	682.953,75	0,00	-146.068,59	1.568.440,90	1.255,74	167.673,21	0,00	168.928,95	1.399.511,95	
from that Other Activities within Gas Sector	5.564,91	6.905,68	0,00	4.200,06	16.670,65	16,45	2.067,37	0,00	2.083,82	4.747,02	
from that Activities outside Gas Sector	187.970,17	319.687,96	0,00	141.868,53	649.526,66	555,67	69.831,24	0,00	70.386,91	199.251,20	
Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets	85.529.962,88	8.030.003,29	0,00	8.933.767,45	102.493.733,62	43.089.419,25	12.622.247,93	0,00	55.711.667,18	42.440.543,63	
from that Grid Business	69.024.468,35	7.545.415,37	0,00	7.461.664,57	84.031.548,29	31.511.339,17	9.721.423,29	0,00	41.232.762,46	36.484.280,63	
from that Other Activities within Gas Sector	5.258.688,86	34.703,98	0,00	357.475,94	5.650.868,78	3.902.263,58	735.111,52	0,00	4.637.375,10	869.945,37	
from that Activities outside Gas Sector	11.246.805,67	449.883,94	0,00	1.114.626,94	12.811.316,55	7.675.816,50	2.165.713,12	0,00	9.841.529,62	5.086.317,63	
Prepayments	12.562.651,41	10.088.923,06	0,00	-8.933.767,45	13.717.807,02	0,00	0,00	0,00	0,00	12.562.651,41	
from that Grid Business	10.844.573,12	8.085.711,45	0,00	-7.461.664,57	11.468.620,00	0,00	0,00	0,00	0,00	11.468.620,00	
from that Other Activities within Gas Sector	430.998,81	313.975,13	0,00	-357.475,94	387.498,00	0,00	0,00	0,00	0,00	387.498,00	
from that Activities outside Gas Sector	1.287.079,48	1.689.236,48	0,00	-1.114.626,94	1.861.689,02	0,00	0,00	0,00	0,00	1.861.689,02	
	99.317.705,11	19.128.473,74	0,00	0,00	118.446.178,85	43.091.247,11	12.861.819,75	0,00	55.953.066,86	62.493.111,99	
Tangible assets											
Land, similar rights and buildings including buildings on leasehold land	175.821.392,58	1.773.483,51	-30.338,73	68.645,88	177.633.183,24	121.459.417,80	2.337.359,38	-5.838,32	123.790.938,86	53.942.244,38	
from that Grid Business	146.266.553,66	1.765.156,75	-30.338,73	68.645,88	148.070.017,56	113.310.985,02	1.539.694,32	-5.838,32	114.844.841,02	33.225.176,54	
from that Other Activities within Gas Sector	297.853,74	0,00	0,00	0,00	297.853,74	134.275,92	6.875,15	0,00	141.151,07	156.702,67	
from that Activities outside Gas Sector	29.256.985,18	8.326,76	0,00	0,00	29.265.311,94	8.014.156,86	790.789,91	0,00	8.804.946,77	20.460.365,17	
Technical equipment and machinery	3.751.478.051,83	86.749.529,12	-11.812.993,93	6.417.466,56	3.832.832.053,58	3.176.683.530,84	63.142.868,81	-11.803.339,96	3.228.023.059,69	604.808.993,89	
from that Grid Business	3.744.147.669,67	86.742.480,56	-11.812.993,93	6.417.466,56	3.825.494.622,86	3.171.084.012,17	62.939.692,96	-11.803.339,96	3.222.220.365,17	603.274.257,69	
from that Other Activities within Gas Sector	620.060,29	0,00	0,00	0,00	620.060,29	598.946,63	5.030,60	0,00	603.977,23	16.083,06	
from that Activities outside Gas Sector	6.710.321,87	7.048,56	0,00	0,00	6.717.370,43	5.000.572,04	198.145,25	0,00	5.198.717,29	1.518.653,14	
Factory and office equipment	66.185.969,10	3.255.779,03	-2.460.797,74	120.665,80	67.101.616,19	48.992.646,94	3.866.857,92	-2.411.187,36	50.448.317,50	16.653.298,69	
from that Grid Business	37.986.031,90	1.759.410,02	-1.420.134,09	59.283,73	38.384.591,56	28.643.179,59	2.097.974,93	-1.381.773,16	29.359.381,36	9.025.210,20	
from that Other Activities within Gas Sector	38.589,10	131,43	-174,05	0,00	38.546,48	15.118,48	5.589,17	-135,97	20.571,68	19.800,70	
from that Activities outside Gas Sector	28.161.348,10	1.496.237,58	-1.040.489,60	61.382,07	28.678.478,15	20.334.348,87	1.763.293,82	-1.029.278,23	21.068.364,46	7.991.453,20	
Low-value assets	4.664.585,22	471.277,78	-18.225,97	0,00	5.117.637,03	3.160.860,06	799.130,73	-18.225,97	3.941.764,82	1.503.725,16	
from that Grid Business	2.697.996,39	272.587,08	-10.542,02	0,00	2.960.041,45	1.828.241,65	462.217,31	-10.542,02	2.279.916,94	831.770,34	
from that Other Activities within Gas Sector	57.374,21	5.796,71	-224,15	0,00	62.946,77	38.878,43	9.829,27	-224,15	48.483,55	15.939,54	
from that Activities outside Gas Sector	1.909.214,62	192.893,99	-7.459,80	0,00	2.094.648,81	1.293.739,98	327.084,15	-7.459,80	1.613.364,33	656.075,28	
Prepayments and construction in process	42.118.809,90	36.814.791,51	0,00	-6.606.778,24	72.326.823,17	0,00	0,00	0,00	0,00	42.118.809,90	
from that Grid Business	41.635.456,02	35.233.390,08	0,00	-6.552.596,70	70.316.249,40	0,00	0,00	0,00	0,00	40.679.583,55	
from that Other Activities within Gas Sector	0,00	25.830,00	0,00	0,00	25.830,00	0,00	0,00	0,00	0,00	25.830,00	
from that Activities outside Gas Sector	483.353,88	1.555.571,43	0,00	-54.181,54	1.984.743,77	0,00	0,00	0,00	0,00	1.984.743,77	
	4.040.268.808,63	129.064.860,95	-14.322.356,37	0,00	4.155.011.313,21	3.350.296.455,64	70.146.216,84	-14.238.591,61	3.406.204.080,87	748.807.232,34	
										689.972.352,99	

Fixed-Asset Movement Schedule of Open Grid Europe GmbH as of December 31, 2013

	Cost					Cumulative amortization/depreciation				Net book values	
	January 01, 2013	Accruals	Disposals	Transfers	December 31, 2013	January 01, 2013	Accruals	Disposals	December 31, 2013	December 31, 2012	€
	€	€	€	€	€	€	€	€	€	€	€
Financial assets											
Shares in affiliated companies	229.844.522,39	1.600.000,00	0,00	0,00	231.444.522,39	0,00	0,00	0,00	231.444.522,39	229.844.522,39	
from that Grid Business	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
from that Other Activities within Gas Sector	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
from that Activities outside Gas Sector	229.844.522,39	1.600.000,00	0,00	0,00	231.444.522,39	0,00	0,00	0,00	231.444.522,39	229.844.522,39	
Other long-term equity investments	33.386.172,61	4.500.000,00	-13.467,00	0,00	37.872.705,61	0,00	0,00	0,00	37.872.705,61	33.386.172,61	
from that Grid Business	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
from that Other Activities within Gas Sector	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
from that Activities outside Gas Sector	33.386.172,61	4.500.000,00	-13.467,00	0,00	37.872.705,61	0,00	0,00	0,00	37.872.705,61	33.386.172,61	
Other loans	3.815.460,01	482.079,31	-598.642,82	0,00	3.698.896,50	913.105,69	0,00	-191.198,24	721.907,45	2.976.989,05	
from that Grid Business	2.206.862,07	278.834,67	-346.255,01	0,00	2.139.441,73	528.140,33	0,00	-110.589,06	417.551,27	1.721.890,46	
from that Other Activities within Gas Sector	46.930,16	5.929,58	-7.363,31	0,00	45.496,43	11.231,20	0,00	-2.351,74	8.879,46	36.616,97	
from that Activities outside Gas Sector	1.561.667,78	197.315,06	-245.024,51	0,00	1.513.958,33	373.734,16	0,00	-78.257,44	295.476,72	1.216.481,61	
	267.046.155,01	6.582.079,31	-612.109,82	0,00	273.016.124,50	913.105,69	0,00	-191.198,24	721.907,45	272.294.217,05	266.133.049,32
	4.406.632.668,75	154.775.414,00	-14.934.466,19	0,00	4.546.473.616,56	3.394.300.808,44	83.008.036,59	-14.429.789,85	3.462.879.055,18	1.083.594.561,38	1.012.331.860,31

Open Grid Europe GmbH, Essen
Unbundling Income Statement
for the Period from January 1 to December 31, 2013

€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1. Sales	801.518.215	7.785.087	149.980.103	959.283.405
2. Increase or decrease in finished goods and work in process	-7.840.854	296	461.254	-7.379.304
3. Other own work capitalized	14.000.732	0	0	14.000.732
4. Other operating income	20.618.927	9.646	2.295.790	22.924.363
- of which income from currency translation	4.316	57	1.910	6.283
5. Cost of materials	-425.067.896	-58.884	-34.652.074	-459.778.854
a) Cost of raw materials and supplies	-100.221.089	-11.918	-5.275.359	-105.508.366
b) Cost of purchased services	-324.846.807	-46.966	-29.376.715	-354.270.488
6. Personnel expenses	-84.435.588	-1.797.358	-59.740.704	-145.973.650
a) Wages and salaries	-67.664.200	-1.486.182	-48.190.797	-117.341.179
b) Social security, pensions and other benefits	-16.771.388	-311.176	-11.549.907	-28.632.471
- of which relating to pensions	-6.719.695	-102.300	-4.313.729	-11.135.724
7. Amortization and depreciation of fixed intangible and tangible assets	-76.928.677	-764.503	-5.314.857	-83.008.037
8. Other operating expenses	-44.273.257	-1.006.060	-23.008.021	-68.287.338
- of which expenses from currency translation	-10.261	-134	-4.541	-14.936
9. Income from other long-term equity investments	0	0	111.819.764	111.819.764
a) Income from Investments	0	0	38.236.920	38.236.920
- of which from affiliated companies	0	0	5.263.333	5.263.333
b) Income from Profit Transfer Agreement	0	0	73.583.529	73.583.529
- of which from affiliated companies	0	0	73.583.529	73.583.529
c) Expenses from transfer of losses	0	0	-685	-685
- of which from affiliated companies	0	0	-685	-685
10. Other interest and similar income	3.600.091	9.129	425.875	4.035.095
- of which from affiliated companies	0	0	22.874	22.874
- of which interest income from the discounting of provisions	3.186.929	0	0	3.186.929
11. Interest and similar expenses	-19.567.988	-137.384	-4.581.016	-24.286.388
- of which from affiliated companies	0	0	-9.356	-9.356
- of which interest expenses from the compounding of provisions	-19.567.727	-137.384	-4.571.660	-24.276.771
12. Profit/loss on ordinary activities	181.623.705	4.039.969	137.686.114	323.349.788
13. Taxes on income	-23.909.480	-531.135	-20.129.744	-44.570.359
14. Other taxes	-308.183	-2.052	-70.381	-380.616
15. Expenses from profit and loss transfer	-157.406.042	-3.506.782	-117.485.989	-278.398.813
16. Profit of the Year	0	0	0	0

Explanation of legal unbundling

Preliminary note

Due to the German Energy Industry Act (Energiewirtschaftsgesetz – EnWG) as amended on October 4, 2013 Open Grid Europe GmbH (complying with the rules of Section 6b (3) EnWG) is obliged to provide separate balance sheets and profit and loss statements presenting the segments grid business, other activities within gas sector and activities outside gas sector.

For information regarding accounting and valuation methods (incl. depreciation method) we refer to the explanation included in the financial statements.

Rules referring to section 6b (3) sentence 7 EnWG

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

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

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

The above mentioned weighted keys are primarily derived from the corresponding relation of revenues and expenses of the profit and loss statement and the items of the balance sheet of the Open Grid Europe GmbH.

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

**Activity Reports
for the Period from
January 1 to December 31, 2012**

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of December 31st, 2012

Assets		Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	<u>Fixed assets</u>					
	I. Intangible assets					
	1. Self-created intangible assets	1.019.264	4.747	199.252	0	1.223.263
	2. Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets	36.484.282	869.945	5.086.317	0	42.440.544
	3. Prepayments	9.938.086	381.642	2.242.923	0	12.562.651
		47.441.632	1.256.334	7.528.492	0	56.226.458
	II. Tangible assets					
	1. Land, similar rights and buildings	32.619.942	140.970	21.601.063	0	54.361.975
	2. Technical equipment and machinery	573.049.116	25.822	1.719.583	0	574.794.521
	3. Other equipment, factory and office equipment	10.013.779	35.740	8.647.528	0	18.697.047
	4. Prepayments and construction in process	40.679.584	0	1.439.226	0	42.118.810
		656.362.421	202.532	33.407.400	0	689.972.353
	III. Financial assets					
	1. Shares in affiliated companies	0	0	229.844.522	0	229.844.522
	2. Other long-term equity investments	0	0	33.386.173	0	33.386.173
	3. Other loans	1.605.292	30.765	1.266.297	0	2.902.354
		1.605.292	30.765	264.496.992	0	266.133.049
		705.409.345	1.489.631	305.432.884	0	1.012.331.860
B.	<u>Current assets</u>					
	I. Inventories					
	1. Raw materials and supplies	7.291.497	784	544.668	0	7.836.949
	2. Work in process	10.813.517	0	43.205.785	0	54.019.302
	3. Merchandise	13.200.777	0	0	0	13.200.777
	4. Other inventories	566.100	0	0	0	566.100
		31.871.891	784	43.750.453	0	75.623.128
	II. Receivables and other assets					
	1. Trade receivables	21.400.535	823.714	6.865.137	0	29.089.386
	2. Receivables from shareholders	0	0	147.679	0	147.679
	3. Receivables from affiliated companies	396.950	1.252	24.294.153	0	24.692.355
	4. Receivables from other long-term investees and investors	0	0	10.558.047	-6.170.231	4.387.816
	5. Other assets	10.405.140	56.098	10.487.009	0	20.948.247
	<i>from that Receivables with a residual term of one Year</i>	1.038.207	0	0	0	1.038.207
		32.202.625	881.064	52.352.025	-6.170.231	79.265.483
	III. Cash on hand and bank balances	71.406.680	1.576.016	58.352.011	0	131.334.707
		135.481.196	2.457.864	154.454.489	-6.170.231	286.223.318
C.	<u>Prepaid expenses and deferred charges</u>	155.023	1.651	149.145	0	305.819
D.	<u>Asset surplus arising from offsetting</u>	8.556.706	163.987	6.749.757	0	15.470.450
E.	<u>Capital clearing item</u>	137.381.738	0	0	-137.381.738	0
		986.984.008	4.113.133	466.786.275	-143.551.969	1.314.331.447

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of December 31st, 2012

Shareholders' Equity and Liabilities		Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A.	<u>Shareholders' equity</u>					
	I. Capital shares					
	Share capital	76.873.994	165.487	33.284.851	0	110.324.332
	II. Capital reserve	399.756.297	860.555	173.086.216	0	573.703.068
	III. Revenue reserves	52.567.618	113.162	22.760.692	0	75.441.472
	IV. Unappropriated retained earnings	49.014.887	1.086.724	40.018.318	0	90.119.929
		578.212.796	2.225.928	269.150.077	0	849.588.801
B.	<u>Provisions</u>					
	1. Provisions for pensions and similar obligations	2.442.000	46.800	1.926.315	0	4.415.115
	2. Tax provisions	17.249.417	348.700	14.363.449	0	31.961.566
	3. Other provisions	323.827.542	530.068	23.523.430	0	347.881.040
		343.518.959	925.568	39.813.194	0	384.257.721
C.	<u>Liabilities</u>					
	1. Customer advances	6.837.796	0	4.544.401	0	11.382.197
	from that with a residual term of one Year	6.837.796	0	4.544.401	0	11.382.197
	2. Trade payables	33.864.566	201.440	7.537.040	0	41.603.046
	from that with a residual term of up to one Year	33.645.978	201.316	7.479.744	0	41.327.038
	from that with a residual term between one and five Years	55.608	124	57.296	0	113.028
	from that with a residual term of more than five Years	162.980	0	0	0	162.980
	3. Payables to affiliated companies	6.015.564	12.938	3.556.908	0	9.585.410
	from that with a residual term of up to one Year	6.015.564	12.938	3.556.908	0	9.585.410
	4. Payables to other long-term investees and investors	10.326.655	246	0	-6.170.231	4.156.670
	from that with a residual term of up to one Year	10.326.655	246	0	-6.170.231	4.156.670
	5. Other liabilities	7.206.100	126.390	5.368.310	0	12.700.800
	from that with a residual term of up to one Year	7.206.100	126.390	5.368.310	0	12.700.800
	from that taxes	965.157	18.497	761.341	0	1.744.995
		64.250.681	341.014	21.006.659	-6.170.231	79.428.123
D.	<u>Deferred income</u>	1.001.572	0	55.230	0	1.056.802
E.	<u>Capital clearing item</u>	0	620.623	136.761.115	-137.381.738	0
		986.984.008	4.113.133	466.786.275	-143.551.969	1.314.331.447

Contingent liabilities and other financial obligations

On October 19, 2012, Open Grid Europe GmbH joined a syndicated loan agreement with a volume of up to T€ 2,750,000 as borrower and warrantor, which the Company's sole shareholder, VGT, had concluded with an international syndicate of commercial banks on the occasion of the acquisition of 100% of the shares in Open Grid Europe GmbH completed on July 23, 2012. The syndicated credit will be allocated to the Activities outside Gas Sector. For further details we refer to the Appendix.

VGT is the original borrower of the syndicated loan. As OGE's new sole share-holder, its profit situation will primarily be determined by the investment income from OGE. Due to the anticipated positive profit development of OGE, the risk of a utilization of the collaterals as a result of joining the syndicated loan agreement is currently regarded as low.

Other financial obligations not recorded on the balance sheet amounting to € 210.7 million p.a. as of the balance sheet date relate to long-term contracts for the lease of network transmission capacity, of which € 130.3 million p.a. relate to affiliated companies.

Furthermore, other financial obligations exist in the amount of € 120.6 million, relating to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid business € 112.2 million and Activities outside Gas Sector € 8.4 million.

	Cost				Cumulative amortization/depreciation				Net book values			
	01.01.2012	Accruals	Disposals	Transfers	31.12.2012	€	€	€	€	31.12.2012	€	€
Intangible Assets												
Self-created intangible assets												
from that Grid Business	0,00	1.225.090,82	0,00	0,00	1.225.090,82	0,00	1.827,86	0,00	1.827,86	1.223.262,96	0,00	0,00
from that Other Activities within Gas Sector	0,00	1.020.487,76	0,00	0,00	1.020.487,76	0,00	1.223,02	0,00	1.223,02	1.019.264,74	0,00	0,00
from that Other Activities outside Gas Sector	0,00	4.761,09	0,00	0,00	4.761,09	0,00	14,07	0,00	14,07	4.747,02	0,00	0,00
	0,00	198.841,97	0,00	0,00	198.841,97	0,00	590,77	0,00	590,77	199.251,20	0,00	0,00
Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets												
from that Grid Business	55.997.831,29	30.187.403,13	-15.172.381,31	14.517.109,77	85.529.962,88	0,00	7.285.958,69	-10.737.946,83	0,00	43.089.419,25	42.440.543,63	9.456.423,90
from that Other Activities within Gas Sector	43.263.911,30	25.166.253,05	-15.162.707,75	12.628.625,38	68.896.091,98	0,00	5.082.516,12	-10.728.273,27	0,00	29.411.801,35	36.484.280,63	8.319.277.515,17
from that Other Activities outside Gas Sector	4.138.382,83	758.611,52	0,00	296.728,37	5.193.722,82	0,00	354.425,18	4.323.777,45	0,00	869.945,37	189.591,70	189.591,70
	8.595.537,06	4.362.538,56	-9.673,56	1.591.756,02	14.440.158,08	0,00	1.869.017,39	-9.673,56	0,00	9.353.840,45	5.086.317,63	947.554.659,69
Prepayments												
from that Grid Business	17.480.961,69	9.598.799,49	0,00	-14.517.109,77	12.562.651,41	0,00	0,00	0,00	0,00	12.562.651,41	0,00	0,00
from that Other Activities within Gas Sector	13.931.523,58	7.246.835,66	0,00	-11.240.272,56	9.938.086,68	0,00	0,00	0,00	0,00	9.938.086,68	0,00	0,00
from that Other Activities outside Gas Sector	95.625,30	325.188,77	0,00	-39.172,40	381.641,67	0,00	0,00	0,00	0,00	381.641,67	0,00	0,00
	3.453.812,81	2.026.775,06	0,00	-3.237.664,81	2.242.923,06	0,00	0,00	0,00	0,00	2.242.923,06	0,00	0,00
	73.478.792,98	41.011.293,44	-15.172.381,31	0,00	99.317.705,11	0,00	7.287.786,55	-10.737.946,83	0,00	43.091.247,11	56.226.458,00	26.937.385.595,99
Tangible assets												
Land, similar rights and buildings including buildings on leasehold land												
from that Grid Business	173.273.150,89	1.414.644,10	0,00	1.133.597,59	175.821.392,58	0,00	2.370.825,59	0,00	0,00	121.459.417,80	54.361.974,78	54.184.558.668,68
from that Other Activities within Gas Sector	143.238.769,24	1.282.974,24	0,00	1.133.597,59	145.655.341,07	0,00	1.562.725,70	0,00	0,00	113.035.398,77	32.619.942,30	38.142.735,37
from that Other Activities outside Gas Sector	256.685,80	1,16	0,00	0,00	256.686,96	0,00	5.924,93	0,00	0,00	115.717,45	140.869,51	276.878.801,51
	29.777.695,85	131.668,70	0,00	0,00	29.909.364,55	0,00	802.174,96	0,00	0,00	8.308.301,58	21.601.062,97	15.764.944,51
Technical equipment and machinery												
from that Grid Business	3.578.922.577,22	91.363.155,57	-8.650.349,62	89.842.688,86	3.751.478.051,83	0,00	59.000.008,58	-3.755.157,64	0,00	3.176.683.530,84	574.794.620,99	457.483.897.322,92
from that Other Activities within Gas Sector	3.572.416.212,05	91.363.195,57	-8.650.349,62	89.842.688,86	3.744.971.686,68	0,00	58.806.616,84	-3.755.157,64	0,00	3.171.922.570,34	573.049.116,32	455.388.879.981,96
from that Other Activities outside Gas Sector	14.16.820,25	0,00	0									

Fixed-Asset Movement Schedule of Open Grid Europe GmbH as of December 31, 2012

	Cost				Cumulative amortization/depreciation				Net book values	
	01.01.2012	Accruals	Disposals	Transfers	31.12.2012	€	€	€	31.12.2012	€
Financial assets										
Shares in affiliated companies	149,144,522.39	80,700,000.00	0.00	0.00	229,844,522.39	0.00	0.00	0.00	229,844,522.39	149,144,522.39
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	149,144,522.39	80,700,000.00	0.00	0.00	229,844,522.39	0.00	0.00	0.00	229,844,522.39	149,144,522.39
Other long-term equity investments	33,740,537.21	101,650.40	-456,015.00	0.00	33,386,172.61	0.00	0.00	0.00	33,386,172.61	33,740,537.21
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	33,740,537.21	101,650.40	-456,015.00	0.00	33,386,172.61	0.00	0.00	0.00	33,386,172.61	33,740,537.21
Right of recourse towards MEON	130,229,081.63	0.00	-130,229,081.63	0.00	0.00	0.00	0.00	0.00	0.00	130,229,081.63
from that Grid Business	72,811,079.54	0.00	-72,811,079.54	0.00	0.00	0.00	0.00	0.00	0.00	72,811,079.54
from that Other Activities within Gas Sector	1,953,436.22	0.00	-1,953,436.22	0.00	0.00	0.00	0.00	0.00	0.00	1,953,436.22
from that Activities outside Gas Sector	55,464,565.87	0.00	-55,464,565.87	0.00	0.00	0.00	0.00	0.00	0.00	55,464,565.87
Other loans	4,079,791.82	448,011.48	-713,343.29	0.00	3,815,460.01	985,035.76	0.00	913,105.69	2,902,354.32	3,094,753.06
from that Grid Business	2,266,532.85	248,348.25	-394,550.17	0.00	2,110,330.93	544,824.94	0.00	505,038.76	1,605,292.17	1,730,276.44
from that Other Activities within Gas Sector	43,245.80	4,759.52	-7,561.44	0.00	40,443.88	10,441.41	0.00	9,678.92	30,764.96	46,421.30
from that Activities outside Gas Sector	1,780,013.17	195,903.71	-311,231.68	0.00	1,664,685.20	429,772.41	0.00	398,388.01	1,266,297.19	1,318,055.33
	317,183,933.05	81,250,661.88	-131,398,439.92	0.00	267,046,155.01	985,035.76	0.00	913,105.69	266,133,049.32	316,208,894.29
	4,321,125,023.13	249,188,675.06	-163,661,029.44	0.00	4,406,632,668.75	3,344,518,239.43	72,306,850.10	3,394,300,808.44	1,012,321,860.31	976,606,769.70

Open Grid Europe GmbH, Essen
Unbundling Income Statement
for the Period from January 1 through December 31, 2012

€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1. Sales	868.177.292	7.382.045	168.452.916	1.044.012.253
2. Increase or decrease in finished goods and work in process	5.534.097	0	677.039	6.211.136
3. Other own work capitalized	14.167.631	0	0	14.167.631
4. Other operating income	12.744.802	1.500	3.732.342	16.478.644
- of which income from currency translation	917	11	1.538.140	1.539.068
5. Cost of materials	-498.374.951	-60.478	-37.249.377	-535.684.806
a) Cost of raw materials and supplies	-104.491.180	-16.866	-6.700.834	-111.208.880
b) Cost of purchased services	-393.883.771	-43.612	-30.548.543	-424.475.926
6. Personnel expenses	-87.103.578	-1.673.728	-68.727.945	-157.505.251
a) Wages and salaries	-71.359.892	-1.391.638	-56.366.241	-129.117.771
b) Social security, pensions and other benefits	-15.743.686	-282.090	-12.361.704	-28.387.480
- of which relating to pensions	-4.831.391	-89.933	-3.603.406	-8.524.730
7. Amortization and depreciation of fixed intangible and tangible assets	-67.514.907	-364.856	-4.427.087	-72.306.850
8. Other operating expenses	-58.799.014	-1.341.577	-33.314.680	-93.455.271
- of which expenses from currency translation	-2.481	-29	-1.239	-3.749
9. Income from other long-term equity investments	0	0	117.447.826	117.447.826
a) Income from Investments	0	0	49.013.680	49.013.680
- of which from affiliated companies	0	0	16.445.052	16.445.052
b) Income from Profit Transfer Agreement	0	0	68.434.826	68.434.826
- of which from affiliated companies	0	0	68.434.826	68.434.826
c) Expenses from transfer of losses	0	0	-680	-680
- of which from affiliated companies	0	0	-680	-680
10. Other interest and similar income	9.517.625	181.462	8.537.042	18.236.129
- of which from affiliated companies	9.284.206	177.882	7.905.313	17.367.401
- of which interest income from the discounting of provisions	120.000	0	0	120.000
11. Interest and similar expenses	-14.433.254	-90.748	-3.768.121	-18.292.123
- of which from affiliated companies	-125	0	-18.015	-18.140
- of which interest expenses from the compounding of provisions	-14.425.032	-90.628	-3.730.284	-18.245.944
12. Profit/loss on ordinary activities	183.915.743	4.033.620	151.359.955	339.309.318
13. Taxes on income	-23.309.325	-510.851	-21.123.449	-44.943.625
14. Other taxes	-1.492.281	-6.045	-247.438	-1.745.764
15. Profit of the Year	159.114.137	3.516.724	129.989.068	292.619.929
16. Expenses from profit and loss transfer	-110.099.250	-2.430.000	-89.970.750	-202.500.000
17. Net income for the year	49.014.887	1.086.724	40.018.318	90.119.929

Explanation of legal unbundling

Preliminary note

Due to the German Energy Industry Act (Energiewirtschaftsgesetz -EnWG) as amended on December 20, 2012 Open Grid Europe GmbH (complying with the rules of § 6b (3) EnWG) is obliged to provide separate balance sheets as well as profit and loss statements presenting the segments Grid Business, Other Activities within Gas Sector and Activities outside Gas Sector.

Rules referring to § 6b (3) Sentence 7 EnWG

In the normal case there has been a direct assignment of assets and liabilities and expenses and revenues for each segment in the Balance Sheet as well as in the profit and loss statement. In case of either indirect assignment to certain activities or assignment with unreasonably effort, the assignment was made with weighting keys on the basis of an appropriate allocation base.

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

- Full-Time Equivalent (FTE)
- Personnel Costs
- Material Costs
- Maintenance Costs
- Total Costs
- Profit/loss on ordinary activities
- Profit of the year
- Fixed Assets Book Value

Basis of the above mentioned weighted keys have primarily been the corresponding revenues and expenses of the profit and loss statement of the Open Grid Europe GmbH and the items of the balance sheet.

Intangible assets and tangible assets are measured at acquisition or production cost less scheduled amortization/ depreciation. The production cost consists of the mandatory elements in accordance with German commercial law (HGB), plus, starting from this financial year, general administrative expenses, the capitalization of which increases profits insignificantly. In addition to the straight-line depreciation method, the declining-balance method has been used. For tangible assets, which had already existed at the beginning of financial year 2009, and which have been depreciated on a degressive basis, the retention option is exercised in accordance with Art. 67 (4) Sentence 1 EGHGB and degressive depreciation is continued. Additions since January 1, 2009 are only depreciated on a straight-line basis underlying the assets' useful lives due to the annulment of reverse principle by the German Accounting Law Modernization Act [BilMoG].

The Company exercises the option in accordance with Section 248 No. 2 Sentence 1 HGB and recognizes self-created intangible fixed assets. Due to the amount of the freely available reserves (capital reserves and revenue reserves), the distribution and payment block, respectively, of Section 268 (8) HGB does not apply.

Shares in affiliated companies and other long-term equity investments are stated at acquisition cost. If permanent value impairment is anticipated, the lower fair value is recognized.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Open Grid Europe GmbH, Essen, for the business year from January 1 to December 31, 2013. In accordance with Section 6b (5) EnWG, the audit also included adherence to the duties of accounting pursuant to Section 6b (3) EnWG which requires that separate accounts be maintained and activity reports be prepared for the activities pursuant to Section 6b (3) EnWG. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law, as well as adherence to the obligations of Section 6b (3) EnWG, are the responsibility of the managing directors of the Company. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit, as well as on adherence to the accounting requirements of Section 6b (3) EnWG.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance, and that it is possible to establish with sufficient reliability whether the accounting requirements of § 6b (3) EnWG have been fulfilled in all main respects. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report, as well as in the internal accounting pursuant to § 6 (3) EnWG, are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Managing Directors, evaluating the overall presentation of the annual financial statements and management report, and the assessment whether the valuations and assignment of the accounts pursuant to § 6b (3) EnWG are correct and retraceable and whether the principles of consistency have been observed. 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 annual financial statements of Open Grid Europe GmbH comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

An audit of adherence to accounting obligations pursuant to § 6b (3) EnWG which requires that separate accounts be maintained and activity reports prepared for activities pursuant to § 6b (3) EnWG, did not lead to any objections.

Essen, March 11, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(sgd. Bernhard Klinke)
Wirtschaftsprüfer
(German Public Auditor)

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