

Annual Report 2014

Open Grid Europe GmbH

Translation the German text is authoritative

Open Grid Europe GmbH, Essen

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Open Grid Europe GmbH, Essen

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Introduction

Open Grid Europe GmbH (OGE), headquartered 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 network operator, OGE is subject to supervision by the Federal Network Agency (BNetzA), the German regulatory authority, and is bound by both EU and German statutory regulations.

OGE's core activities include constructing high-pressure gas pipelines, operating, maintaining and repairing the pipeline system as well as controlling and monitoring the network and storage stations. Furthermore, core activities include marketing gas transport capacities and customer support as well as determining quantities, allocation and billing.

General economic development

According to the annual report by the German Council of Experts assessing overall economic development, the German economy experienced a significant slowdown in 2014 after a surprisingly good start to the year. The geopolitical risks and the unfavourable development in the euro zone may well have played a role here. The German Council of Experts indicated a GDP growth rate of 1.2% for 2014 and forecast growth of 1.0% for 2015.

Primary energy consumption in Germany

According to initial calculations, energy consumption in Germany in 2014 totalled some 13,100 petajoules (PJ). That is 4.8% less than in the previous year. Therefore, primary energy consumption in 2014 reached its lowest level since reunification. The mild weather had the greatest impact on the sharp decrease in energy consumption. Even without weather influences, consumption would have been about one percent down on the prior-year level.

Gas consumption fell by about 14%, again mainly due to the much warmer weather compared with 2013. Gas use decreased both for heating purposes and for power generation. In addition, declining production in the chemical raw materials industry also had an impact.

Energy policy developments in Europe

The implementation of the third EU internal energy market package is far advanced. Work on the Network Code provided for by the EU Commission in its 3-year plan has been largely completed.

The Commission Regulation (EU) 984/2013 establishing a Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems came into force

in November 2013 and regulates the marketing of transport capacities. The implementation deadline for this regulation is 1 November 2015. Even before the effective date, OGE already took important steps in preparation for implementation by establishing and structuring the European capacity marketing platform PRISMA European Capacity Platform GmbH (PRISMA), Leipzig, in January 2013.

The Network Code on Gas Balancing of Transmission Networks has also entered into force. The balancing processes are to be brought into line with the Code by 1 October 2015. The Federal Network Agency has already made relevant stipulations on the revision of the national standards.

The comitology procedure of the Network Code on Interoperability and Data Exchange was terminated at the end of 2014. The publication of the code in the Official Journal of the European Union is expected at the beginning of 2015. It is likely that the rules from the Network Code will have to be implemented by 1 April 2016.

In December 2014, the European Network of Transmission System Operators for Gas (ENTSOG) finalised the draft proposal for an amendment to the Network Code on Capacity Allocation Mechanisms and submitted it to the Agency for the Cooperation of Energy Regulators (ACER). The document contains rules on network expansion on the basis of market signals and on the marketing of resulting new capacities. ACER will consult on the draft in early 2015.

ENTSOG also completed the draft of the Network Code on Transport Fees in December 2014 and submitted it to ACER. This network code is to harmonise the fee system in the EU and may, in certain circumstances, have major effects on the fee calculation processes in Germany. At the end of March 2015, ACER will comment on ENTSOG's draft and may require amendments.

The aim of creating a European single market by the end of 2014 has not yet been achieved as the network codes largely still have to be implemented. Irrespective of this fact, in 2014 ACER developed a vision and a new goal for the period up to 2025 in the consultation "Bridge to 2025". This draft was submitted to the EU Commission and the EU Parliament as a recommendation for action. This document may lead to further legal obligations for the European network operators and their joint undertakings such as ENTSOG or PRISMA. OGE is already preparing today for the expected changes resulting from further regulatory requirements on the road to a European single market.

Energy policy developments in Germany

In 2014, the German government defined the energy policy focal points in the current 18th legislative period with the "10 Point Energy Agenda" of the Federal Ministry for Economic Affairs and Energy (BMWi) and the "Action Programme on Climate Protection 2020" of the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB).

In addition, after intensive discussions in the first half of 2014, the amended Renewable Energy Act entered into force on 1 August 2014. The aim is to promote the expansion of renewable energies while ensuring the affordability of the energy turnaround for people in Germany and businesses and limiting the burden on the entire system.

For the gas industry, the Ukraine crisis in particular meant increased political attention. As a result of the crisis, politicians again became much more aware of supply security. The need for regulation is being increasingly expressed.

In Germany, one of the responsibilities of the Federal Network Agency is to ensure compliance with the Energy Act (EnWG) including its accompanying ordinances. It thereby guarantees the liberalisation and deregulation of the energy market through non-discriminatory network access and efficient network usage fees.

In accordance with section 33 para. 1 of the German Incentive Regulation Ordinance (ARegV), the Federal Network Agency had the statutory mandate to submit a report containing an evaluation of the incentive regulation and proposals for its further development ("evaluation report"). This report was published on 21 January 2015. The aim, among others, was to analyse the effects of the current regulatory framework on the investment behaviour of the network operators, to develop possible improvements in the methods applied in the efficiency comparison process and, if necessary, to further develop the fundamental concept of incentive regulation. In the findings of the evaluation report, the Federal Network Agency concludes that the current regulatory framework contains no discernible investment obstacles and, at the same time, offers the network operators adequate economic conditions in which to operate. The Federal Network Agency's recommendation is therefore to maintain the current system of incentive regulation with its current core elements but to make amendments in order to eliminate certain shortcomings ascertained during the evaluation. It is currently impossible to estimate which concrete amendments to the statutory framework will follow from the evaluation report and what implications this will have for OGE.

In 2013 and 2014 rulings at the highest judicial level were made in favour of the network operators by the Federal Court of Justice in major, legally disputed questions of cost determination by the Federal Network Agency. These relate to the price indices stipulated by the Federal Network Agency for determining the current value of fixed assets as well as the calculation of the interest for the share of equity exceeding the maximum allowed equity quota of 40%. As a consequence of the court rulings, on 12 November 2014 OGE signed a settlement agreement with the Federal Network Agency, regulating the commercial effects of the aforementioned matters for the period up to and including 2012 for OGE. Thus a final positive clarification of these unsettled legal issues was achieved for OGE. The meanwhile amended rules of the German Incentive Regulation Ordinance (ARegV) and the German Gas Network Changes Ordinance (GasNEV) apply in this respect to the 2nd regulatory period starting from 2013.

The Federal Network Agency met the need to adjust the stipulations in its basic model for balancing services and rules on the German gas market of 28 May 2008 (GABi Gas) to the requirements of the EU Regulation No. 312/2014 with its final decision (GABi Gas 2.0) on 19 December 2014. There is a consequent need for gas transmission network operators to act in particular as a result of the requirements to provide intraday information. A further amendment which is positive for gas transmission network operators is the so-called intraday obligations which prevent extreme intraday time deviations of gas entries and exits. Further adjustments beyond the above are in the control energy procurement system. With the exception of the regulations on the intraday obligation and the provision of information (both from 1 October 2016), the decision is to be applied from 1 October 2015.

The Federal Network Agency has initiated a formal procedure for pricing entry and exit capacities. The amendment focuses on the fees for intra-year capacities, interruptible capacities as well as for capacity rights to gas storage facilities. In particular, according to the amendment, capacity contracts with shorter terms are to be priced significantly higher. By contrast, the fee for the use of capacity rights to gas storage facilities is to be reduced. In OGE's opinion, this amendment is only justified for the network-benefitting use of gas storage facilities. OGE already recognised at an early stage that the network-benefitting use of gas storage facilities offers optimisation potential and has taken action by introducing a temperature-dependent capacity product (TdC). So injection in the low-load summer months is promoted in order to ensure supply security in the winter months. Implementation for the OGE fees took place on 1 January 2015.

As part of the market area cooperation, the free-of-charge provision of load flows between upstream and downstream network operators (in terms of flow mechanics) to supply end customers has been agreed. However, in the Federal

Network Agency's opinion the free-of-charge provision contradicts the principle of cost causality under section 15 paras 1 to 3 GasNEV, as the costs are not allocated on the fee side where they are incurred. On the contrary, the costs are borne by the end consumers in the respective network of the upstream (in terms of flow mechanics) network operator. The costs of the gas industry service provided are, in the Federal Network Agency's view, in future to be priced between the network operators. On this point, several models are currently under discussion, the Federal Network Agency tending in favour of a vertical passing-on of costs from the upstream (in terms of flow mechanics) to the relevant downstream network operator. The introduction of such a mechanism for passing on costs will, in OGE's opinion, have a stabilising effect on the gas transmission business and the fees.

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 is performed in close cooperation with all market participants affected in a public consultation process. All market participants are to be integrated into the preparation process of the Gas Network Development Plan by being provided with the opportunity to submit comments. In compliance with timetable requirements, the German transmission system operators published the draft network development plan 2014 for the national gas pipeline network (NEP Gas) on 1 April 2014 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 expansion of and/or potential investments in the German transmission networks. The basis for this model is the scenario framework developed by Prognos AG on behalf of the transmission system operators, then revised as part of a public consultation process with market participants and subsequently amended accordingly.

On 17 November 2014, the Federal Network Agency published an amendment request in respect of the Network Development Plan Gas 2014 as submitted by the transmission system operators on 1 April 2014. With the exception of the advance details (provided for information purposes) on future projects for the change-over of the areas currently supplied with low-calorific gas (L gas) to high-calorific gas (H gas), the Federal Network Agency confirmed the measures

proposed by OGE. The transmission system operators have to incorporate the requested changes by February 2015. The transmission system operators published the final Network Development Plan Gas 2014 on 28 January 2015. Parallel to this, the transmission system operators are required to have already drawn up and conducted consultations on the Network Development Plan 2015 by 1 April 2015. The overlapping of these two processes highlights the urgent need to extend the time given for preparing the annual plans. The legislator is requested to synchronise the timing, for example with the European Gas Network Development Plan, which is drawn up every two years.

In July 2014, the transmission system operators published the scenario framework for the Gas Network Development Plan 2015 and made it available for consultation. At the end of the submission period, all comments received were passed on to the Federal Network Agency pursuant to section 15a EnWG for the evaluation of the scenario framework. On 6 November 2014, the Federal Network Agency confirmed the scenario framework with amendments. As in the previous year's scenario framework, the primary focus of the gas network modelling was placed on various options for the future demand of downstream network operators.

In the 2013 financial year, ENTSOG published its European Network Development Plan for 2013 to 2022 for the EU-wide development of the gas grid. This plan has to be prepared every two years and is considered in the scenario framework for the Gas Network Development Plan 2015.

The overarching political goal of achieving the energy turnaround, which is actively supported by the gas transmission network operators, must not jeopardise or even reduce the profitability of the companies. The extensive expansion obligations resulting from the annual network development plans require a massive injection of capital which has in part to be obtained on the capital market in competition to alternative investments. This presupposes that politicians permanently ensure that investors provide the necessary capital to realise the energy turnaround. In addition to setting an appropriate return on equity – above all with a view to the 3rd regulatory period – this also presupposes adequate allowance for the business risk with regard to capacity utilisation risks and the service lives of the new energy infrastructure which are limited by the energy policy goals. The investments made to ensure supply security must also not be burdened with disproportionate efficiency requirements – either through a comparison of the network operators or a sectoral productivity gain set by politicians. The joint aim of all those involved should be to subordinate all investments to an overall economic optimum and thus to strengthen Germany as an industrial location in the longterm through the efficient, economic and ecologically suitable provision of energy.

Business review of 2014

The first months of the 2014 financial year were mainly influenced by an above-average mild winter and a consequent decline in gas sales. The average temperatures in Germany were some 3° Celsius above the long-term average. This led to much lower short-term capacity bookings than expected, particularly in the winter months. The auction surcharges at the Oberkappel exit point which were received in a significant amount for the first time had an opposite effect.

Owing to the booking situation described above, OGE recorded a revenue shortfall of approx. 3% in 2014 compared with the approved revenue cap permitted in accordance with section 4 of the German Incentive Regulation Ordinance. This revenue shortfall is recognised in the regulator's account, bears interest and is balanced out through an adjustment of the calendar-year revenue cap for the following regulatory period. Despite the aforementioned revenue shortfall, transport sales exceeded the level of the previous year, in particular due to the mechanism of the regulator's account and regulation-related one-time effects.

Owing to the mild winter, the amount of energy required in 2014 was also well below the figure for the previous year and expectations. Transport operations ran to schedule without any unusual occurrences.

To increase supply security and enhance efficient network use, OGE continuously works on the introduction of new products. Agreement was reached with a gas storage operator in 2014 with regard to the future provision of temperature-dependent firm transport capacities (TDC). The agreement delivers an efficient and market-oriented solution and takes account of the variations in gas storage use over the seasons - both in the summer (injection) and in the winter (withdrawal).

OGE continued to make extensive investments in new and existing plant in the 2014 financial year with respect to supply security. Furthermore, OGE strengthened the equity base of the pipeline companies Mittel-Europäische Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP) and Mittelrheinische Erdgastransportleitungsgesellschaft mbH (METG).

Technology and environmental protection

The technical operation and expansion of the gas transmission network ran to schedule in the 2014 financial year. Restrictions in capacity through mainte-

nance, repair and integration measures were communicated in good time and information was continually updated on the Internet.

OGE performed various measures to modernise and expand its technical infrastructure in 2014. These include measures of the equity investments integrated in the OGE network, MEGAL, TENP, METG and Nordrheinische Erdgas-transportleitungsgesellschaft mbH & Co. KG (NETG):

- TENP, a joint venture of OGE and Fluxys TENP GmbH, is conducting an ambitious project in its system to implement the requirements of the 13th Ordinance for the Implementation of the Federal Immission Control Act for a total of nine compressor units by 2015. The engineering services for this project are performed for TENP by OGE. Two compressor units (Stolberg ME1 and Schwarzach ME3) were successfully commissioned by OGE in 2014 and the commissioning of three further compressor units (Stolberg ME2, Hugelheim ME1 and Hugelheim ME2) is planned for 2015.
- At MEGAL, a joint venture of OGE and GRTgaz Deutschland GmbH, the ME5 compressor unit in Gernsheim and the ME3 compressor unit in Waidhaus were successfully commissioned in 2014. The engineering services for these projects were performed for MEGAL by OGE.
- At the OGE compressor station Werne, the ME4 compressor unit (L-gas compression) was provisionally taken over in 2014 and has been available for natural gas transport since then. In addition, the two network development plan projects in Werne (expansion and flow reversal) are running to schedule. The concept study was completed in mid-2014. Basic engineering has been in progress since August 2014. Initial preparatory measures have already been specified in detail and orders placed so work will start in the spring of 2015. At the OGE Waidhaus station, compressor unit 4 was successfully commissioned after completion of the BlmschV project (BlmschV = Ordinance for the Implementation of the Federal Immission Control Act).
- At the Porz compressor station of METG, the gas turbine drive of compressor unit 5 was replaced by a unit with lower emission levels. Commissioning took place at the beginning of 2014. Replacement of compressor unit 6 in Porz was completed to schedule and the unit was handed over to the station in the autumn.
- Planning continued on the construction of a catalytic exhaust gas cleaner on one compressor unit of the NETG Elten compressor station. Use of this technology is new in the European gas transport sector. Construction work will start in spring 2015.

- In a project headed by OGE, construction of a 350-metre tunnel with an outside diameter of 2.1 metres under the Weser near Bremen was completed in 2014 and the natural gas pipelines with a nominal width of DN 300 (operator OGE) and two with a nominal width of DN 400 (operator Gasunie Deutschland) were run through the tunnel. The link-ins to the existing pipeline systems and the commissioning of the new pipeline sections will probably take place in early 2015.

The external recertification audits were successfully passed in July and August 2014 and new certifications for the integrated management system according to DIN EN ISO 9001 (Quality Management), OHSAS 18001 (Occupational Health & Safety Management) and DIN EN 14001 (Environmental Management) were issued for three years. The additional confirmation to DVGW G 1000 (Technical Safety Management) is still valid until October 2016.

Gas transmission compressor stations continue to be subject to the German Greenhouse Gas Emissions Trading Act (TEHG) and the related ordinances. With a view to the start of the new trading period, in the autumn of 2012 application was made in good time for emission rights in accordance with the Allocation Ordinance (ZuV 2020). The allocation notices arrived at the beginning of 2014 and were as expected. The certificates for 2013 were submitted via EU register in April 2014.

OGE works continuously on developing procedures required for gas transportation, plant and pipeline construction and the safe operation of the transmission network. One of the focuses of this work remains the challenge connected with the energy turnaround of linking the gas and electricity grids. In this connection, OGE is actively supporting the conversion of surplus renewable electricity into methane (SNG) via the intermediate product hydrogen. A further focus is to clarify the question of how the OGE transmission system can be integrated into a demand-side management system by doubling the gas-driven compressor drives and pre-heaters with electric components. The load on the power grids could be reduced by alternative modes of operation either with electricity or gas as the source of energy.

Employees

At the end of 2014, OGE had 1,344 employees (excluding management and apprentices). Personnel expenses during the financial year amounted to € 140.8 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) und Rhineland Palatinate (Mittelbrunn)

As in previous years, OGE again implemented efficiency enhancement measures in 2014, including the continuation of existing early-retirement programmes as well as the further optimisation of the company's organisational structure.

Occupational Health and Safety is a matter of highest priority for OGE. OGE aims to continually reduce the number of accidents and other harmful effects on the health of its employees and employees of partner companies as well as to constantly improve work ergonomics and occupational health. As a result of these efforts, the number of work accidents as well as the number of working days lost due to work-related accidents were significantly reduced in the 2014 financial year.

Investments

OGE invested a total of € 246.8 million during the financial year (previous year: € 154.8 million). € 114.6 million was invested in tangible and intangible assets, accounting for approximately 46.4% of total investments. OGE invested a total of € 29.4 million in the expansion and modernisation of compressor stations. Of this figure, the improvement in redundancy in Werne and Krummhörn accounted for € 9.7 million and the construction of a new compressor unit in Werne for another € 3.4 million. A total of € 32.9 million was invested in the expansion and modernisation of pipelines, including the rehabilitation of the Hanover pipeline in Seelze at a cost of € 2.6 million. Other investments accounted for € 52.3 million. Major individual measures in this field relate to reinvestments in PCM systems (cable-based transmission networks) and CCM systems (switching and control elements for data transmission between network nodes) of € 6.5 million, in tele-control technology (€ 2.2 million) as well as investments in measurement and control systems (€ 9.7 million).

Investments relating to obligations under the network development plan accounted for a total of € 7.3 million.

Financial investments amounted to € 132.2 million and were largely due to equity injections at the pipeline companies MEGAL (€ 72.0 million) and TENP (€ 25.0 million).

Financing

OGE is a wholly owned subsidiary of Vier Gas Transport GmbH (VGT), Essen. Since 1 January 2013, there has been a profit-and-loss transfer agreement with VGT, under which OGE undertakes to transfer its entire profit to VGT and VGT

undertakes to offset any losses sustained by OGE. The agreement was concluded for a period of five years and is extended by periods of one year if it is not terminated. Since 1 January 2013, VGT and OGE have formed a tax unity for corporate and trade tax purposes, 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 incurred by OGE in its commercial operations. As a result of the income tax allocations, OGE shows an income tax expense that OGE would have incurred without having formed a single fiscal unit with VGT.

By way of deviation from the existing profit-and-loss transfer agreement and in view of considerable future pending investments, the shareholders resolved, after thorough examination, to transfer the whole net income for the year (€ 260.0 million) to revenue reserves.

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

Of this credit line, € 1.5 million is reserved for guarantees. As of 31 December 2014, neither the syndicated credit line nor the guarantee line had been used and therefore the full amount is freely available.

In order to cover its obligations under pension entitlements, OGE uses a Contractual Trust Agreement (CTA). The trust fund set up in this connection is managed on a fiduciary basis by Helaba Pension Trust e.V. (Helaba), Frankfurt am Main. Plan assets at Helaba have been netted with the corresponding pension obligations in the balance sheet. In December 2014, € 17.8 million was added to the plan assets for pension obligations and € 0.5 million for long-term working-time account obligations. Furthermore, the equivalent of the remuneration payments of € 5.0 million made in 2014 for performance arrears in connection with part-time phased-retirement programmes was taken from the trust assets. On the balance-sheet date, the fund's resources exceeded the provisions set up at OGE for pension obligations and long-term working-time account obligations by € 5.7 million.

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

There are foreign exchange risks for OGE from procurement transactions with business partners outside the euro zone. If required, derivative financial instruments are concluded exclusively for hedging purposes. As of 31 December 2014, OGE had no hedges in its financial portfolio.

Net assets, financial position and results of operations

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 a better analysis of the company's profitability situation.

Overall, OGE increased sales in the 2014 financial year by 8.7% to € 1,042.9 million (previous year: € 959.3 million).

Total sales comprise sales from the gas transport business and the services business. The increase in sales compared with the previous year mainly results from a higher permitted revenue cap in accordance with section 4 of the German Incentive Regulation Ordinance as well as from the reversal of provisions required by the regulator. Lower sales due to the mild weather in the first quarter of 2014 and a slight decline in the sales of the services business had a slight opposite effect.

The increase of € 9.9 million in finished goods and work in progress and the increase of € 4.2 million in own work capitalised contributed to a rise in total revenue compared with the previous year. The decrease of € 6.1 million in other operating income compared with the previous year had an opposite effect.

Cost of materials rose year-on-year by some € 21.1 million, which was due in particular to higher biogas levies. By contrast, personnel expenses fell in 2014 by € 5.2 million compared with the figure for 2013.

OGE's profit on ordinary activities increased year-on-year by € 75.8 million to € 399.2 million, largely as a result of the above facts. Net income before distribution of profit amounted to € 330.0 million (previous year: € 278.4 million).

Net income for 2014 was well above the forecast, largely due to the effects of operational improvements and provision reversals.

The total assets of OGE amounted to € 1,436.8 million as of the reporting date of 31 December 2014. This gives an equity ratio of 72.5%. Of the external funds, provisions account for 78.8%, liabilities for 19.8% and deferrals for 1.4%. Cash and cash equivalents totalled € 85.1 million as of 31 December 2014, decreasing by € 118.4 million in comparison to the previous year. Of OGE's total assets, fixed assets accounted for € 1,244.7 million (previous year: € 1,083.6 million) as of the reporting date.

In the 2014 financial year, OGE generated cash flow from operating activities of € 259.7 million (previous year: € 464.2 million). Cash flow from investing activities amounted to € -244.7 million (previous year: € -156.4 million). In 2014, all investments were again funded solely from operations.

Cash flow from financing activities amounted to € -158.6 million (previous year: € -235.6 million) and mainly related to the profit distribution of € -198.4 million (previous year: € -240.1 million) to the parent company, VGT.

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

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

OGE generates the majority of its sales and earnings in the gas sector, in particular in the field of gas transmission pipelines. Activities in this field mainly cover the marketing of transport capacities as well as the associated costs for the planning/construction, operation, control and maintenance of the gas transmission network.

With sales of € 881.7 million in 2014 (previous year: € 801.05 million), the "Grid Business" unit posted a profit on ordinary activities of € 235.5 million (previous year: € 181.6 million).

The "Other Activities Within the Gas Sector" unit covers the business activities "Network control for other network infrastructure operators". This business unit generated a profit on ordinary activities of € 3.6 million (previous year: € 4.0 million) from sales of € 7.7 million (previous year: € 7.8 million).

In accordance with the business structure of OGE, the "Activities outside the Gas Sector" unit mainly covers the following activities: equity investments, technical and engineering services, business and IT services as well as rental and leasing. In the 2014 financial year, this business unit posted a profit on ordinary activities of € 160.1 million (previous year: € 137.7 million) from sales of € 153.5 million (previous year: € 150.0 million) and income from equity investments of € 115.6 million (previous year: € 111.8 million).

Report on opportunities and risks

As part of risk controlling, 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, the Management and the Supervisory Board are regularly informed. The aim of the process is to recognise main opportunities and risks at an early stage and – wherever possible and necessary – take action to exploit opportunities or mitigate risks.

With effect from 1 January 2014, a new binding Opportunity and Risk Policy entered into effect for OGE and its subsidiaries, replacing the previous procedural instructions. In the main, this policy regulates the process, those responsible and the terms and definitions. Risk reporting is integrated in the internal control system, thus ensuring continuous identification and assessment of the main opportunities and risks. Potential opportunities and risks are assessed with regard to the amount of damage and the likelihood of occurrence. Risks from a net loss of € 10.0 million over a period of 5 years are generally reportable. Basically significant risks are considered starting at € 100.0 million during the period. These are the risks resulting from the regulatory environment, from the IT, from the fault-free operation of the transport business as well as the temporary risk of reduced revenues due to the termination of capacity bookings.

The risk situation of OGE as of 31 December 2014 is largely governed by the regulatory environment. As a regulated company, OGE's earnings situation and prospects are directly dependent upon decisions made by the regulatory authorities. Important parameters of the regulated sales are the approval of the cost base, return on equity as well as general sectoral and company-specific efficiency targets. The decisions of the authorities in this respect directly affect the company's sales as well as its earnings and liquidity situation.

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

In addition, OGE also uses complex information technology (IT) to operate and control the pipeline network. As a consequence, there is fundamentally a very low risk of the failure of parts of the IT systems leading to temporary impairments to business activities. OGE safeguards against this risk with redundant systems and further quality assurance methods. The probability of occurrence in this case is considered less than 1% due to the extensive validation. The amount of damage is stated up to € 80.0 million based on a fiscal year.

OGE generates the majority of its sales with a small group of key accounts.

Due to the regulator's account system, terminations of long-term capacity bookings only lead to temporary declines in sales. Resulting revenue shortfalls in comparison to the approved revenue cap are recognised in the so-called regulator's account, bear interest and are balanced out through an adjustment of the calendar-year revenue cap for the following regulatory period. There is therefore no sustained risk from fluctuations in demand. In the short term, fluctuations in demand may lead to an increase or decrease in sales and therefore impact the net assets, financial position and results of operations. Any short-term strains on liquidity can be balanced out by the syndicated credit line.

In principle, OGE hedges foreign exchange risks from ongoing procurement transactions using spot and forward exchange transactions. The company does not deploy any further derivative financial instruments. In 2014, OGE hedged foreign exchange risks from procurement transactions in US dollar. The relevant currency hedges already expired during the financial year so the company no longer had such contracts in existence as of the reporting date.

There is currently no evidence of any risks threatening the existence of the company.

Significant environmental risks are also not known.

The main opportunities for OGE are through additional increases in efficiency compared with the approved revenue cap. However, due to the regulatory framework these are only of a temporary nature. In principle, further opportunities and risks for OGE are possible, as the regulatory framework may change.

From the Management's point of view, the significant opportunities and risks with the highest probability of occurrence come from the regulatory environment. In this context, the probability of occurrence is between 10% and 15%.

Material legal disputes

A storage operator had filed capacity expansion claims for a gas storage facility with OGE pursuant to sections 38 and 39 of the German Gas Network Access Ordinance (GasNZV). OGE was of the opinion that the preconditions for the claims did not exist and therefore rejected these claims. Subsequently, the storage operator had instituted proceedings for abuse against OGE with the Federal Network Agency. OGE filed an appeal with the Düsseldorf Higher Regional Court against the decision of the authorities on capacity expansion. Before a decision was made in this court case, a settlement was reached with the storage operator which finally settled the matter.

Owing to a dispute in connection with the Cooperation Agreement Gas, a municipal utility filed a compensation claim for alleged breach of duty in an arbitra-

tion action against OGE and another network operator at the end of 2014. The proceedings are currently still in the arbitration court constitution phase.

Events after the balance-sheet date

No events of particular importance occurred after the balance-sheet date.

Forecast report

According to the German Council of Economic Experts' forecast on the overall economic situation, the German economy is expected to show rather moderate growth in 2015. Gross domestic product (GDP) is forecast to grow by an average of 1% in 2015.

With effect from 1 January 2015, OGE changed the transport fees over to the so-called "stamp fee". In future, there will only be one fee for entry into the OGE transmission system and one fee for exit. The only exception will be at storage points with temperature-dependent firm transport capacities (TDC) where the relevant fee will be reduced by 50%. The change-over of the fee system will not affect total sales.

Nevertheless, the network fees will, on average, be lower in 2015 than in 2014. The fee reduction is largely due to the mechanisms of the regulator's account, as stipulated in the Incentive Regulation Ordinance, pursuant to which excess and shortfall income from previous years leads to an adjustment of the fees in subsequent years. In this specific case, excess income generated in 2013 has led to a reduction in the fees in 2015.

Overall, the Management is expecting transport sales in 2015 to be slightly below the figure for the reporting year. This is mainly due to the aforementioned fee reduction and the provision reversal affecting sales in 2014, which does not affect 2015.

In 2015, sales of the services business are expected to be slightly below the level of the reporting year.

Furthermore, the 2014 financial year benefited from positive one-time effects within other operating income as well as within operating costs. Such effects are not expected in 2015.

Therefore, the Management anticipates that the net income for 2015 will be significantly lower than in 2014.

Investments in tangible assets are expected to be slightly higher than in the reporting year.

Overall a balanced cash flow is expected for 2015 so that cash and cash equivalents should be roughly at the level of the 2014 financial year.

In summary, the Management believes that the company's liquidity situation will be stable and sound.

In the field of occupational safety, the Management's aim is to achieve a further reduction in the figures of workplace accidents in the longterm. In order to achieve this, appropriate measures have been either put in place or continued, also in cooperation with partner companies.

**Annual Financial Statements
for the Period from
January 1 to December 31, 2014**

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2014 financial year

	Acquisition and production costs				Accumulated amortisation/depreciation				Net book values		
	1 Jan. 2014 €	Additions €	Disposals €	Transfers €	31 Dec. 2014 €	1 Jan. 2014 €	Additions €	Disposals €	31 Dec. 2014 €	31 Dec. 2014 €	
Intangible assets											
Internally generated intangible assets	2.234.636,21	566.640,99	0,00	83.533,73	2.876.812,53	241.399,68	367.305,67	0,00	608.705,35	2.268.107,18	1.993.238,53
Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	102.493.733,62	9.966.998,10	-1.894.258,41	7.619.316,94	118.175.790,25	55.711.667,18	15.220.498,02	-1.884.258,41	69.037.906,79	49.137.883,46	46.782.066,44
Advance payments made	13.717.807,02	6.696.738,08	0,00	-7.702.850,67	12.711.744,43	0,00	0,00	0,00	0,00	12.711.744,43	13.717.807,02
	118.446.176,85	17.212.426,77	-1.894.258,41	0,00	133.764.347,21	55.953.066,86	15.587.803,69	-1.884.258,41	69.646.612,14	64.117.795,07	62.493.111,99
Tangible assets											
Land, similar rights and buildings including buildings on leasehold land	177.633.183,24	1.874.613,01	-82.955,57	2.839.495,63	182.264.336,31	123.790.938,86	2.349.939,77	-82.955,57	126.057.923,06	56.206.413,25	53.842.244,38
Technical equipment and machinery	3.832.832.053,58	28.872.842,62	-103.636,02	16.684.544,21	3.878.285.804,39	3.228.023.059,69	62.439.893,93	-77.273,40	3.290.385.680,22	587.900.124,17	604.808.993,89
Factory and office equipment	72.219.253,22	7.430.634,75	-2.523.252,99	823.114,45	77.949.749,43	54.390.082,32	4.838.532,68	-2.501.393,58	56.727.221,42	21.222.528,01	17.829.170,90
Advance payments made and construction in progress	72.326.823,17	59.178.327,13	0,00	-20.347.154,29	111.157.996,01	0,00	0,00	0,00	0,00	111.157.996,01	72.326.823,17
	4.155.011.313,21	97.356.417,51	-2.709.844,56	0,00	4.249.657.886,14	3.405.204.080,87	69.628.366,38	-2.661.622,55	3.473.170.824,70	776.487.061,44	748.807.232,34
Financial assets											
Shares in affiliated companies	231.444.522,39	107.000.000,00	0,00	0,00	338.444.522,39	0,00	0,00	0,00	0,00	338.444.522,39	231.444.522,39
Equity/investments	37.872.705,61	25.001.091,25	-24.400,00	0,00	62.849.396,86	0,00	0,00	0,00	0,00	62.849.396,86	37.872.705,61
Other loans	3.698.896,50	184.000,00	-538.348,60	0,00	3.344.547,90	721.907,45	0,00	-147.247,30	574.660,15	2.769.887,75	2.976.989,05
	273.016.124,50	132.185.091,25	-562.748,60	0,00	404.638.467,15	721.907,45	0,00	-147.247,30	574.660,15	404.063.807,00	272.294.217,05
	4.546.473.816,56	246.753.935,53	-5.166.851,69	0,00	4.788.060.700,50	3.462.879.055,18	85.216.170,07	-4.703.128,26	3.543.992.096,99	1.244.668.603,51	1.083.594.561,38

Open Grid Europe GmbH, Essen**Income Statement
for the periods from 1 January to 31 December 2014**

	Note	€	€	2013 €k
1. Sales	(11)		1.042.934.112	959.283
2. Change in finished goods and work in progress			2.536.780	-7.379
3. Other own work capitalised	(12)		18.153.895	14.001
4. Other operating income	(13)		16.840.686	22.924
- of which income from currency translation € 50,608 (previous year: € 6k)				
5. Cost of materials	(14)			
a) Cost of raw materials and supplies		-95.025.082		-105.508
b) Cost of purchased services		-385.820.909		-354.271
			-480.845.991	-459.779
6. Personnel expenses				
a) Wages and salaries		-116.430.135		-117.341
b) Social security, pensions and other benefits				
- of which for pensions € 6,893,101 (previous year: € 11,136k)		-24.326.652		-28.633
			-140.756.787	-145.974
7. Amortisation of intangible assets and depreciation of tangible assets	(15)		-85.216.170	-83.008
8. Other operating expenses	(16)		-65.358.145	-68.287
- of which expenses from currency translation € 14,193 (previous year: € 15k)				
9. Income from equity investments	(17)		115.578.598	111.820
- of which from affiliated companies € 79,050,447 (previous year: € 78,846k)				
10. Other interest and similar income	(18)		1.178.482	4.035
- of which from affiliated companies € 199,875 (previous year: € 23k)				
- of which interest income from discounting of provisions € 0 (previous year: € 3,187k)				
11. Interest and similar expenses	(19)		-25.820.784	-24.286
- of which to affiliated companies € 40,093 (previous year: € 9k)				
- of which interest expense from unwinding of discounting of provisions € 25,780,092 (previous year: € 24,277k)				
12. Profit on ordinary activities			399.224.676	323.350
13. Income taxes	(20)		-68.860.767	-44.570
14. Other taxes	(21)		-328.496	-381
15. Expenses from profit-and-loss transfer	(22)		-70.000.000	-278.399
16. Net income for the year			260.035.413	0
17. Transfers to revenue reserves	(23)		-260.035.413	0
18. Unappropriated profit			0	0

Open Grid Europe GmbH, Essen**NOTES TO THE FINANCIAL STATEMENTS FOR THE 2014 FINANCIAL YEAR****I. General information on the annual financial statements**

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

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

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

If an asset or liability is included under several headings in the balance sheet, in the notes the fact that it is disclosed under other headings is noted against the item in which it is included (section 265 para. 3 HGB).

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

II. Explanations on the accounting, measurement and disclosure methods

Fixed assets

The development of the fixed asset items in the balance sheet as defined by section 266 HGB in the financial year is shown in detail in the statement of changes in fixed assets (section 268 para. 2 HGB).

Intangible and tangible assets are measured at acquisition or production cost less scheduled amortisation/depreciation. The production cost consists of the mandatory elements in accordance with commercial law pursuant to section 255 para. 2 sentence 2 HGB plus general administrative expenses. In addition to the straight-line depreciation method, the declining-balance method of depreciation has been used. For tangible assets which already existed at the beginning of the 2009 financial year and had been depreciated using the declining-balance method, the retention option is exercised in accordance with section 67 para. 4 sentence 1 of the Introductory Law to the German Commercial Code (EGHGB) and declining-balance depreciation is continued. Additions since 1 January 2009 are only depreciated on a straight-line basis over the respective asset's customary useful life following the revocation of the principle of reverse authoritativeness in the German Accounting Law Modernisation Act (BilMoG).

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

The company uses the component approach within the meaning of the IDW Accounting Rule HFA 1.016. According to this method, a tangible asset subject to wear and tear is theoretically broken down into its main components with different useful lives in order to determine the amount of the scheduled depreciation for each period for the asset as a whole as the sum of the scheduled depreciation for each period for the individual components of said asset. The component approach is only applicable to such cases where

physically separable components are replaced which are material in relation to the total tangible asset. The expense for replacing a component does not affect income as a maintenance expense at the time of incurrence but is capitalised as subsequent acquisition or production cost and depreciated thereafter over the useful life of the respective component.

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

Shares in affiliated companies and equity investments are stated at acquisition cost. If permanent value impairment is probable, in accordance with section 253 para. 3 sentence 3 HGB 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 using an interest rate which is adequate for the remaining term.

Inventories

Raw materials and supplies stated under inventories are generally recognised at average acquisition cost in accordance with section 240 para. 4 HGB or the lower market value, with the strict lower-of-cost-or-market principle in accordance with section 253 para. 4 HGB being applied. In addition to this, the LIFO method in accordance with section 256 sentence 1 HGB is applied when determining acquisition cost. Appropriate write-downs are made for inventory risks arising from storage periods and reduced usability.

Work in progress is stated at production cost. Production cost is stated with the mandatory elements under commercial law, plus general administrative expenses as defined by section 255 para. 2 sentence 2 HGB. Appropriate expenses within the meaning of section 255 para. 2 sentence 3 HGB for social amenities of the company, for voluntary

benefits to personnel and for company pensions are included in production cost to the extent that they were incurred during the period of production.

The gas stocks in the transmission network recognised under merchandise are measured at acquisition cost. Measurement is made using the LIFO method.

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

Receivables and other assets

Receivables and other assets are capitalised at nominal value and measured taking into account all discernible (individual) risks. In addition to individual valuation adjustments, the measurement of trade receivables allows for the general credit risk by making a general valuation adjustment of 1.50% on net receivables reduced by receivables for which individual valuation adjustments have been made. Unless stated otherwise in section III, the company's receivables and other assets have a remaining term of less than one year.

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value.

Provisions

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

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

As in the previous year, the 2005 G mortality tables of Dr. Klaus Heubeck have been used as a biometric basis for calculating pension provisions.

In deviation from the discounting of provisions generally based on their remaining terms in accordance with section 253 para. 2 sentence 1 HGB, the company exercises the option in accordance with section 253 para. 2 sentence 2 HGB. Accordingly, pension provisions are discounted assuming a term of 15 years and 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 4.54% p.a. In doing so, the following dynamic components are taken into account, in addition to the estimated duration of the beneficiary employees:

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

The market rate of 4.54% p.a. is based on an estimate made in October 2014. The difference to the discount rate published for December 2014 (4.53%) is marginal and therefore negligible.

To secure against insolvency and to finance the employees' claims stemming from retirement 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.

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

The trust assets fulfil the requirements for recognition as plan assets in accordance with section 246 para. 2 sentence 2 HGB as they are protected from all other creditors and serve exclusively to meet the liabilities from retirement pension benefits or similar long-term obligations. In accordance with section 253 para. 1 sentence 4 HGB, the plan assets are stated at fair value and, in accordance with section 246 para. 2 sentence 2 HGB, are offset against the provisions for pensions, the provisions for performance arrears in connection with part-time phased-retirement programmes and the provisions for long-term working-time accounts. Should an asset surplus result from the offsetting of provisions against the relevant plan assets, this surplus is shown on the assets side under "Surplus arising from offsetting". Due to the amount of freely available reserves, the prohibition of distribution and/or transfer in section 268 para. 8 HGB does not apply.

Provisions for obligations to reduce fees in future are stated at their settlement amount. When the provisions are measured in accordance with section 5 of the German Incentive Regulation Ordinance (ARegV), advantages from hitherto unrealised future claims are taken into account provided that they will definitely be realised when the obligation is fulfilled.

Liabilities

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

The liabilities denominated in foreign currency stated at their respective current exchange rate on the closing date (average spot rate) which remain in existence on the closing date and have a remaining term of up to one year on the closing date are shown in accordance with section 256a HGB at the average spot rate, taking realised and unrealised exchange rate gains and losses into account. Unrealised gains on receivables and liabilities in foreign currency with a remaining term of more than one year are, in accordance with section 252 para. 1 No. 4 HGB, not recognised.

Deferred taxes

OGE and VGT have formed a fiscal unit since 1 January 2013 with VGT as the controlling company. Therefore, OGE as the controlled company has not established any deferred taxes and has also not made any disclosures 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 € 15.5 million as well as construction cost subsidies in the amount of € 0.8 million.

In the financial year, additions to internally generated intangible assets amounted to € 0.6 million. Total research and development expenses pursuant to section 285 No. 22 HGB also amounted to € 0.6 million in the financial year as no research expenses were incurred. Of this figure, € 0.4 million relates to assets which are still under development.

(2) Tangible assets

As of the closing date, the net book value of tangible assets amounted to € 776.5 million (previous year: € 748.8 million). Additions to tangible assets break down as follows:

- Buildings	1.93 %
- Technical equipment and machinery	29.66 %
- Miscellaneous tangible assets and construction in progress	68.41 %
	<u>100.00 %</u>

Additions mainly result from the expansion of the gas generator in Krummhörn (€ 5.3 million), the implementation of a redundancy concept in Werne (€ 4.4 million) as well as pulse code modulation (PCM) and cross connect multiplexer (CCM) system reinvestments at various sites (€ 6.5 million).

(3) Financial assets

The list of shareholdings (section 285 No. 11 HGB) is attached to the notes.

Additions to financial assets mainly relate to a capital increase of € 72.0 million at MEGAL Mittel-Europäische-Gasleitungsgesellschaft & Co. KG (MEGAL), Essen, a capital increase of € 35.0 million at Mittelrheinische Erdgastransportleitungsgesellschaft mbH (METG), Essen, and a capital increase of € 25.0 million at Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP KG), Essen. At € 24k, disposals of equity investments relate exclusively to the sale of shares in Caplog-X GmbH, Leipzig.

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

(4) Inventories

The items disclosed under inventories relate to work in progress (€ 49.2 million), merchandise (gas stocks in the transmission network (€ 15.7 million), raw materials and supplies (€ 6.4 million) and emission rights (€ 0.7 million).

The difference resulting from the application of the LIFO method in the measurement of gas stocks is € 1.9 million.

(5) Receivables and other assets

Trade receivables mainly result from the transport business.

Receivables from affiliated companies mainly result from imputable taxes of € 1.2 million from Vier Gas Services GmbH & Co. KG (VGS), Essen, as well as ongoing clearing transactions and the receivable from profit transfer from Line Worx GmbH, Essen (€ 0.7 million).

Receivables from companies in which equity investments are held mainly comprise trade receivables from GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen (€ 2.8 million).

Other assets mainly comprise input tax refund claims of € 5.7 million. Other assets amounting to € 1.0 million (previous year: € 1.0 million) have a remaining 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 the asset surplus from the offsetting of the plan assets at Helaba (€ 262.3 million) against the corresponding pension provisions (€ 244.2 million) as well as the provisions for long-term working-time accounts (€ 12.4 million). The plan asset acquisition costs amount to € 237.1 million. In the 2014 financial year, payments of € 18.3 million were made into plan assets.

(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** increased by € 30.0 million to € 603.7 million in 2014 as a result of a contribution made by the sole shareholder.

The **revenue reserves** result from the direct transfer of reversed amounts from the first-time valuation of provisions in accordance with the provisions of BilMoG and refer to the financial years 2009 and 2010.

In addition, in the 2014 financial year, despite the profit-and-loss transfer agreement existing with VGT, on the basis of sound commercial judgement economically sensible transfers of € 260.0 million were made to revenue reserves with a view to future investment projects in connection with the network development plan.

(9) Provisions

Provisions for pensions and similar obligations exclusively contain provisions for gas allowances.

Tax provisions mainly comprise provisions for trade tax in 2012 of € 5.7 million including accrued interest.

Other provisions (€ 302.0 million) mainly relate to provisions for future fee reduction obligations amounting to € 118.0 million, provisions for the removal of disused pipelines amounting to € 69.6 million, provisions for the removal of above-ground facilities amounting to € 52.1 million as well as staff-related provisions amounting to € 41.1 million. In addition, obligations in the amount of € 3.1 million exist with regard to outstanding invoices. The staff-related provisions include the net liability from the offsetting of the provision for performance arrears in connection with obligations under part-time phased-retirement programmes (€ 10.4 million) against the corresponding plan assets at Helaba (€ 10.3 million). The plan asset acquisition costs amount to € 10.9 million. In the financial year, € 5.0 million was withdrawn from the plan assets.

(10) Liabilities

	Total	Remaining	Remain-	Remain-	Total
	31 Dec. 2014	term of up	ing term	ing term	31 Dec. 2013
	€	to 1 year	of be-	of more	€
		€	tween	than	
			1 and 5	5 years	
			years	€	
			€		
- Advance payments received on orders	16,350,580	16,350,580	0	0	9,848,487
- Trade payables	8,468,506	8,246,660	221,846	0	46,361,942
- Liabilities to shareholders	22,666,459	22,666,459	0	0	166,654,232
- Liabilities to affiliated companies	16,986,914	16,986,914	0	0	12,404,534
- Liabilities to companies in which equity investments are held	9,930,981	9,930,981	0	0	9,942,005
- Other liabilities	4,067,948	4,067,947	0	0	11,505,715
(of which taxes)	(2,210,918)	(2,210,918)	(0)	(0)	(6,853,405)
	<u>78,471,388</u>	<u>78,249,542</u>	<u>221,846</u>	<u>0</u>	<u>256,716,915</u>

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

Liabilities to shareholders result exclusively from tax liabilities under the Group tax levy.

Liabilities to affiliated companies mainly result from trade receivables and from clearing transactions and are netted with receivables under profit-and-loss transfer agreements.

The trade receivables included in this item total € 0.2 million and relate in full to Open Grid Service GmbH, Essen.

Liabilities to companies in which equity investments are held mainly result from advance payments received and are netted with the receivables under profit-and-loss transfer agreements and ongoing clearing transactions. The amount of trade payables included in this line item is insignificant.

Other liabilities mainly result from taxes of € 2.2 million and construction cost subsidies of € 1.6 million.

Contingent liabilities and other financial obligations

The syndicated credit line concluded by Vier Gas Transport GmbH as per 20 December 2013 amounting to € 200.0 million (maturing in 2018) still exists. OGE is also a borrower under the loan agreement and therefore entitled to use this credit line. No collateral security was provided for this syndicated credit line.

For the provision of sureties and guarantees in operational business, there is still an ancillary facility amounting to € 1.5 million under the syndicated loan facility. This ancillary facility is used as a guarantee line. As at the closing date 31 December 2014, neither the syndicated credit line nor the guarantee line had been used so the full amount is still freely available.

Other financial obligations not shown in the balance sheet amounting to € 197.8 million p.a. as of the balance-sheet date relate to long-term contracts for the lease of the pipeline network, of which € 116.4 million p.a. relates to affiliated companies.

Furthermore, other financial obligations of € 144.1 million exist and relate to purchase commitments.

IV. Notes to the income statement

(11) Sales

Sales result from the gas transport business and transport-related services (€ 868.1 million) and from technical and commercial services (€ 174.8 million); they are mainly generated in Germany. € 145.6 million of the sales was generated with affiliated or associated companies. The increase in sales compared to the previous year mainly results from the revenue cap approved by the Federal Network Agency, which was increased in comparison to the previous year, as well as from the reversal of provisions for future fee reductions which had a sales-increasing effect.

(12) Other own work capitalised

The company capitalised own work for intangible assets of € 6.9 million.

(13) Other operating income

This item mainly results from income from the release of provisions in the amount of € 11.7 million. Furthermore, this item contains an insignificant amount of income not relating to the accounting period.

(14) Cost of materials

Cost of materials covers expenses for load flow commitments and fuel energy as well as beneficial use fees, also in regard to affiliated companies and companies in which equity investments are held. Furthermore, repair and maintenance expenses as well as other purchased services are included.

(15) Depreciation and amortisation

In the reporting year, amortisation of intangible assets and depreciation of tangible assets amounted to € 85.2 million (previous year: € 83.0 million). Amortisation of intangible assets amounted to € 15.6 million and depreciation of tangible assets to € 69.6 million.

(16) Other operating expenses

Other operating expenses mainly comprise IT costs, insurance, social security expenses and other administrative expenses.

(17) Income from equity investments

	2014	2013
	<u>€ m</u>	<u>€ m</u>
Income from equity investments	43.6	38.2
Income from profit-and-loss transfer agreements	73.2	73.6
Expenses from loss absorption	<u>-1.2</u>	<u> </u>
	115.6	111.8

(18) Other interest and similar income

Other interest and similar income mainly comprise interest income of € 0.6 million on bank balances.

(19) Interest and similar expenses

Of the expenses to be disclosed separately in the income statement pursuant to section 277 para. 5 sentence 1 HGB, € 43.0 million relates to the unwinding of discounting of provisions. Income from the measurement of plan assets at fair value in accordance with section 285 No. 25 in conjunction with section 246 para. 2 sentence 2 HGB amounts to € 17.4 million and is offset within this item. Due to the amount of freely available reserves, the prohibition of distribution and/or transfer under section 268 para. 8 HGB does not apply.

(20) Income taxes

Of the taxes on income contained in this item, € 71.9 million relate to the Group tax levies of the financial year. Furthermore, it contains tax refunds of € 3.0 million from taxes for financial years prior to the establishment of the fiscal unit.

(21) Other taxes

This item includes real estate tax, sales tax and motor vehicle tax.

(22) Expenses from profit-and-loss transfer

Expenses from profit-and-loss transfer result from the profit-and-loss transfer agreement concluded with VGT and relate solely to advance transfers within the financial year amounting to € 70.0 million.

(23) Transfers to revenue reserves

The portion of net income exceeding advance transfers was transferred in full to revenue reserves in the financial year.

V. Other disclosures**Distribution prohibition in accordance with section 268 para. 8 HGB**

Capitalisation of internally generated intangible assets (book value: € 2.3 million) and accounting for plan assets at fair value (+ € 25.2 million in comparison to the acquisition costs) result in a total amount of € 28.5 million, which is subject to a prohibition on distribution pursuant to section 268 para. 8 HGB. Due to the amount of the freely available reserves (capital reserve and revenue reserves), this prohibition on distribution does not apply.

Number of employees on annual average

In the financial year, the number of employees excluding management and apprentices amounted to an average of 333 industrial workers and 1,018 salaried employees (previous year: 351 industrial workers and 1,057 salaried employees).

Transactions with related parties

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

Material transactions agreed on terms and conditions unusual in the market have neither taken place with natural persons 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 as this figure is disclosed in the consolidated financial statements of VGT.

Large-volume transactions pursuant to section 6b para. 2 of the Energy Industry Act (EnWG)

Large-volume transactions were carried out mainly with the equity investments of OGE and primarily relate to income from services (€ 112.3 million) as well as expenses for the lease of the pipeline network (€ 197.8 million).

Supervisory Board of Open Grid Europe GmbH, Essen

The following were members of the **Supervisory Board** in the 2014 financial year:

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

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

Thomas Engelkamp
 Offenhausen
 Master in Occupational Safety at Open Grid Europe GmbH

Alice Forster until 7 April 2014
 Munich
 Senior Investment Manager, MEAG

Frank Rothäusler from 8 April 2014
 Munich
 Senior Investment Manager, MEAG

Simon Richard Eaves until 17 November 2014
 Dubai/United Arab Emirates
 Regional Head, ADIA

Guy Lambert from 18 November 2014
 Abu Dhabi/United Arab Emirates
 Senior Fund Manager, ADIA

Lincoln Hillier Webb

Victoria/Canada

Vice President, British Columbia Investment Management Corporation

The members of the Supervisory Board received remuneration of € 0.1 million for their work in the 2014 financial year.

Management of Open Grid Europe GmbH

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

Stephan Kamphues, Essen
Chairman of the Management Board

Dr Jörg Bergmann, Bochum
Commercial Managing Director

Wolfgang Anthes, Moers
Managing Director responsible for Business Services

Dr Thomas Hübener, Haltern
Managing Director responsible for the Technical Area

In the reporting year, the Management received total remuneration of € 2,738k within the meaning of section 285 No. 9a HGB for its work. For the total remuneration of former managing directors within the meaning of section 285 No. 9b HGB, the company has made use of the protection-of-interests clause under section 286 para. 4 HGB.

Group

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

Essen, 13 March 2015

Open Grid Europe GmbH
The Management

Kamphues

Dr Bergmann

Anthes

Dr Hübener

List of shareholdings in accordance with section 285 No. 11 HGB
as of 31 December 2014

Consecutive number	Company	Share of Open Grid Europe GmbH or subsidiary in the company's equity in %	Shareholding companies (consecutive number)	Equity (in €k) ¹⁾		Annual result (in €k) ¹⁾	
				31 Dec. 2014	2014	2014	2014
Major affiliated companies							
1	Open Grid Europe GmbH, Essen ²⁾	100,00		1.049.504		330.035	
2	Open Grid Regional GmbH, Essen ²⁾	100,00	1	500		-1.178	
3	Mittelrheinische Erdgastransportleitungsgesellschaft mbH, Essen ²⁾	100,00	1	64.150		57.236	
4	MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, Essen	51,00	1	124.170		30.119	
5	Line Worx GmbH, Essen ²⁾	100,00	1	80.725		12.861	
Other major equity investments							
6	Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, Dortmund ³⁾	50,00	1	30.009		6.490	
7	NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, Schneiderkrug	40,55	1	146.301		63.261	
8	Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Essen	51,00	1	90.732		11.942	
9	GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen ³⁾	25,00	5	0		39.464	
Affiliated companies of minor importance							
10	MEGAL Verwaltungs-GmbH, Essen	51,00	1	43		2	
11	PLEdoc GmbH, Essen ²⁾	100,00	1	589		2.673	
12	Open Grid Service GmbH, Essen ²⁾	100,00	1	80		440	
13	NEL Beteiligungs GmbH, Essen ²⁾	100,00	1	25		0	
Other equity investments of minor importance							
14	Trans Europa Naturgas Pipeline Verwaltungs-GmbH, Essen	50,00	1	42		2	
15	Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, Dortmund ³⁾	50,00	1	35		1	
16	DEUDAN-Deutsch/Dänische Erdgastransport-gesellschaft mbH & Co. Kommanditgesellschaft, Handewitt	24,99	1	4.781		266	
17	DEUDAN-HOLDING-GmbH, Hanover ³⁾	49,00	1	22		-1	
18	NetConnect Germany GmbH & Co. KG, Ratingen ³⁾	35,00	1	5.000		0	
19	NetConnect Germany Management GmbH, Ratingen ³⁾	35,00	1	66		3	
20	NETRA GmbH Norddeutsche Erdgas Transversale, Schneiderkrug ³⁾	33,33	1	105		3	
21	caplog-x GmbH, Leipzig ³⁾	31,33	1	593		393	
22	Liwacom Informationstechnik GmbH, Essen ³⁾	33,33	1	559		228	
23	GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen ³⁾	25,00	5	61		3	
24	GasLINE CP Customer Projects GmbH, Straelen ³⁾	100,00	9	184		44	

1) Equity and annual result based on accounting principles in accordance with HGB

2) Profit-and-loss transfer agreement (result before profit transfer or loss absorption)

3) Equity and annual result relate to the previous year

**Activity Reports
for the Period from
January 1 to December 31, 2014**

Consolidated sector balance sheet as of 31 December 2014

Assets	€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A. Fixed assets						
I. Intangible assets						
1. Internally generated intangible assets		1,605,521	23,333	639,253	0	2,268,107
2. Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets		46,295,301	926,594	1,915,989	0	49,137,884
3. Advance payments made		11,328,776	126,530	1,256,438	0	12,711,744
		59,229,598	1,076,457	3,811,680	0	64,117,735
II. Tangible assets						
1. Land, similar rights and buildings		34,490,860	187,158	21,528,396	0	56,206,414
2. Technical equipment and machinery		586,915,334	12,299	972,491	0	587,900,124
3. Other equipment, factory and office equipment		12,546,683	41,748	8,634,097	0	21,222,528
4. Advance payments made and construction in progress		110,451,212	-9,687	716,471	0	111,157,996
		744,404,089	231,518	31,851,455	0	776,487,062
III. Financial assets						
1. Shares in affiliated companies		0	0	338,444,522	0	338,444,522
2. Equity investments		0	0	62,849,397	0	62,849,397
3. Other loans		1,729,241	36,009	1,004,638	0	2,769,888
		1,729,241	36,009	402,298,557	0	404,063,807
		805,362,928	1,343,984	437,961,692	0	1,244,668,604
B. Current assets						
I. Inventories						
1. Raw materials and supplies		5,994,294	643	432,571	0	6,427,508
2. Work in progress		8,942,057	0	40,234,721	0	49,176,778
3. Merchandise		15,701,528	0	0	0	15,701,528
4. Other inventories		707,150	0	0	0	707,150
		31,345,029	643	40,667,292	0	72,012,964
II. Receivables and other assets						
1. Trade receivables		18,885,524	84,813	5,729,378	0	24,699,715
2. Receivables from affiliated companies		-73,551	0	1,964,118	0	1,890,567
3. Receivables from companies in which equity investments are held		21,270	51,189	2,820,649	0	2,893,108
4. Other assets <i>from that receivables with a residual term of one year</i>		2,103,647 1,037,738	10,148 0	6,228,708 0	0 0	8,342,503 1,037,738
		20,936,890	146,150	16,742,853	0	37,825,893
III. Cash on hand and bank balances		49,512,242	767,851	34,866,630	0	85,146,723
		101,794,161	914,644	92,276,775	0	194,985,580
C. Prepaid expenses		958,710	32,067	481,592	0	1,472,369
D. Asset surplus arising from offsetting		3,555,314	74,033	2,065,533	0	5,694,880
E. Capital clearing item		180,148,569		-6,659,090	-173,489,479	
		1,091,819,682	2,364,728	526,126,502	-173,489,479	1,446,821,433

Consolidated sector balance sheet as of 31 December 2014

Shareholders' equity and Liabilities		Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
€						
A.	Shareholders' equity					
I.	Capital shares Share capital	71,385,369	119,127	38,819,836	0	110,324,332
II.	Capital reserve	390,626,122	651,874	212,425,072	0	603,703,068
III.	Revenue reserves	308,849,824	81,461	26,545,600	0	335,476,885
		770,861,315	852,462	277,790,508	0	1,049,504,285
B.	Provisions					
1.	Provisions for pensions and similar obligations	3,387,204	70,533	1,967,866	0	5,425,603
2.	Tax provisions	3,628,100	56,115	2,080,508	0	5,764,723
3.	Other provisions	284,751,009	567,619	16,685,320	0	302,003,948
		291,766,313	694,267	20,733,694	0	313,194,274
C.	Liabilities					
1.	Advance payments received on orders <i>from that with a residual term of one year</i>	2,255,725 2,255,725	0 0	14,094,855 14,094,855	0 0	16,350,580 16,350,580
2.	Trade payables <i>from that with a residual term of up to one year</i> <i>from that with a residual term between one and five years</i> <i>from that with a residual term of more than five years</i>	3,575,392 3,373,641 201,751 0	30,744 30,716 28 0	4,862,370 4,842,303 20,067 0	0 0 0 0	8,468,506 8,246,660 221,846 0
3.	Liabilities to shareholders <i>from that with a residual term of up to one year</i>	14,288,935 14,288,935	219,865 219,865	8,157,659 8,157,659	0 0	22,666,459 22,666,459
4.	Liabilities to affiliated companies <i>from that with a residual term of up to one year</i>	141,325 141,325	2,881 2,881	16,842,708 16,842,708	0 0	16,986,914 16,986,914
5.	Liabilities to companies in which equity investments are held <i>from that with a residual term of up to one year</i>	44,390 44,390	197 197	9,886,394 9,886,394	0 0	9,930,981 9,930,981
6.	Other liabilities <i>from that with a residual term of up to one year</i> <i>from that taxes</i>	3,282,667 3,282,667 1,488,261	25,499 25,499 24,524	759,782 759,782 698,133	0 0 0	4,067,948 4,067,948 2,210,918
		23,588,434	279,186	54,603,768	0	78,471,388
D.	Deferred income	5,603,620	0	47,866	0	5,651,486
E.	Capital clearing item		538,813	172,950,666	-173,489,479	
		1,091,819,682	2,364,728	526,126,502	-173,489,479	1,446,821,433

Contingent liabilities and other financial obligations

The syndicated credit line concluded by Vier Gas Transport GmbH as per 20 December 2013 amounting to €200 million (maturing in 2018) still exists. OGE is also a borrower under the loan agreement and therefore entitled to use this credit line. No collateral security was provided for this syndicated credit line. For the provision of sureties and guarantees in operational business, there is still an ancillary facility amounting to €1.5 million under the syndicated loan facility. This ancillary facility is used as a guarantee line. The ancillary facility will be allocated to the Activities outside Gas Sector. As at the closing date 31 December 2014, neither the syndicated credit line nor the guarantee line had been used so the full amount is still freely available.

Other financial obligations not shown in the balance sheet amounting to €197.8 million p.a. as of the balance-sheet date relate to long-term contracts for the lease of the pipeline network (grid business), of which €116.4 million p.a. relates to affiliated companies.

Furthermore, other financial obligations of €144.1 million exist and relate to purchase commitments. These purchase commitments are split using the key for materials and therefore classified as follows: Grid Business €134.4 million and Activities outside Gas Sector €9.7 million.

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2014 financial year

	Acquisition and production costs				Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2014	Additions	Disposals	Transfers	31 Dec. 2014	1 Jan. 2014	Additions	Disposals	31 Dec. 2014	31 Dec. 2013
	€	€	€	€	€	€	€	€	€	€
Intangible assets										
Internally generated intangible assets	2,234,638.21	558,640.59	0.00	83,533.73	2,876,812.53	241,399.68	367,305.67	0.00	608,705.35	1,993,238.53
from that Grid Business	1,608,492.58	375,047.50	0.00	60,127.58	2,043,667.66	173,759.49	264,386.62	0.00	438,146.11	1,399,511.95
from that Other Activities within Gas Sector	22,122.92	6,408.99	0.00	826.98	29,358.89	2,389.86	3,636.33	0.00	6,026.19	14,586.83
from that Activities outside Gas Sector	604,022.71	177,184.10	0.00	22,579.17	803,785.98	65,250.33	99,282.72	0.00	164,533.05	579,139.75
Acquired concessions, industrial property rights and similar rights and assets as well as licences in such rights and assets	102,493,733.62	9,956,998.10	-1,894,258.41	7,619,316.94	118,175,790.25	55,711,667.18	15,220,498.02	-1,894,258.41	69,037,906.79	46,782,066.44
from that Grid Business	86,986,004.73	8,305,926.71	-1,762,607.45	6,166,728.94	99,696,050.93	43,200,117.20	11,963,240.55	-1,762,607.45	53,400,750.30	42,798,785.83
from that Other Activities within Gas Sector	5,918,706.87	406,962.58	0.00	405,026.86	6,730,696.31	4,951,223.39	852,878.61	0.00	5,804,102.00	1,013,493.68
from that Activities outside Gas Sector	9,589,022.02	1,244,108.81	-131,650.96	1,047,563.14	11,749,043.01	7,560,326.59	2,404,378.86	-131,650.96	9,833,054.49	2,969,786.93
Advance payments made	13,717,807.02	6,696,788.08	0.00	-7,702,850.67	12,711,744.43	0.00	0.00	0.00	12,711,744.43	13,717,807.02
from that Grid Business	11,906,610.00	5,704,242.90	0.00	-6,282,076.89	11,328,776.01	0.00	0.00	0.00	11,328,776.01	11,468,620.00
from that Other Activities within Gas Sector	490,850.98	38,274.74	0.00	-402,595.82	126,529.90	0.00	0.00	0.00	126,529.90	387,498.00
from that Activities outside Gas Sector	1,320,346.04	954,270.44	0.00	-1,018,177.96	1,256,438.52	0.00	0.00	0.00	1,256,438.52	1,861,689.02
	118,446,178.85	17,212,426.77	-1,894,258.41	0.00	133,764,347.21	55,953,066.86	15,587,803.69	-1,894,258.41	69,646,612.14	62,493,111.99
Tangible assets										
Land, similar rights and buildings including buildings on leasehold land	177,633,183.24	1,874,613.01	-82,955.57	2,839,495.63	182,264,336.31	123,790,938.86	2,349,939.77	-82,955.57	126,057,923.06	53,842,244.38
from that Grid Business	140,426,186.83	1,443,998.55	-82,955.57	1,908,471.66	143,695,701.47	107,749,059.17	1,538,737.91	-82,955.57	109,204,841.51	33,225,176.54
from that Other Activities within Gas Sector	314,804.76	1,503.53	0.00	27,300.00	343,608.29	149,184.08	7,266.44	0.00	156,702.67	187,157.77
from that Activities outside Gas Sector	36,892,191.65	429,110.93	0.00	903,723.97	38,225,026.55	15,892,695.61	803,935.42	0.00	16,696,631.03	20,460,365.17
Technical equipment and machinery	3,832,832,053.58	28,872,842.62	-103,636.02	16,684,544.21	3,876,285,804.39	3,228,023,059.69	62,439,893.93	-77,273.40	3,290,385,680.22	604,808,993.89
from that Grid Business	3,827,023,104.82	28,271,640.29	-103,636.02	16,684,544.21	3,871,875,653.30	3,222,695,941.73	62,341,651.39	-77,273.40	3,284,960,319.72	603,274,257.69
from that Other Activities within Gas Sector	640,288.07	0.00	0.00	0.00	640,288.07	623,037.57	4,951.12	0.00	627,988.69	16,083.06
from that Activities outside Gas Sector	5,168,660.69	601,202.33	0.00	0.00	5,769,863.02	4,704,080.39	93,291.42	0.00	4,797,371.81	1,518,653.14
Factory and office equipment	72,219,253.22	7,430,634.75	-2,523,252.99	823,114.45	77,949,749.43	54,390,082.32	4,838,532.68	-2,501,393.58	56,727,221.42	17,829,170.90
from that Grid Business	44,296,272.79	4,609,310.67	-1,882,051.27	307,437.12	47,330,969.31	33,932,263.43	2,720,714.23	-1,868,691.18	34,794,286.48	9,705,334.71
from that Other Activities within Gas Sector	111,662.62	8,899.77	-1,730.17	0.00	118,832.22	74,899.45	3,892.74	-1,707.66	77,084.53	32,438.02
from that Activities outside Gas Sector	27,811,317.81	2,812,424.31	-639,471.55	515,677.33	30,499,947.90	20,382,919.44	2,113,925.71	-630,994.74	21,865,850.41	8,091,398.17
Advance payments made and construction in progress	72,326,823.17	59,178,327.13	0.00	-20,347,154.29	111,157,996.01	0.00	0.00	0.00	111,157,996.01	72,326,823.17
from that Grid Business	70,520,793.60	58,951,686.61	0.00	-19,021,270.27	110,451,211.94	0.00	0.00	0.00	110,451,211.94	70,316,249.40
from that Other Activities within Gas Sector	36,986.88	-19,373.76	0.00	-27,300.00	-9,686.88	0.00	0.00	0.00	0.00	-9,686.88
from that Activities outside Gas Sector	1,769,042.69	246,012.28	0.00	-1,298,584.02	716,470.95	0.00	0.00	0.00	716,470.95	1,984,743.77
	4,155,011,313.21	97,356,417.51	-2,709,844.58	0.00	4,249,657,896.14	3,406,204,090.87	69,628,366.38	-2,661,622.55	3,473,170,824.70	748,807,232.34

Statement of changes in fixed assets of Open Grid Europe GmbH for the 2014 financial year

	Acquisition and production costs				Accumulated amortisation/depreciation				Net book values	
	1 Jan. 2014	31 Dec. 2014	Disposals	Transfers	1 Jan. 2014	31 Dec. 2014	Disposals	31 Dec. 2014	31 Dec. 2014	31 Dec. 2013
	€	€	€	€	€	€	€	€	€	€
Financial assets										
Shares in affiliated companies										
from that Grid Business	231,444,522.39	338,444,522.39	0.00	0.00	0.00	0.00	0.00	0.00	338,444,522.39	231,444,522.39
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	231,444,522.39	338,444,522.39	0.00	0.00	0.00	0.00	0.00	0.00	338,444,522.39	231,444,522.39
Equity investments										
from that Grid Business	37,872,705.61	62,849,396.86	-24,400.00	0.00	0.00	0.00	0.00	0.00	62,849,396.86	37,872,705.61
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	37,872,705.61	62,849,396.86	-24,400.00	0.00	0.00	0.00	0.00	0.00	62,849,396.86	37,872,705.61
Other loans										
from that Grid Business	3,688,896.50	3,344,547.90	-538,348.60	0.00	721,907.45	574,660.15	-147,247.30	2,769,887.75	2,769,887.75	2,976,989.05
from that Other Activities within Gas Sector	2,309,221.09	2,088,001.26	-336,091.03	0.00	450,666.82	358,760.33	-91,926.49	1,729,240.93	1,721,890.46	1,721,890.46
from that Activities outside Gas Sector	48,065.65	43,479.12	-6,998.53	0.00	9,384.80	7,470.59	-1,914.21	36,008.53	36,008.53	36,008.53
from that Other Activities within Gas Sector	1,341,569.76	1,213,067.52	-195,259.04	0.00	261,835.83	208,429.23	-53,406.60	1,004,638.29	1,004,638.29	1,218,481.61
from that Activities outside Gas Sector	273,016,124.50	404,638,467.15	-562,748.60	0.00	721,907.45	574,660.15	-147,247.30	404,063,807.00	404,063,807.00	272,294,217.05
	4,546,473,616.56	4,788,060,700.50	-5,166,851.59	0.00	3,462,879,055.18	3,543,392,096.99	-4,703,128.26	1,244,668,603.51	1,244,668,603.51	1,083,694,561.38

**Unbundling Income Statement
for the periods from 1 January to 31 December 2014**

€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1. Sales	881,746,694	7,652,250	153,535,168	1,042,934,112
2. Change in finished goods and work in progress	5,969,395	-296	-3,432,319	2,536,780
3. Other own work capitalised	18,153,895	0	0	18,153,895
4. Other operating income	10,561,932	74,700	6,204,054	16,840,686
- of which income from currency translation	35,962	516	14,130	50,608
5. Cost of materials	-448,424,851	-68,736	-32,352,404	-480,845,991
a) Cost of raw materials and supplies	-90,194,979	-14,525	-4,815,578	-95,025,082
b) Cost of purchased services	-358,229,872	-54,211	-27,536,826	-385,820,909
6. Personnel expenses	-87,875,471	-1,835,945	-51,045,371	-140,756,787
a) Wages and salaries	-72,778,180	-1,515,936	-42,136,019	-116,430,135
b) Social security, pensions and other benefits	-15,097,291	-320,009	-8,909,352	-24,326,652
- of which for pensions	-4,305,684	-95,596	-2,491,821	-6,893,101
7. Amortisation of intangible assets and depreciation of tangible assets	-78,828,731	-872,625	-5,514,814	-85,216,170
8. Other operating expenses	-44,668,137	-1,190,844	-19,499,164	-65,358,145
- of which expenses from currency translation	-9,972	-149	-4,072	-14,193
9. Income from equity investments	0	0	115,578,598	115,578,598
a) Income from Investments	0	0	43,577,435	43,577,435
- of which from affiliated companies	0	0	7,049,285	7,049,284
b) Income from Profit Transfer Agreement	0	0	73,179,598	73,179,598
- of which from affiliated companies	0	0	73,179,598	73,179,598
c) Expenses from transfer of losses	0	0	-1,178,435	-1,178,435
- of which from affiliated companies	0	0	-1,178,435	-1,178,435
10. Other interest and similar income	715,607	13,311	449,564	1,178,482
- of which from affiliated companies	117,235	1,723	80,917	199,875
- of which interest income from the discounting of provisions	0	0	0	0
11. Interest and similar expenses	-21,815,958	-138,385	-3,866,441	-25,820,784
- of which from affiliated companies	-24,276	-357	-15,460	-40,093
- of which interest expense from unwinding of discounting of provisions	-21,791,092	-138,028	-3,850,972	-25,780,092
12. Profit on ordinary activities	235,534,375	3,633,430	160,056,871	399,224,676
13. Income taxes	-43,406,203	-670,852	-24,783,712	-68,860,767
14. Other taxes	-293,376	-821	-34,299	-328,496
15. Expenses from profit-and-loss transfer	-40,691,000	-630,000	-28,679,000	-70,000,000
16. Net income for the year	151,143,796	2,331,757	106,559,860	260,035,413
17. Transfers to revenue reserves	-151,143,796	-2,331,757	-106,559,860	-260,035,413
18. Unappropriated profit	0	0	0	0

Explanation of accounting unbundling

Preliminary note

Due to the German Energy Industry Act (Energiewirtschaftsgesetz – EnWG) as amended on 21 July 2014, Open Grid Europe GmbH is, in compliance with the provisions of section 6b para. 3 EnWG, obliged to provide separate balance sheets and income statements presenting the segments grid business, other activities within the gas sector and activities outside the gas sector.

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

In addition, in the 2014 financial year, despite the profit-and-loss transfer agreement existing with VGT, on the basis of sound commercial judgement economically sensible transfers of € 260.0 million were made to revenue reserves with a view to future investment projects. Therefore this amount is completely assigned to the segment “Grid Business”.

Rules in accordance with section 6b para. 3 EnWG

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

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

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

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

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

**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. Fixed assets					
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. Current assets					
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 <i>from that receivables with a residual term of one year</i>	10.233.728 1.037.821	25.103 0	2.206.690 0	0 0	12.465.521 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. Prepaid expenses and deferred charges	153.304	3.884	106.138	0	263.326
D. Asset surplus arising from offsetting	1.437.977	30.579	1.017.572	0	2.486.128
E. Capital clearing item	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

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of 31 December 2013

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	78.804.670	165.487	31.354.175	0	110.324.332
II.	Capital reserve	409.796.101	860.555	163.046.412	0	573.703.068
III.	Revenue reserves	53.887.844	113.162	21.440.466	0	75.441.472
IV.	Net income for the year / unappropriated retained earnings	0	0	0	0	0
		542.488.615	1.139.204	215.841.053	0	759.468.872
B.	<u>Provisions</u>					
1.	Provisions for pensions and similar obligations	2.755.553	58.598	1.949.945	0	4.764.096
2.	Tax provisions	14.555.760	312.821	10.826.834	0	25.695.415
3.	Other provisions	363.755.559	673.165	20.860.850	0	385.289.574
		381.066.872	1.044.584	33.637.629	0	415.749.085
C.	<u>Liabilities</u>					
1.	Customer advances	262.456	0	9.586.031	0	9.848.487
	<i>from that with a residual term of one year</i>	262.456	0	9.586.031	0	9.848.487
2.	Trade payables	38.506.919	204.266	7.650.757	0	46.361.942
	<i>from that with a residual term of up to one year</i>	38.266.278	204.266	7.650.757	0	46.121.301
	<i>from that with a residual term between one and five years</i>	161.163	0	0	0	161.163
	<i>from that with a residual term of more than five years</i>	79.478	0	0	0	79.478
3.	Payables to shareholders	93.126.997	2.073.217	71.454.018	0	166.654.232
	<i>from that with a residual term of up to one year</i>	93.126.997	2.073.217	71.454.018	0	166.654.232
4.	Payables to affiliated companies	5.697.494	9.055	6.697.985	0	12.404.534
	<i>from that with a residual term of up to one year</i>	5.697.494	9.055	6.697.985	0	12.404.534
5.	Payables to companies in which participations are held	13.068.813	393	0	-3.127.201	9.942.005
	<i>from that with a residual term of up to one year</i>	13.068.813	393	0	-3.127.201	9.942.005
6.	Other liabilities	7.253.024	108.970	4.143.721	0	11.505.715
	<i>from that with a residual term of up to one year</i>	7.253.024	108.970	4.143.721	0	11.505.715
	<i>from that taxes</i>	3.757.577	82.326	3.013.501	0	6.853.404
		157.915.703	2.395.901	99.532.512	-3.127.201	256.716.915
D.	<u>Deferred income</u>	1.215.127	0	51.548	0	1.266.675
E.	<u>Capital clearing item</u>	0	270.690	128.109.129	-128.379.819	0
		1.082.686.317	4.850.379	477.171.871	-131.507.020	1.433.201.547

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		
	€		€		€		€		€		€		€		€		€		
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		0,00
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		229.844.522,39		0,00
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		33.386.172,61		0,00
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		33.386.172,61		0,00
Other loans	3.815.460,01		482.079,31		-598.642,82		0,00		3.698.896,50		0,00		721.907,45		2.976.989,05		2.902.364,32		1.721.890,46
from that Grid Business	2.206.862,07		278.834,67		-346.255,01		0,00		2.139.441,73		0,00		417.551,27		1.721.890,46		1.605.292,17		30.784,96
from that Other Activities within Gas Sector	46.930,16		5.929,58		-7.363,31		0,00		45.496,43		0,00		8.879,46		36.616,97		30.784,96		1.266.297,19
from that Activities outside Gas Sector	1.561.667,78		197.315,06		-245.024,51		0,00		1.513.956,33		0,00		295.476,72		1.218.481,61		1.266.297,19		1.266.297,19
	267.046.155,01		6.582.079,31		-612.109,82		0,00		273.016.124,50		0,00		721.907,45		272.294.217,05		266.133.049,32		1.012.331.860,31
	4.406.632.666,75		154.775.414,00		-14.934.466,19		0,00		4.546.473.616,56		0,00		3.462.879.055,18		1.083.694.561,38		1.012.331.860,31		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.

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, 2014. In accordance with § (Article) 6b (5) EnWG ["Energiewirtschaftsgesetz": "German Energy Industry Act"], the audit also covered compliance with the accounting obligations pursuant to Article 6b (3) EnWG, according to which separate accounts have to be maintained and activity reports have to be prepared for the activities in accordance with Article 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 compliance with the obligations under Article 6b (3) EnWG are the responsibility of the Company's Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report as well as compliance with the accounting obligations in accordance with Article 6b (3) EnWG based on our audit.

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 also require that an assessment can be made with reasonable assurance to determine whether the accounting obligations pursuant to Article 6b (3) EnWG have been met in all material 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 and also supporting the compliance with the accounting obligations in accordance with Article 6b (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 Company's Managing Directors as well as evaluating the overall presentation of the annual financial statements and the management report, as well as an assessment as to whether the figures which are shown and the way in which the accounts have been allocated in accordance with Article 6b (3) EnWG are proper and understandable, and also whether the principle of consistency has been observed. We believe that our audit provides a reasonable basis for our opinion.

Our audit of the annual financial statements, together with the bookkeeping system, and of the management report 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, Essen, 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.

The audit of compliance with the accounting obligations in accordance with Article 6b (3) EnWG, according to which separate accounts have to be maintained and activity reports have to be prepared for the activities in accordance with Article 6b (3) EnWG, has not led to any reservations.

Essen, March 13, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Bernhard Klinko
Wirtschaftsprüfer
(German Public Auditor)

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