

Annual Report 2012

Open Grid Europe GmbH

Translation the German text is authoritative

Open Grid Europe GmbH, Essen

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General economic development

According to the annual report by the Council of Experts assessing overall economic development, the economy in Germany slowed down noticeably in the course of the year 2012. The interim escalation of the crisis in the Euro region and recession in major member states of the European Union resulted in a decline in exports in the Euro region. Despite the ever-increasing deterioration of the world economy and thanks to the fall in the value of the Euro it has been possible to overcompensate for this through export trade with countries outside the Euro region. In consequence, export trade contributed significantly to the growth in gross domestic product (GDP). The Council of Experts expects a growth rate of 0.8 percent for gross domestic product in 2012.

Primary energy consumption in Germany

Energy consumption in Germany in 2012 was slightly up on the level of the previous year according to a prognosis by the Working Group on Energy Balances. The consumption of natural gas for heating purposes rose mainly due to the colder weather in February and April. Gas demand for power generation, on the other hand, was significantly below the level of the previous year. Overall, natural gas consumption in 2012 rose by around 1 percent. Natural gas therefore represents a consistent share of 21 % (previous year: 20.9 %) of total domestic energy consumption.

Energy policy developments in Europe

The third EU internal energy market package with guidelines and regulations foresees, among other things, a new system for the introduction of binding EU-wide network codes. The development of binding network codes is performed in several stages. Initially, the Commission asks the Agency for the Cooperation of Energy Regulators (ACER) to draw up a non-binding draft directive for the development of the network codes within a period of six months. If the commission concludes that the draft directive contributes to an efficient function of the gas market, it requests that the European Network of Transmission System Operators for Gas (ENTSO-G) submit a network code within one year complying with the draft directive. The network code is then submitted to ACER so that the latter can give a reasoned opinion. As soon as ACER is convinced that the network code complies with the outline directive and fulfills the objectives of the third package, it submits the network code to the EU Commission and can recommend its acceptance by the Commission in a comitology procedure.

At present, network codes are being drawn up for “Capacity Allocation Mechanisms” (CAM), “Gas Balancing in Transmission Systems” and “Interoperability”.

The European Commission adopted specific regulations on August 24, 2012, to avoid congestions in European gas pipelines. Gas pipeline congestions are a restriction to a trouble-free functioning, open and integrated natural gas market. The new regulations shall ensure that companies use reserved capacities more efficiently. If they fail to use assigned capacity on a large scale, they are in danger of having it withdrawn or offered elsewhere on the market according to the principle of “use it or lose it”.

In December of the financial year, nineteen leading European pipeline network operators, including Open Grid Europe, announced the planned foundation of the mutual European capacity platform Prisma in 2013. The platform enables shippers for the first time to purchase capacity products from various German and European network operators through a uniform auctioning process.

Energy policy developments in Germany

In August 2012, the Federal Government presented a draft legislation for the third act on the revision of energy law regulations (Energy Industry Act) which deals largely with the framework conditions for the development of offshore electricity grid connection. At the same time, the Federal Government prepared a formulation aid for the coalition fraction in the German Bundestag which was combined with the draft legislation as petition. This formulation aid discusses the gas shortage situation in February 2012r and the related difficulties in electricity generation. Based upon experience from the previous winter, regulations for improving the framework conditions for ensuring a secure supply in the power generation sector were introduced. Among other things, they include requirements for a closer cooperation of power and gas transmission system operators, binding duties for providing adequate notice of power stations being shut down, the possibility for power transmission system operators and the Federal Network Agency to prevent the shutdown of system-relevant power stations temporarily with cost reimbursement and secure the gas supply for system-relevant gas-fired power stations. In addition, the process for maintaining reserve power stations for the winter period, as practiced last winter and this winter, is to be regulated legally as part of a regulation upon completion of the legislative procedure.

Paragraph 13c of the amended regulation prescribes that operators of transmission system networks must draw up a list of system-relevant power stations. To the extent that the declaration of a station has been approved, the operators of the respective station are obliged, if technically and legally possible and economically viable, to secure the availability of the station to the necessary extent by utilizing the existing possibilities for a change of fuel. In case that a change

of fuel is not possible, it shall be explained which other optimization or upgrading measures can be used to meet the capacity requirement.

An instruction right of the power transmission system operator in respect of the gas transmission system operator to secure the gas supply for system-relevant gas-fired power stations has been included in paragraph 16.

The second and third reading of the amendment to the German Energy Act in the German Bundestag took place on November 29, 2012. The federal Council (Bundesrat) approved the draft legislation at its meeting on December 14, 2012.

Regulation

In Germany, the Federal Network Agency (BNetzA) is responsible for further development in the electrical, gas, telecommunications, post and – since January 1, 2006 – railway infrastructure markets through liberalization and deregulation. The Agency is provided with effective procedures and instruments for the implementation of regulatory objectives; these also include information and investigatory rights as well as graded sanction possibilities.

In the year 2012, OGE completed the cost audit procedure of the Federal Network Agency pursuant to Section 6 (1) ARegV determining the baseline level upon which to base the stipulation of the revenue cap of the 2nd regulatory period. This cost level determined on the basis of calendar year 2010 was used as a basis for the succeeding efficiency benchmarking process pursuant to Section 12 ARegV. The efficiency benchmarking proceedings are currently in the hearing phase. From a present viewpoint, a final decision by the Federal Network Agency is expected during the second quarter of 2013.

With the intention to create incentives for efficient procurement of flow commitments, Ruling Chamber 9 of the Federal Network Agency started a formal procedure on 11.04.2012 with the objective of regulating the costs for flow commitments as volatile costs pursuant to Section 11 (5) ARegV (KOLA)., In conjunction with the other German transmission system operators, Open Grid Europe has drawn up a mutual statement in which the Federal Network Agency's opinion is shared that both the offered quantities as well as the purchase prices for flow commitments can be subject to high fluctuations and therefore the classification of these costs as volatile costs can be deemed to be volatile. At the same time, it was pointed out that because of the particular significance of flow commitments it was necessary to ensure to an adequate extent that the planned regulation does not restrict either the offer of flow commitments or the possibility for a safely projectable utilization of flow commitments by transmission system operators. The harmonization of flow commitments and balancing energy products that was also proposed in the regulation process was subject to critical analysis and it was noted that further analysis and considerations

were necessary for any such further development. Accordingly, the Federal Network Agency issued a provisional regulation on January 1, 2013, in order to enable further discussions around the main elements of a future concept. The provisional regulation contains a classification of flow commitments costs as volatile costs and a reduction in the size of lots for flow commitments for the coming invitations to tender from currently 30 to 10 MW at Open Grid Europe.

With its resolution of October 31, 2012, the Federal Network Agency withdrew the starting price for capacity auctions of € 0 for day-ahead capacities. The regulated daily tariff can be introduced as minimum price as of January 1, 2013. According to own reasoning, the Federal Network Agency is aiming with this to take into account the income situation of transmission system operators, it was reasoned that significant capacities had been auctioned which did not result from renomination restrictions, creating pressure for action by the agency.

During the course of the financial year, the German market area coordinators GASPOOL Balancing Services and NetConnect Germany in close coordination with the transmission system operators and the Federal Network Agency drew up a mutual target model with standardized procedures for the procurement of external balancing energy throughout Germany. A crucial factor in the development of this model is the promotion of liquidity in wholesale markets on the premise of securing network stability and reliability of supply in Germany. The model foresees placing the procurement of balancing energy through the exchange in the own market area in the first place of the merit order, whereby the share of external balancing energy being procured through the wholesale market shall be maximized. The procurement of balancing energy in neighboring market areas was downgraded to second place in the merit order.

The Ordinance of incentive regulation (ARegV) prescribes that the Federal Network Agency is required to approve investment budgets for investments in new constructions, extensions and restructuring, in particular in natural gas pipeline networks and power transmission networks. The decision practice of the Federal Network Agency has led in the past to court cases as a result of legal action by transmission system operators. In the course of several rounds of discussions, it was possible to solve individual questions disputed between the authorities and the network operators in February of the financial year in a settlement agreement. As a result of the policies set out in the settlement agreement, it was possible to resolve the court proceedings and current and future petitions could be processed in a legally reliable manner. With this agreement, the transmission system operators pursued the mutual objective in coordination with the German regulatory authorities of achieving a stipulation of important framework conditions for network expansion that would be legally binding for the future. Furthermore, with its amendment to Section 23 ARegV

the legislator removed the time delay in the revenue recognition of investment measures eligible for inclusion in the investment budget which had long been criticized by the transmission system operators. As a consequence, corresponding capital and operating costs of approved investment measures can now be recognized directly through the revenue cap ("t-0") by the transmission system operators.

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 at 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 gas transmission system operators shall jointly submit a ten-year network development plan every year, starting from April 1, 2012. Preparation of the network development plan shall be in close cooperation with all main market participants in a public consultation process. All market participants are to be integrated into the preparation process of the Gas Network Development Plan by being provided with the opportunity to submit comments. In compliance with timetable requirements, the German transmission system operators published the draft for the network development plans from 2013 to 2022 for the national gas pipeline network (NEP Gas) and submitted it to the Federal Network Agency. Gas flows in the German gas network are modeled for the next ten years in the draft of the network development plan in order to establish the development and/or potential investments in the German transmission networks. The basis for this model is the scenario framework which was drawn up by Prognos AG by order of the transmission system operators, revised as part of a public consultation process with market participants and subsequently amended accordingly. At the start of February 2012, the Federal Network Agency confirmed the scenario framework in this form.

On December 11, 2012, the Federal Network Agency published an amendment request in respect of the Network Development Plan Gas 2012 submitted by the transmission system operators at the beginning of April 2012. The Federal Network Agency decided not to demand any changes requiring an extensive remodeling. This was welcomed by the transmission system operators. The transmission system operators, however, have to incorporate the requested changes by March 2013 and submit the final Network Development Plan Gas 2012 by March 2013. Parallel to this, the transmission system operators are

required to have already drawn up and conducted consultations on the Network Development Plan 2013 by April 1, 2013. The overlapping of these two procedures underlines the urgent necessity for stretching the annual preparation of the plans over a period of time. The legislator is required to provide synchronization in this respect, e.g. with a two-year rhythm for the European Gas Network Development Plan.

The demand of the Federal Network Agency to the preconditions the transmission system operators had asserted for the realization of the investment measures to an amount of € 2.2 billion is regarded as a critical issue by the transmission system operators. In total, the investment conditions are deemed inadequate. The transmission system operators can only make the investments linked to the upgrading measures if assurance is given that this will not have any negative effects on the future efficiency rating of the companies. This topic has been left open in the amendment request of the Federal Network Agency and requires a consensual solution. The mutual objective of everyone involved should be to subordinate all investments to an overall economic optimum and in this way ensure supply reliability in the long-term and strengthen Germany as industrial location.

In August 2012, the transmission system operators published and made available for consultation the scenario framework for the NEP Gas 2013. At the end of the submission period, all comments received were passed on to the Federal Network Agency pursuant to Section 15a EnWG for evaluation of the scenario framework. On October 18, 2012, the Federal Network Agency confirmed the scenario framework with amendments and requirements. In comparison to the scenario framework of the previous year, not only future gas requirements were forecasted in three scenarios; instead, the primary focus was placed on the various options for structuring the gas network. The purpose of the structuring options is to show which actual (upgrade) measures and costs are to be expected with the respective "calculation versions".

In the course of the financial year, ENTSOG published various regional network development plans, the focus of which was on cross-border connections. Germany was a part of the Gas Regional Investment Plan Central-Eastern Europe 2012-2021 presented in January 2012, as well as the Gas Regional Investment Plan South-North Corridor 2012-2021 published in June 2012.

Business review 2012

In February 2012, a gas shortage occurred in Southern Germany, triggered by the coincidence of a variety of factors: A harsh cold spell which stretched from Russia across Eastern Europe and into Western Europe caused temperatures in Southern Germany to drop below -10 degrees Celsius over several days at the start of February. Simultaneously, there was a very high demand for gas, whilst only a limited amount of gas was available for supply at the Waidhaus border crossing. Utilization of existing station capacity at Waidhaus in February 2012 only reached a total of around 50 percent. The supply bottleneck also had an indirect effect on the safety and reliability of the electricity supply networks, as some gas-fired power plants in Southern Germany were partly or completely cut off from the gas supply. In this tense situation, it became evident that, so far, not all consequences of the unbundling of value chain levels in the energy industry, which were implemented in the recent years had been regulated in an operationally and legally reliable manner. Finally, it was the close international cooperation of transmission system operators, which was based upon own initiative, that contributed most to securing the supply situation in Southern Germany in February.

On July 23, 2012, E.ON AG concluded the sale of Open Grid Europe to a consortium consisting of Macquarie European Infrastructure Fund 4, Infinity Investments, British Columbia Investment Management Corporation and MEAG MUNICH ERGO Asset Management GmbH. Upon completion of the sale, Open Grid Europe GmbH and its subsidiaries ceased to be part of the E.ON Group. Since this date, the company shares of Open Grid Europe are held to 100 % by Vier Gas Transport GmbH Essen (VGT). Closing the transaction was preceded by approval of the Federal Cartel Office and the Federal Ministry of Economics and Technology in compliance with the Foreign Trade and Payments Act (“Außenwirtschaftsgesetz”).

Open Grid Europe has applied to the Federal Network Agency for certification as independent transmission system operator. The Federal Network Agency's decision is expected during the first half of 2013.

In the course of the sale of Open Grid Europe by E.ON AG, E.ON Gas Grid was renamed Open Grid Regional in August of the financial year. Open Grid Regional is the network company that operates the gas supply network of Ferngas Nordbayern. The network comprises more than 2,100 km high and medium-

pressure pipelines with a total of 395 exit points and is connected to the complete network of Open Grid Europe.

Technology and environmental protection

Technical operation of the gas grid did not suffer from any significant interruptions during the financial year. Technically related restrictions in capacity through maintenance, repair and integration measures were communicated in good time and information was updated consistently on the Internet.

Open Grid Europe introduced various measures to modernize and update its technical infrastructure in 2012:

- Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), a joint-venture of Open Grid Europe GmbH and GRTgaz Deutschland GmbH, constructed a 72 km long natural gas pipeline from Schwandorf (Oberpfalz) to Windberg (Niederbayern). The new natural gas pipeline runs mainly parallel to the already existing MEGAL pipeline Oberkappel-Schwandorf and serves as supply line for regional customers in Bavaria. In addition, the pipeline strengthens the European natural gas transport network as the new north-south connection creates additional transport capacities to and from Austria. Operation commenced in October 2012.
- During the financial year, MEGAL constructed the new compressor station. The new construction had become necessary in order to meet the demands of the Technical Guidelines (“TA-Luft” / TG Air).
- Open Grid Europe laid a 67 km long natural gas pipeline from Sannerz (Hesse) to Rimpfing (Bavaria). The “Sannerz-Rimpfing” pipeline runs as a so-called “loop” largely parallel to the existing pipeline “Rimpfing-Schlüchtern” and supplies regional customers (public utility companies, industrial plants) in Bavaria and Hesse. Furthermore, additional capacities have been created to reduce network bottlenecks between North and South Germany and provide further transport capacities in the direction of Austria, Italy and France. Operation commenced in December 2012.
- On April 30, a new machine unit was officially put into operation at the compressor station in Waidhaus. The new unit replaces another machine that was nearly 30 years old and which had been taken from the grid after around 120,000 hours in operation. The TITAN 250 turbine with 30,000 hp is the latest development of the company Solar Turbines of San Diego, California, and is being used for the first time in Europe as drive motor for a natural gas pipeline compressor. Worldwide, the new gas turbine is one of the most modern, efficient and environmentally friendly gas turbines in this per-

formance class. Its Dry-Low-Emission (DLE) combustion system ensures lowest possible nitrogen oxide emission values.

- A compressor unit was replaced at the Werne compressor station during the financial year. The investment had become necessary because the old unit had reached the end of its service life.

The certification process was successfully completed in March of the financial year, i.e. without deviation, and existing certifications according to DIN EN ISO 9001 (Quality Management), DVGW G 1000 (Technical Safety Management), OHSAS 18001 (Occupational Health & Safety Management) and DIN EN 14001 (Environmental Management) were confirmed.

Open Grid Europe is working continuously on improving materials and procedures that are used in gas transportation, gas detection, line monitoring and line construction. One of the focuses in this sector continues to be on the challenges linked to the energy turnaround.

The power-to-gas technology, by means of which surplus, renewable electricity is first converted into hydrogen and then in a further stage by addition of CO₂ into synthetic natural gas (SNG) is a possible solution for the way into the new energy era. The technology enables the use of the existing natural gas infrastructure as a power storage facility. Open Grid Europe continues to actively support the implementation of this technology.

Employees

At the end of 2012, Open Grid Europe had 1,482 employees (excluding management and trainees). Personnel expenses during the financial year amounted to € 157.5 million.

Open Grid Europe provides training for qualified technical and business trainee staff at seven locations in North Rhine-Westphalia (Essen), Lower Saxony (Krummhörn), Bavaria (Waidhaus, Bierwang, Wildenranna), Hesse (Gernsheim) und Rhineland Palatinate (Mittelbrunn).

In the course of further endeavors to increase efficiency during the past financial year, Open Grid Europe further extended its existing programs for early retirement and supplemented it with new measures. This led to restructuring expenses, above all through setting up appropriate provisions.

Investments

Open Grid Europe invested a total of € 249.2 million during the financial year (previous year: € 92.7 million). € 167.9 million related to investments in tangible

assets and intangible assets. The increase in comparison to the previous year resulted on the one hand from measures in the so-called “open season” (in particular Sannerz-Rimpar) and on the other hand from higher re-investment measures (in particular machinery replacements at Werne). Financial investments amounting to € 81.3 million were mainly due to an increase in capital at the subsidiary company LineWorx which purchased a 25 % shareholding in Gas-LINE KG, Straelen, with these funds.

Financing

Open Grid Europe GmbH has been a 100 % subsidiary of VGT since July 23, 2012. There was no profit and loss transfer agreement with the parent company during the past financial year. Open Grid Europe was therefore independent from a tax point of view during 2012. The Company reached a profit and loss transfer agreement with VGT with effect from January 1, 2013, and therefore forms an income tax group with VGT since then.

The purchase of Open Grid Europe by VGT was largely financed by external funds. In addition to the actual financial requirement from the purchase of shares, the parent company has agreed with a bank consortium on further credit lines to an amount of around € 550 million which, if required, can be used by Open Grid Europe and/or VGT for financing investments in the regulated transport business and/or to cover any additional liquidity requirements within the year. For the purpose of securitizing the loans and the possibility of utilizing the provided credit lines, Open Grid Europe and certain subsidiaries acceded to the credit agreements of VGT on October 19, 2012. The available credit lines were not utilized during the past financial year.

In order to cover the obligations from pension commitments, Open Grid Europe continues to use a Contractual Trust Agreement (CTA) even after the change of ownership. In this respect, Open Grid Europe has separated appropriate funds into a trust fund in the course of the change of ownership. The fund is managed on a trust basis by Helaba Pension Trust e. V. (Helaba), Frankfurt am Main. On the balance sheet date, the fund's resources exceeded the provision set up at Open Grid Europe for pension commitments and other long-term commitments by € 14.2 million.

Profitability and financial condition

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

In the financial year 2012, Open Grid Europe recorded a decline in sales of 9.1 % to € 1,044.0 million (previous year: € 1,150.3 million). The reason for the decline was mainly the discontinuation of income from the L-Gas levy account which was transferred to NetConnect Germany in April 2011. The purpose of the levy account was to ensure correct charging of levies for control and balancing energy as well as excess/shortfall billing to market participants. Costs of materials corresponding to these sales in the past were not incurred during the financial year either, explaining the fact that the decline in sales did not have a negative effect on results. Sales from the Gas Transport business actually rose overall in comparison to the previous year. Capacity returns in connection with the sale of a specific asset had a negative effect, but this was more than compensated by additional bookings.

The Service business proved to be stable in comparison to the previous year.

The profit on ordinary activities for Open Grid Europe increased by € 21.7 million to € 339.3 million compared to the previous year. Higher sales had a positive effect on the Transport business (adjusted by the above-mentioned effects from the levy account). This was compensated in part by higher personnel expenses and the burden on other operating expenses from restructuring expenses of € 11.1 million.

Net income for the year amounted to € 292.6 million (previous year prior to transfer of profit/loss: € 317.1 million). The decline in net income with simultaneous increase in the profit/loss on ordinary activities is explained by taxes on income which were incurred at the level of the individual company Open Grid Europe in 2012, whereas taxes on income were only incurred at the level of E.ON AG in the previous year due to the profit and loss transfer agreement and the lack of tax allocations within the Group. In contrast, Open Grid Europe was independent with regard to taxes on income during the past 2012 financial year.

The balance sheet total of Open Grid Europe amounted to € 1,314.3 million on the cutoff date of December 31, 2012. As a result, the equity ratio came to 64.6 %. Liabilities mainly consist of provisions (82.7 %) and payables and deferrals (17.3 %). Financial liabilities amounted to around € 9.6 million and mostly relate to liabilities from clearing transactions with subsidiary companies.

Cash and cash equivalents came to € 131.3 million as at December 31, 2012, implying a decline of € 471.6 million from € 603.0 million in comparison to the previous year, when cash and cash equivalents consisted nearly exclusively of cash-pooling receivables against E.ON AG

The decline is mainly due to the distribution of profits for the year 2011 to E.ON Ruhrgas AG to an amount of € 317.1 million and an advance distribution of a part of the net income for the financial year 2012 to Vier Gas Transport GmbH to an amount of € 202.5 million.

Open Grid Europe achieved a cash flow from operating activities of € 297.2 million in financial year 2012. Investments required € 249.2 million. . All Investments were again funded solely from operations.

In summary a positive and safe profitability situation and financial condition in can be concluded for the past financial year.

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

Open Grid Europe achieved the majority of its sales and income within the gas sector, particularly in the area of gas pipelines. Activities in this sector mainly include the operation of the gas pipeline network (including control and maintenance) as well as the marketing of transport capacities in the pipeline network.

With sales of € 868.2 million in the past financial year (previous year: € 972.0 million), the segment “Gas Pipelines” achieved a profit on ordinary activities of € 183.9 million (previous year: € 149.0 million).

The segment “Other Activities within the Gas Sector” achieved a profit on ordinary activities of € 4.0 million (previous year: € 4.2 million) from sales of € 7.4 million (previous year: € 7.5 million).

Activities of Open Grid Europe outside of the gas sector consist primarily of share investments, technical and engineering services, business and IT services and rental and leasing. In the past financial year, the segment “Activities outside the Gas Sector” achieved a profit on ordinary activities of € 151.4 million (previous year: € 164.5 million) from sales of € 168.5 million (previous year: € 170.9 million) and income from equity investments of € 117.4 million (previous year: € 122.2 million).

Risk Report

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

The risk situation of Open Grid Europe as at December 31, 2012, is largely influenced by the regulatory environment. As a regulated company, the earnings situation and prospects of Open Grid Europe are directly dependent upon decisions made by the regulatory authorities. Important Parameters in this respect are the approval of the cost base and the efficiency benchmarking. Regulatory decisions in this respect directly affect revenues and profit of Open Grid Europe.

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

Open Grid Europe earns the majority of its revenues with a small group of large customers.

Changes to the booking behavior of transport customers away from long-term bulk capacity bookings to short-term bookings through auctions only temporarily lead to a decline in sales. Resulting revenue losses in comparison to the approved revenue cap are recognized in the so-called regulatory account and settled accordingly through an adjustment of the calendar year-end revenue cap for the following regulatory period, including an interest component. There is therefore no sustained risk from fluctuations in demand.

From a current point of view, there is no evidence of any substantial risks from the fact that Open Grid Europe and certain subsidiaries acceded to the credit agreements of VGT because of the sound business situation and positive business prospects of Open Grid Europe. The interest rate change risk from existing loan agreements is largely covered by interest rate hedging transactions.

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

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

Material legal disputes

Arbitration proceedings were started against Open Grid Europe and other shareholders of NetConnect Germany in 2010 with the objective of achieving a shareholding in NetConnect Germany. The arbitration claim was withdrawn in February 2012 and therefore resulted in the end of the proceedings.

Three cases of arbitration proceedings were started in December 2011 with the objective of acquiring a shareholding in pipeline companies of Open Grid Europe. All three cases concerned corporate and conversion law questions. The arbitration cases were withdrawn at the start of 2012 resulting in the end of the proceedings.

Open Grid Europe and Thyssengas have been facing an enrichment claim from a customer since 2010 because of allegedly used flexibility and commodity products in 2008/2009. After the failure of settlement talks, application was made in December 2011 for civil law default proceedings against Open Grid Europe, among others. Open Grid Europe appealed in good time against the default summons and the case is now being heard by the Dortmund Regional Court. The customer has filed for legal action against Thyssengas and announced that it will also be taking legal action against Open Grid Europe. Thyssengas has applied for dismissal of the action and also announced legal action against Open Grid Europe. Open Grid Europe will most probably take the side of Thyssengas following the legal dispute.

According to latest assessments, a positive result for Open Grid Europe is also assumed for the last-named legal action. The risk is recognized under other financial obligations in the Notes.

Events after the balance sheet date

There are no events to be reported.

Forecast Report 2013

According to the Council of Expert's prognosis on the overall economic situation in can be expected that the Germany economy will pick up again in the course of the year 2013. A rise in gross domestic product (GDP) is once again forecasted at 0.8 percent on an average for the year 2013. An unemployment rate of 6.9 percent is anticipated.

Transport fees were adjusted with effect from January 1, 2013. With this regular fee adjustment, the Company is also reacting to the change in booking behavior by transport customers. The Federal Network Agency had placed German pipe-

line network operators under obligation to market transport capacities in an auction procedure (stipulation regarding capacity control and auction procedures in the gas sector KARLA Gas). This has been taking place since the fourth quarter of 2011 through the TRAC-X primary platform ("Prisma" since 01.01.2013) and has resulted in a considerable change in the booking behavior of transport customers. Auction procedures make short-term bookings particularly attractive from an economical point of view because it allows flexible coordination of capacity and market requirements while at the same time achieving a reduction in capacity bookings. So-called profiled bookings are therefore replacing the formerly dominating long-term capacity bookings at an increasing rate. Despite a slightly reduced revenue cap, this change in booking behavior has made it necessary to increase the specific transport fees of Open Grid Europe by an average of 30 percent as of January 1, 2013.

As a regulated company, Open Grid Europe calculates the fees on the basis of the revenue cap stipulated by the Federal Network Agency, including biogas transfer costs, and takes the expected bookings as a basis for the fees to be reported.

The economic framework, in which Open Grid Europe operates as a regulated company, continues to be dominated by decisions of the Federal Network Agency.

Overall, the management foresees a stable and secure earnings situation for the Company in the coming two years and beyond.

**Annual Financial Statements
for the Period from
January 1 to December 31, 2012**

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

	Cost				Cumulative amortization/depreciation				Net book values		
	01.01.2012 €	Zugänge €	Abgänge €	Umbuchungen €	31.12.2012 €	01.01.2012 €	Zugänge €	Abgänge €	Umbuchungen €	31.12.2012 €	31.12.2011 €
Intangible assets											
Self-created intangible assets	0,00	1.225.090,82	0,00	0,00	1.225.090,82	0,00	1.827,86	0,00	0,00	1.223.262,96	0,00
Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets	55.997.831,29	30.187.403,13	-15.172.381,31	14.517.109,77	85.529.962,88	46.541.407,39	7.285.958,69	-10.737.946,83	0,00	43.089.419,25	9.456.423,90
Prepayments	17.480.961,69	9.598.799,49	0,00	-14.517.109,77	12.562.851,41	0,00	0,00	0,00	0,00	12.562.851,41	17.480.961,69
	73.478.792,98	41.011.293,44	-15.172.381,31	0,00	99.317.705,11	46.541.407,39	7.287.786,55	-10.737.946,83	0,00	43.091.247,11	26.937.385,59
Tangible assets											
Land, similar rights and buildings including buildings on leasehold land	173.273.150,89	1.414.644,10	0,00	1.133.597,59	175.821.392,58	119.088.592,21	2.370.825,59	0,00	0,00	121.459.417,80	54.184.558,68
Technical equipment and machinery	3.578.922.577,22	91.363.155,57	-8.650.349,62	89.842.668,86	3.751.478.051,83	3.121.438.679,90	59.000.008,56	-3.755.157,64	0,00	3.176.683.530,84	457.483.887,32
Factory and office equipment	67.982.263,51	3.993.875,20	-8.459.658,59	2.669.688,98	66.185.969,10	54.212.862,02	2.739.042,47	-7.959.257,55	0,00	48.992.646,94	13.769.401,49
Low-value assets	4.119.488,65	543.846,57	0,00	1.250,00	4.664.585,22	2.251.673,15	909.186,91	0,00	0,00	3.160.860,06	1.867.815,50
Prepayments and construction in process	106.154.816,63	29.611.196,30	0,00	-93.647.205,23	42.118.809,90	0,00	0,00	0,00	0,00	42.118.809,90	106.154.816,63
	3.830.462.297,10	126.926.719,74	-17.110.209,21	0,00	4.040.288.808,63	3.296.991.807,28	65.019.063,55	-11.714.415,19	0,00	3.350.296.455,64	633.460.489,82
Financial assets											
Shares in affiliated companies	149.144.522,39	80.700.000,00	0,00	0,00	229.844.522,39	0,00	0,00	0,00	0,00	229.844.522,39	149.144.522,39
Other long-term equity investments	33.740.537,21	101.650,40	-456.015,00	0,00	33.386.172,61	0,00	0,00	0,00	0,00	33.386.172,61	33.740.537,21
Indemnification claim against MEON	130.229.081,63	0,00	-130.229.081,63	0,00	0,00	0,00	0,00	0,00	0,00	0,00	130.229.081,63
Other loans	4.079.791,82	449.011,48	-713.343,29	0,00	3.815.460,01	985.038,76	0,00	-71.933,07	0,00	913.105,69	3.094.753,05
	317.193.933,05	81.250.661,88	-131.398.439,92	0,00	267.046.155,01	985.038,76	0,00	-71.933,07	0,00	913.105,69	316.209.894,29
	4.321.125.023,13	249.188.675,06	-163.661.029,44	0,00	4.406.632.668,75	3.344.518.253,43	72.306.850,10	-22.524.295,09	0,00	3.394.300.808,44	976.606.769,70

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

	Notes	€	€	2011 T€
1. Sales	(11)		1,044,012,253	1,150,334
2. Increase or decrease in finished goods and work in process			6,211,136	4,972
3. Other own work capitalized	(12)		14,167,631	11,666
4. Other operating income - of which income from currency translation € 1,539,068 (prior year T€ 49)	(13)		16,478,644	58,363
5. Cost of materials	(14)			
a) Cost of raw materials and supplies		-111,208,880		-123,319
b) Cost of purchased services		<u>-424,475,926</u>		<u>-581,406</u>
			-535,684,806	-704,725
6. Personnel expenses				
a) Wages and salaries		-129,117,771		-124,548
b) Social security, pensions and other benefits - of which relating to pensions € 8,524,730 (prior year: T€ 7,963)		<u>-28,387,480</u>		<u>-25,345</u>
			-157,505,251	-149,893
7. Amortization and depreciation of fixed intangible and tangible assets	(15)		-72,306,850	-71,745
8. Other operating expenses - of which expenses from currency translation € 3,749 (prior year T€ 29)	(16)		-93,455,271	-81,316
9. Income from other long-term equity investments - of which from affiliated companies € 84,879,198 (prior year T€ 87,456)	(17)		117,447,826	122,190
10. Other interest and similar income - of which from affiliated companies € 17,367,401 (prior year T€ 1,697) - of which interest income from the discounting of provisions € 120,000 (prior year T€ 0)	(18)		18,236,129	3,105
11. Interest and similar expenses - of which to affiliated companies € 18,140 (prior year T€ 444) - of which interest expenses from the compounding of provisions € 18,245,944 (prior year T€ 24,820)	(19)		-18,292,123	-25,309
12. Profit/loss on ordinary activities			339,309,318	317,642
13. Taxes on income	(20)		-44,943,625	0
14. Other taxes			-1,745,764	-532
15. Expenses from profit and loss transfer			0	-317,110
16. Net income for the year			292,619,929	0
17. Advance Distribution			-202,500,000	0
18. Unappropriated retained earnings			90,119,929	0

(Translation - the German text is authoritative)

Open Grid Europe GmbH, Essen

NOTES TO THE FINANCIAL STATEMENTS for Financial Year 2012

I. General Information on the Annual Financial Statements

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

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

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

As of July 23, 2012, the previous sole shareholder, E.ON Ruhrgas AG, Essen, sold its entire shares in OGE to Vier Gas Transport GmbH (VGT), Essen.

II. Accounting and Valuation Methods

Fixed assets

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

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

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

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

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

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

Other loans shown under financial assets relate to non-interest-bearing loans granted to employees, which are stated at their present value as of the balance sheet date. The present values are calculated on the basis of an interest rate of 5.5% p.a.

Inventories

Raw materials and supplies stated under inventories are generally recognized at average acquisition cost considering the lower of cost or market principle. In addition to this,

the LIFO method is applied. Sufficient write-downs are made for inventory risks arising from the duration of storage and reduced usability.

Work in process is stated at production cost. The valuation of the production cost for projects, which were transferred in the course of the spin off from E.ON Ruhrgas AG, Essen, and commenced prior to January 1, 2010, is based on direct costs. The production cost of projects started as from January 1, 2010 consists of the mandatory elements according to commercial law, plus, starting from this financial year, general administrative expenses, the capitalization of which increases profits insignificantly.

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

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

Receivables and other assets

Receivables and other assets are capitalized at nominal value and measured taking into account all recognizable risks. In addition to individual valuation allowances, the valuation of trade receivables considers the general credit risk by making a general valuation allowance of 1.5% on net receivables less those receivables for which individual valuation allowances were made.

Cash and cash equivalents

Cash and cash equivalents are recorded at nominal value.

Provisions

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

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

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

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 5.06% p.a. In doing so, the following dynamic components are taken into account, in addition to the estimated duration of the benefitted employees:

- Wage and salary trend: 2.50% p.a.
- Pension trend: 2.0% p.a.

The market rate of 5.06% p.a. is based on the discount rate published by Deutsche Bundesbank for October 2012. The difference to the discount rate published for December 2012 (5.04%) is marginal and, therefore, negligible.

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

Concerning pension provisions, the Company made use of the option right in accordance with Article 67 (1) Sentence 2 EGHGB to retain the provisions. In the reporting year, the BilMoG value exceeds the originally retained value, being, thus, the relevant value.

The previously existing indemnification claim towards MEON Pensions GmbH & Co. KG (MEON KG), Grünwald, including the accrued value increase, was repaid to the Company in financial year 2012.

To secure against insolvency and to finance the employees' claims stemming from pension commitments and similar obligations, OGE as the trustor established a double-sided CTA trust relationship with Helaba Pension Trust e. V. (Helaba), Frankfurt am Main (trustee), under the date of December 14/December 21, 2012 and has, as the trustor, transferred assets to the trustee as a precautionary measure in financial year 2012.

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

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

Liabilities

Liabilities are stated at their settlement amounts in accordance with Section 253 (1) Sentence 2 HGB. As in the prior year, there are no liabilities denominated in foreign currency. The expenses and income from currency translation disclosed in the income statement result from a liquidation of liabilities denominated in foreign currency during the year at exchange rates which had been initially recognized at their spot rates applicable at the time of posting the liabilities.

Deferred taxes

Deferred taxes are determined based on temporary differences between financial reporting and the tax basis of assets and liabilities. Both differences existing at OGE as well as differences with companies belonging to the fiscal unity for income tax purposes

of OGE are included. Deferred taxes are calculated on the basis of the combined income-tax rate of the fiscal unity for income-tax purposes of OGE, which is currently 31 %. The combined income-tax rate includes corporate income tax, trade tax and the solidarity surcharge. Deferred tax liabilities resulting from intangible assets, tangible assets and other provisions are netted with deferred tax assets arising from financial assets and tangible fixed assets, inventories and other assets as well as provisions for pensions, other provisions and other liabilities.

A tax burden resulting from this would be stated as a deferred tax liability on the balance sheet. In the case of a tax relief, the correspondent capitalization option pursuant to Section 274 (1) Sentence 2 HGB would not be exercised. Overall, the financial year results in a deferred tax asset - which is not disclosed on the balance sheet.

III. Notes to the Balance Sheet

(1) Intangible assets

Additions to intangible assets mainly include software in the amount of € 16.7 million as well as construction cost subsidies made in the amount of € 20.8 million.

In the financial year, additions to self-created intangible assets amounted to € 1.2 million. The total amount of research and development expenses also add up to € 1.2 million in the financial year as no research expenses have incurred. € 1.1 million of these additions relate to assets which are still in development.

(2) Tangible assets

As of the closing date, the net book value of tangible assets amounts to € 690.0 million (prior year: € 633.5 million). The additions to tangible assets can be broken down as follows:

- Buildings	1.1%
- Technical equipment and machinery	72.0%
- Sundry tangible assets and construction in process	26.9%
	<u>100.0%</u>

Additions mainly result from the Sannerz-Rimpar pipeline construction project (€ 58.2 million), the replacement of two compressor units at Werne (€ 11.3 million) as well as the new construction of the Bierwang-Gröben pipeline

plus related gas pressure regulator station and measurement system at Bierwang (€ 7.4 million).

(3) **Financial assets**

The schedule of shareholdings is attached to the notes.

Additions to financial assets mainly relate to a capital increase at LineWORX GmbH, Essen, in the amount of € 80.7 million.

Disposals mainly relate to the sale of shares in NetConnect Germany GmbH & Co. KG, Ratingen, in the amount of € 0.5 million.

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

(4) **Inventories**

The items disclosed under inventories relate to work in process (€ 54.0 million), raw materials and supplies (€ 7.8 million) as well as merchandise (gas stocks in the transmission network (€ 13.2 million)) and emission rights (€ 0.6 million).

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

(5) **Receivables and other assets**

Trade receivables mainly result from the transportation business.

Receivables from investment companies mainly result from ongoing clearing transactions and the income from Mittelrheinische Erdgastransportleitungsgesellschaft mbH (METG), Haan (€ 13.1 million), the offsetting of advance payments received for service projects, liabilities from the transportation business and the investment income from MEGAL GmbH & Co. KG (MEGAL KG), Essen (€ 4.6 million).

The trade receivables included in this item amount to € 3.8 million and relate mostly to MEGAL KG (€ 3.5 million).

Receivables from companies in which participations are held comprise trade receivables from GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen (€ 2.7 million) and

NCG KG (€ 1.6 million) as well as other receivables from GasLINE CP Customer Projects GmbH, Straelen (€0.1 million).

Other assets mainly comprise input tax refund claims in the amount of € 6.5 million, accruals and deferrals for outstanding invoices from the levy account in the amount of € 6.2 million and receivables from corporation tax plus solidarity surcharge in the amount of € 3.7 million. Other assets amounting to € 1.0 million (prior year: € 1.0 million) have a residual term of more than one year.

(6) Cash on hand and bank balances

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

(7) Asset surplus arising from offsetting

This item includes an asset surplus from the offsetting of the plan assets with Helaba (€ 213.1 million, of which € 6.4 million will be transferred in the course of the spin-off of a branch of activity to E.ON Gas Storage, Essen, in financial year 2013) with the corresponding pension provisions (€ 189.1 million) as well as the provisions for long-term time value accounts and sabbaticals (€ 9.8 million). The acquisition costs of the plan assets amount to € 212.0 million.

In addition, this item includes the surplus resulting from the offsetting of the plan assets with Energiesicherungstreuhand e.V., Hanover (€ 15.4 million) with the outstanding payments to be allocated to the provision for semi-retirement arrangements (€ 14.1 million). The current value of the plan assets corresponds to their acquisition cost.

(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 has been VGT since July 23, 2012.

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

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

(9) Provisions

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

Tax provisions mainly comprise provisions for possible tax obligations arising from the Company's withdrawal from MEON CTA in the amount of € 16.8 million as well as provisions for trade tax 2012 in the amount of € 14.9 million.

Other provisions (€ 355.2 million) mainly relate to provisions for excess revenue disgorgement amounting to € 156.3 million, provisions for the removal of underground piping amounting to € 61.9 million, provisions for the removal of above ground facilities amounting to € 42.0 million as well as staff-related provisions amounting to € 36.4 million. In addition, obligations in the amount of € 17.0 million exist with regard to outstanding invoices.

(10) Liabilities

	Total 12/31/2012 €	Residual term of up to 1 year €	Residual term of between 1 and 5 years	Residual term of more than 5 years	Total 12/31/2011 €
- Customer advances	11,382,197	11,382,197	0	0	17,131,036
- Trade payables	41,603,046	41,327,038	113,028	162,980	34,530,186
- Payables to share- holders	0	0	0	0	344,254,804
- Payables to affiliated companies	9,585,410	9,585,410	0	0	73,297,212
- Payables to compa- nies in which partici- pations are held	4,156,670	4,156,670	0	0	81,558,287
- Other liabilities (of which taxes)	12,700,800 (1,744,995)	12,700,800 (1,744,995)	0 0	0 0	25,683,216 (25,646,640)
	<u>79,428,123</u>	<u>79,152,115</u>	<u>113,028</u>	<u>162,980</u>	<u>576,454,741</u>

Trade payables mainly result from the transportation business.

Payables to affiliated companies mainly comprise payables in the amount of € 5.1 million from clearing transactions with PLEdoc GmbH, Essen, as well as payables in the amount of € 4.1 million from clearing transactions, netted with the income from Open Grid Regional GmbH (formerly: E.ON Gas Grid GmbH), Essen.

Payables to companies in which participations are held mainly relate to payables from the transportation business, netted with the receivable from the investment income and ongoing clearing transactions.

The trade payables included in this item amount to € 10,4 million before off-setting and mainly relate to TENP KG (€ 5.4 million), NETRA KG (€ 4.0 million) and NETG KG (€ 1.0 million).

Other liabilities mainly result from the transfer of employee-related obligations to E.ON Gas Storage GmbH, Essen, in the amount of € 8.0 million in the course of the spin-off of a branch of activity.

Contingent liabilities and other financial obligations

On October 19, 2012, Open Grid Europe GmbH joined a syndicated loan agreement with a volume of up to T€ 2,750,000 as borrower and warrantor, which the Company's sole shareholder, VGT, had concluded with an international syndicate of commercial banks on the occasion of the acquisition of 100% of the shares in Open Grid Europe GmbH completed on July 23, 2012. Mittelrheinische Erdgas-transportleitungsgesellschaft mbH, Open Grid Service GmbH and PLEdoc Gesellschaft für Dokumentationserstellung und -pflege mbH, each of them fully-owned subsidiaries of Open Grid Europe GmbH, also joined the syndicated loan agreement as warrantors. As of the balance sheet date, the syndicated loan amounted to T€ 2,200,000 excluding interest accrued. In addition, T€ 1,122 were drawn by Open Grid Europe GmbH, as warrantor, for bank guaranties in favor of third parties via Unicredit Bank AG within the scope of the available total volume of the syndicated loan.

In connection with entering into the syndicated loan agreement the following collaterals were provided in favor of the syndicate of commercial banks:

- Pledging of all shares held by Open Grid Europe GmbH in Mittelrheinische Erdgas-transportleitungsgesellschaft mbH, Open Grid Service GmbH and PLEdoc Gesellschaft für Dokumentationserstellung und -pflege mbH
- Pledging of the bank accounts of the joining companies
- Assignment of existing customer receivables by the joining companies
- Assignment of potential compensation claims against insurance companies by the joining companies

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

Other financial obligations not recorded on the balance sheet amounting to € 210.7 million p.a. as of the balance sheet date relate to long-term contracts for

the lease of network transmission capacity, of which € 130.3 million p.a. relate to affiliated companies.

Furthermore, other financial obligations exist in the amount of € 120.6 million, relating to purchase commitments.

IV. Notes to the Income Statement

(11) Sales

Sales result from the gas transportation business as well as transport-related services in the amount of € 855.9 million and from technical and commercial services in the amount of € 188.1 million (of which € 87,4 million with affiliated or associated companies), being mainly generated in Germany. The decrease in sales compared to the prior year mainly results from the discontinuation of the L-Gas levy account.

(12) Other own work capitalized

The Company capitalized own work for intangible assets in the amount of € 3.4 million.

(13) Other operating income

This item mainly consists of off-period income from the release of provisions in the amount of € 8.4 million as well as from the sale of fixed assets in the amount of € 3.8 million. The decrease in other operating income compared to the prior year mainly results from the discontinuation of income from the L-Gas levy account.

(14) Cost of materials

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

of materials compared to the prior year mainly results from the discontinuation of income from the L-Gas levy account.

(15) Amortization/depreciation

Amortization/depreciation of intangible assets and tangible assets amounts to € 72.3 million (prior year: € 71.7 million) in the reporting year. Amortization of intangible assets amounts to € 7.3 million and depreciation on tangible assets amounts to € 65.0 million.

(16) Other operating expenses

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

(17) Income from other long-term equity investments

	2012	2011
	<u>€ m</u>	<u>€ m</u>
Income from equity investments	49.0	61.4
Income from profit and loss transfer agreements	68.4	60.8
Expenses from loss absorption	.	.

(18) Other interest and similar income

Other interest and similar income mainly comprise interest income relating to the indemnification claim against MEON Pensions GmbH & Co. KG, Grünwald in the amount of € 16.7 million. In addition, this item contains income from the discounting of long-term provisions in the amount of € 0.1 million.

(19) Interest and similar expenses

The expenses separately to be disclosed in the income statement pursuant to Section 277 (5) Sentence 1 HGB comprise the compounding of provisions in the amount of € 18.2 million. Income from the valuation of the plan assets at fair value amounting to € 1.1 million is offset within this item. Due to the amount of freely available reserves, the distribution and payment block, respectively, of Section 268 (8) HGB does not apply.

(20) Taxes

This item includes taxes on income amounting to € 44.9 million. In addition, expenses for real estate taxes, land transfer, input taxes and motor vehicle taxes are included.

V. Other Disclosures**Distribution block in accordance with Section 168 (8) HGB**

The capitalization of self-created intangible assets (€ 1.2 million) as well as the accounting for the plan assets at fair value (+ € 0.1 million in comparison to the acquisition costs) result in a total amount of € 1.3 million, which is subject to a distribution block pursuant to Section 268 (8) HGB. Due to the amount of the freely available reserves (capital reserves and revenue reserves) this distribution block does not apply.

Number of employees on annual average

In the financial year, the number of staff excluding management amounted to an average number of 419 industrial workers and 1,136 salaried employees (prior year: 431 industrial workers and 1,111 salaried employees).

Related parties

Related natural persons within the meaning of Section 285 No. 21 HGB are the management and the members of the Supervisory Board. Related legal entities are, in particular, VGT, Vier Gas Services GmbH & Co. KG (VGS), Essen, as well as the participations.

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

Auditor's fee

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

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

Large-volume transactions were mainly carried out with E.ON Ruhrgas AG and primarily related to the items mentioned in III. and IV.

Supervisory Board of Open Grid Europe GmbH

Members of the **Supervisory Board** in financial year 2012 were:

Dr. Michael Scheren until July 23, 2012

Chairman

Divisional Director Financial and Accounting department
of E.ON Ruhrgas AG, Essen

Hilko Schomerus from July 25, 2012

Chairman

Managing Director, Macquarie Capital (Europe) Limited, Darmstadt

Frank Lehmann

Deputy Chairman

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

Thomas Engelkamp

Security Foreman of Open Grid Europe GmbH, Essen

Andreas Korn until July 23, 2012

Energy Manager of E.ON AG, Düsseldorf

Dr. Guido Knott until July 23, 2012

Head of the Politics and Communication department
of E.ON AG, Düsseldorf

Dr. Achim Saul until July 23, 2012

Member of the Board of E.ON Ruhrgas AG, Essen

Alice Forster
Senior Investment Manager, MEAG, Munich

from July 25, 2012

Simon Richard Eaves
Regional Head, ADIA, Dubai/United Arab Emirates

from July 25, 2012

Lincoln Hillier Webb
Vice President, British Columbia Investment
Management Corporation, Victoria/Canada

from July 25, 2012

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

Management of Open Grid Europe GmbH

The members of the Management in the reporting year were:

Stephan Kamphues, Essen
Spokesperson of the Management

Dr. Jörg Bergmann, Bochum
Commercial Managing Director

Wolfgang Anthes, Moers
Managing Director Business Services

Heinz Watzka, Oberasbach
Technical Managing Director

until February 28, 2013

Dr. Thomas Hübener, Haltern
Technical Managing Director

from March 1, 2013

In financial year 2012, the management received for its work a total remuneration of T€ 3,466 within the meaning of Section 285 No. 9a HGB.

Group

OGE itself does not prepare consolidated financial statements referring to Section 291 HGB, but is included with exempting effect in the consolidated financial statements of VGT. VGT, as the parent company, prepares consolidated financial statements for the smallest group of companies. VGS, as the parent company, prepares consolidated financial statements for the largest group of companies. Both financial statements are published in the electronic Federal Gazette.

Essen, March 5, 2013

Open Grid Europe GmbH
The Management

Kamphues

Dr. Bergmann

Anthes

Dr. Hübener

Schedule of shareholdings in accordance with § 285 Nr. 11 HGB
Stand 31.12.2012

consecutive Number	Company	Shares of Open Grid GmbH or subsidiary in company's equity in %	Shareholding company (Ifd. Nr.)	Equity (in T€) ¹⁾ 31.12.2012	Annual result (in T€) ¹⁾ 2012
Substantial affiliated companies					
1	Open Grid Europe GmbH, Essen ²⁾	100,00		849.589	292.620
2	Open Grid Regional GmbH, Essen ²⁾	100,00	1	500	1.476
3	Mittelrheinische Erdgastransportleitungsgesellschaft mbH, Haan (Rhld.) ²⁾	100,00	1	29.150	58.604
4	MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG, Essen	51,00	1	52.921	32.470
5	Line Worex GmbH, Essen	100,00	1	80.725	7.776
Other substantial long-term equity investments					
6	Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG, Haan (Rhld.) ³⁾	50,00	1	29.614	6.095
7	NETRA GmbH Norddeutsche Erdgas Transversale & Co. KG, Emstek	40,55	1	148.437	65.397
8	Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Essen	51,00	1	31.305	10.272
9	GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, Straelen ³⁾	25,00	5	83.149	42.149
Affiliated companies of secondary importance					
10	MEGAL Verwaltungs-GmbH, Essen	51,00	1	39	2
11	PLEdoc GmbH, Essen ²⁾	100,00	1	589	18
12	Open Grid Service GmbH, Essen ²⁾	100,00	1	28	564
13	NEL Beteiligungs GmbH, Essen	100,00	1	25	-1
Other long-term equity investments of secondary importance					
14	Trans Europa Naturgas Pipeline Verwaltungs-GmbH, Essen	50,00	1	39	2
15	Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH, Haan (Rhld.) ³⁾	50,00	1	33	1
16	DEUDAN-Deutsch/Dänische Erdgastransport-gesellschaft mbH & Co. Kommanditgesellschaft, Kiel	24,99	1	6.991	2.475
17	DEUDAN-HOLDING-GmbH, Hannover ³⁾	49,00	1	23	-2
18	NetConnect Germany GmbH & Co. KG, Ratingen ³⁾	35,00	1	5.000	233
19	NetConnect Germany Management GmbH, Ratingen ³⁾	35,00	1	60	3
20	NETRA GmbH Norddeutsche Erdgas Transversale, Schneiderkrug ³⁾	33,33	1	101	3
21	Caplog-X GmbH, Leipzig ³⁾	25,00	1	411	211
22	Liwacom Informationstechnik GmbH, Essen ³⁾	33,33	1	742	407
23	GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH, Straelen	25,00	5	58	2
24	GasLINE CP Customer Projects GmbH, Straelen	100,00	9	151	19

1) Equity and annual result are based on country-specific accounting principles
2) Profit assumption agreement (annual result before profit assumption)
3) Equity and annual relate to prior year

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

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of December 31st, 2012

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

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of December 31st, 2012

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

Contingent liabilities and other financial obligations

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

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

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

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

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

	Cost				Cumulative amortization/depreciation				Net book values			
	01.01.2012	Accruals	Disposals	Transfers	31.12.2012	01.01.2012	Accruals	Disposals	Transfers	31.12.2012	31.12.2011	
	€	€	€	€	€	€	€	€	€	€	€	
Intangible Assets												
Self-created intangible assets	0.00	1,225,090.92	0.00	0.00	1,225,090.92	0.00	1,827.86	0.00	0.00	1,827.86	0.00	0.00
from that Grid Business	0.00	1,020,487.76	0.00	0.00	1,020,487.76	0.00	1,223.02	0.00	0.00	1,223.02	0.00	0.00
from that Other Activities within Gas Sector	0.00	4,761.09	0.00	0.00	4,761.09	0.00	14.07	0.00	0.00	14.07	0.00	0.00
from that Activities outside Gas Sector	0.00	199,841.97	0.00	0.00	199,841.97	0.00	590.77	0.00	0.00	590.77	0.00	0.00
Acquired concessions, industrial property and similar rights and assets, and licenses in												
from that Grid Business	55,997,831.29	30,187,403.13	-15,172,381.31	14,517,109.77	85,529,962.88	46,541,407.39	7,285,959.69	-10,737,946.83	0.00	43,089,419.25	9,456,423.90	8,319,277.51
from that Other Activities within Gas Sector	43,263,911.30	25,166,253.05	-15,162,707.75	12,828,625.38	65,996,081.98	35,077,558.50	5,062,516.12	-10,728,273.27	0.00	29,411,801.35	36,484,280.63	869,945.37
from that Activities outside Gas Sector	4,138,382.83	756,111.52	0.00	296,728.37	5,193,722.82	3,969,352.27	354,425.18	0.00	0.00	4,323,777.45	189,591.70	947,554.69
from that Activities outside Gas Sector	8,595,537.06	4,262,538.56	-9,673.56	1,591,756.02	14,440,158.08	7,494,496.62	1,869,017.39	-9,673.56	0.00	9,353,840.45	0.00	0.00
Prepayments	17,480,961.69	9,598,799.49	0.00	-14,517,109.77	12,562,651.41	0.00	0.00	0.00	0.00	0.00	17,480,961.69	17,145,467.37
from that Grid Business	13,931,523.58	7,246,835.66	0.00	-11,240,272.56	9,938,086.68	0.00	0.00	0.00	0.00	0.00	9,938,086.68	17,145,467.37
from that Other Activities within Gas Sector	95,625.30	325,188.77	0.00	-35,172.40	381,641.67	0.00	0.00	0.00	0.00	0.00	381,641.67	81,570.23
from that Activities outside Gas Sector	3,453,812.81	2,026,775.06	0.00	-3,237,664.81	2,242,923.06	0.00	0.00	0.00	0.00	2,242,923.06	253,924.09	253,924.09
	73,478,792.98	41,011,293.44	-15,172,381.31	0.00	99,317,705.11	46,541,407.39	7,287,786.55	-10,737,946.83	0.00	43,091,247.11	56,226,458.00	26,937,385.59
Tangible assets												
Land, similar rights and buildings including buildings on leasehold land	173,273,150.89	1,414,644.10	0.00	1,133,597.59	175,821,392.58	119,088,592.21	2,370,825.59	0.00	0.00	121,459,417.80	54,361,974.78	54,184,568.66
from that Grid Business	143,238,769.24	1,282,974.24	0.00	1,133,597.59	145,655,341.07	111,472,673.07	1,562,725.70	0.00	0.00	113,035,389.77	32,619,942.30	38,142,735.37
from that Other Activities within Gas Sector	256,685.80	1.16	0.00	0.00	256,686.96	0.00	5,924.93	0.00	0.00	115,717.45	140,969.51	276,878.80
from that Activities outside Gas Sector	29,777,695.85	131,668.70	0.00	0.00	29,909,364.55	7,506,126.62	802,174.96	0.00	0.00	8,308,301.58	21,601,062.97	15,764,944.51
Technical equipment and machinery	3,578,922,577.22	91,363,155.57	-8,650,349.62	89,842,688.66	3,751,478,051.93	3,121,438,679.90	59,000,009.58	-3,755,157.64	0.00	3,176,683,530.84	574,794,520.99	457,483,897.32
from that Grid Business	3,572,416,212.05	91,363,155.57	-8,650,349.62	89,842,688.66	3,744,971,696.66	3,116,871,111.14	58,806,616.84	-3,755,157.64	0.00	3,171,922,570.34	573,049,116.32	455,388,879.96
from that Other Activities within Gas Sector	1,416,820.25	0.00	0.00	0.00	1,416,820.25	1,389,142.56	1,855.81	0.00	0.00	1,390,986.37	25,821.88	42,609.27
from that Activities outside Gas Sector	5,089,544.92	0.00	0.00	0.00	5,089,544.92	3,178,426.20	191,535.93	0.00	0.00	3,369,962.13	1,719,582.79	2,052,408.07
Factory and office equipment	72,101,752.16	4,537,721.77	-8,459,858.59	2,670,938.98	70,860,564.32	56,464,535.17	3,648,229.38	-7,959,257.55	0.00	52,153,507.00	18,697,047.32	15,637,216.99
from that Grid Business	40,364,538.94	2,024,320.01	-4,164,942.96	1,183,187.59	39,407,103.58	31,327,089.35	2,081,825.54	-4,015,589.91	0.00	29,393,324.88	10,013,775.60	10,512,173.06
from that Other Activities within Gas Sector	66,666.07	8,111.68	-885.24	7,941.16	81,833.69	44,256.27	2,636.04	-800.86	0.00	46,093.45	35,740.24	30,309.28
from that Activities outside Gas Sector	31,670,547.15	2,505,290.08	-4,294,030.39	1,479,810.21	31,361,617.05	25,083,187.55	1,563,767.80	-3,942,866.78	0.00	22,714,088.57	8,647,528.48	5,094,734.65
Prepayments and construction in process	106,154,816.83	29,611,198.30	0.00	-93,647,205.23	42,118,809.90	0.00	0.00	0.00	0.00	0.00	42,118,809.90	106,154,816.83
from that Grid Business	103,948,178.99	28,780,118.54	0.00	-92,045,713.98	40,679,583.55	0.00	0.00	0.00	0.00	0.00	40,679,583.55	98,926,769.58
from that Other Activities within Gas Sector	10,709.68	0.00	0.00	-10,709.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37,083.57
from that Activities outside Gas Sector	2,195,928.16	831,079.76	0.00	-1,587,781.57	1,439,226.35	0.00	0.00	0.00	0.00	0.00	1,439,226.35	7,190,963.68
	3,930,452,297.10	126,926,719.74	-17,110,208.21	0.00	4,040,268,806.63	3,296,991,807.28	65,019,065.55	-11,714,415.19	0.00	3,350,296,455.64	689,972,352.99	633,460,489.82

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

	Cost				Cumulative amortization/depreciation				Net book values		
	01.01.2012	Accruals	Disposals	Transfers	31.12.2012	01.01.2012	Accruals	Disposals	Transfers	31.12.2012	31.12.2011
	€	€	€	€	€	€	€	€	€	€	€
Financial assets											
Shares in affiliated companies	149,144,522.39	80,700,000.00	0.00	0.00	229,844,522.39	0.00	0.00	0.00	0.00	229,844,522.39	149,144,522.39
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	149,144,522.39	80,700,000.00	0.00	0.00	229,844,522.39	0.00	0.00	0.00	0.00	229,844,522.39	149,144,522.39
Other long-term equity investments	33,740,537.21	101,650.40	-456,015.00	0.00	33,386,172.61	0.00	0.00	0.00	0.00	33,386,172.61	33,740,537.21
from that Grid Business	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	33,740,537.21	101,650.40	-456,015.00	0.00	33,386,172.61	0.00	0.00	0.00	0.00	33,386,172.61	33,740,537.21
Right of recourse towards MEON	130,229,081.63	0.00	-130,229,081.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	130,229,081.63
from that Grid Business	72,811,079.54	0.00	-72,811,079.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	72,811,079.54
from that Other Activities within Gas Sector	1,953,436.22	0.00	-1,953,436.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,953,436.22
from that Activities outside Gas Sector	55,464,565.87	0.00	-55,464,565.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	55,464,565.87
Other loans	4,079,791.82	448,011.48	-713,343.29	0.00	3,815,460.01	985,038.76	0.00	-71,933.07	0.00	2,902,354.32	3,094,753.06
from that Grid Business	2,256,532.85	248,348.25	-394,550.17	0.00	2,110,330.93	544,824.94	0.00	-39,786.18	0.00	1,605,292.17	1,730,276.44
from that Other Activities within Gas Sector	43,245.80	4,759.52	-7,561.44	0.00	40,443.88	10,441.41	0.00	-762.49	0.00	30,764.96	46,421.30
from that Activities outside Gas Sector	1,780,013.17	195,903.71	-311,231.68	0.00	1,664,685.20	429,772.41	0.00	-31,384.40	0.00	1,266,297.19	1,318,055.33
	317,183,933.05	81,250,661.88	-131,398,439.92	0.00	267,046,155.01	985,038.76	0.00	-71,933.07	0.00	266,133,049.32	316,208,894.29
	4,321,125,023.13	249,188,675.06	-163,661,029.44	0.00	4,406,632,668.75	3,344,518,239.43	72,306,650.10	-22,524,295.09	0.00	1,012,331,860.31	976,606,769.70

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

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

Explanation of legal unbundling

Preliminary note

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

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

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

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

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

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

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

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

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

**Activity Reports
for the Period from
January 1 to December 31, 2011**

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of December 31st, 2011

Assets	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Consolidation Column	Sum
A. Fixed assets					
I. Intangible assets					
1. Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets	8,319,277	189,592	947,555	0	9,456,424
2. Prepayments	17,145,468	81,570	253,924	0	17,480,962
	25,464,745	271,162	1,201,479	0	26,937,386
II. Tangible assets					
1. Land, similar rights and buildings	38,142,735	276,879	15,764,945	0	54,184,559
2. Technical equipment and machinery	455,388,880	42,609	2,052,408	0	457,483,897
3. Other equipment, factory and office equipment	10,512,173	30,309	5,094,735	0	15,637,217
4. Prepayments and construction in process	98,926,769	37,084	7,190,964	0	106,154,817
	602,970,557	386,881	30,103,052	0	633,460,490
III. Financial assets					
1. Shares in affiliated companies	0	0	149,144,522	0	149,144,522
2. Other long-term equity investments	0	0	33,740,537	0	33,740,537
3. Right of recourse	72,811,080	1,953,436	55,464,566	0	130,229,082
4. Other loans	1,730,277	46,421	1,318,055	0	3,094,753
	74,541,357	1,999,857	239,667,680	0	316,208,894
	702,976,659	2,657,900	270,972,211	0	976,606,770
B. Current assets					
I. Inventories					
1. Raw materials and supplies	7,119,416	0	468,153	0	7,587,569
2. Work in process	12,500,415	0	35,307,751	0	47,808,166
3. Merchandise	5,276,079	0	0	0	5,276,079
	24,895,910	0	35,775,904	0	60,671,814
II. Receivables and other assets					
1. Trade receivables	29,933,274	418,722	3,266,284	-138	33,618,142
2. Receivables from shareholders	0	0	285,342	-285,342	0
3. Receivables from affiliated companies	311,411,755	8,702,224	425,104,763	-3,199,012	742,019,730
4. Receivables from other long-term investees and investors	0	8,380	27,154,334	-9,727,181	17,435,533
5. Other assets <i>from that Receivables with a residual term of one Year</i>	43,192,207 1,035,732	888 0	101,400 0	0	43,294,495 1,035,732
	384,537,236	9,130,214	455,912,123	-13,211,673	836,367,900
III. Cash on hand and bank balances	31,710	894	35,095	0	67,699
	409,464,856	9,131,108	491,723,122	-13,211,673	897,107,413
C. Prepaid expenses and deferred charges	362,331	2,770	118,155	0	483,256
D. Asset surplus arising from offsetting	474,630	12,734	361,554	0	848,918
E. Capital clearing item	257,620,169	0	0	-257,620,169	0
	1.370.898.645	11.804.512	763.175.042	-270.831.842	1.875.046.357

Open Grid Europe GmbH, Essen

Consolidated sector balance sheet as of December 31st, 2011

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	79.413.161	300.255	30.610.916	0	110.324.332
	II. Capital reserve	412.960.342	1.561.371	159.181.355	0	573.703.068
	III. Revenue reserves	54.303.938	205.319	20.932.215	0	75.441.472
		546.677.441	2.066.945	210.724.486	0	759.468.872
B.	Provisions					
	1. Provisions for pensions and similar obligations	100.609.524	2.699.236	76.640.309	0	179.949.069
	2. Tax provisions	17.460	468	13.300	0	31.228
	3. Other provisions	333.272.036	608.288	21.364.934	0	355.245.258
		433.899.020	3.307.992	98.018.543	0	535.225.555
C.	Liabilities					
	1. Customer advances	7.777.071	0	9.353.965	0	17.131.036
	2. Trade payables <i>from that with a residual term of one Year</i>	30.748.549 30.608.755	144.016 144.016	3.637.759 3.603.433	-138 -138	34.530.186 34.356.206
	3. Payables to shareholders <i>from that with a residual term of one Year</i>	171.583.386 171.583.386	4.187.070 4.187.070	168.769.690 168.769.690	-285.342 -285.342	344.254.804 344.254.804
	4. Payables to affiliated companies <i>from that with a residual term of one Year</i>	69.091.524 69.091.524	662.321 662.321	6.742.379 6.742.379	-3.199.012 -3.199.012	73.297.212 73.297.212
	5. Payables to other long-term investees and investors <i>from that with a residual term of one Year</i>	86.597.098 86.597.098	8.381 8.381	4.679.989 4.679.989	-9.727.181 -9.727.181	81.558.287 81.558.287
	6. Other liabilities <i>from that with a residual term of one Year</i>	20.690.029 20.690.029	177.334 177.334	4.815.853 4.815.853	0 0	25.683.216 25.683.216
		386.487.657	5.179.122	197.999.635	-13.211.673	576.454.741
D.	Deferred income	3.834.527	0	62.662	0	3.897.189
E.	Capital clearing item	0	1.250.453	256.369.716	-257.620.169	0
		1.370.898.645	11.804.512	763.175.042	-270.831.842	1.875.046.357

Spin-off of liabilities (§ 268 Abs. 7 HGB)

The contingent liabilities of the Company relating to a guarantee liquidity support to the MEON Pensions GmbH & Co. KG, Grünwald. The total amount of these obligations sum up to EUR 109,0 million. A breakdown of the liabilities to the individual activities is analogous to the division of the pension obligations of OGE.

Accordingly omitted EUR 60,9 million on Grid Business, EUR 1,7 million on Other Activities within Gas Sector and EUR 46,4 million for Activities outside Gas Sector.

Fixed-Asset Movement Schedule of Open Grid Europe GmbH as of December 31, 2011

	01.01.2011				31.12.2011				Cumulative amortization/depreciation				Net book values			
	Ac accruals		Disposals		Transfers				Ac accruals		Disposals		Transfers			
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
Intangible Assets																
Acquired concessions, industrial property and similar rights and assets, and licenses in such rights and assets																
from that Grid Business	54,616,951.16	674,729.49	-191,291.52	898,442.16	56,997,831.29	437,45,589.06	2,923,026.52	-125,208.19	46,541,407.39	0.00	-80,794.17	-86,510.93	-194.95	4,961,577.31	189,591.70	93,055.03
from that Other Activities within Gas Sector	42,097,006.85	145,754.19	-137,225.51	529,239.35	42,634,274.88	32,184,547.75	2,297,574.72	-86,510.93	34,314,997.37	0.00	-80,794.17	-86,510.93	-194.95	4,961,577.31	189,591.70	93,055.03
from that Other Activities outside Gas Sector	4,954,418.72	116,819.63	-684.84	78,515.50	5,151,169.01	4,861,363.69	95,050.93	-194.95	4,961,577.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	7,564,525.58	410,155.87	-52,981.17	290,687.31	8,212,387.40	6,697,677.52	530,220.87	-38,502.31	7,264,832.71	0.00	75,436.53	-38,502.31	0.00	947,554.69	866,947.97	0.00
Prepayments																
from that Grid Business	1,322,836.22	17,056,832.22	0.00	-898,442.16	17,480,967.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,480,967.69	1,090,132.14	1,322,836.22
from that Other Activities within Gas Sector	1,090,132.14	16,734,230.60	0.00	-878,695.39	17,145,467.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17,145,467.37	1,090,132.14	1,322,836.22
from that Other Activities outside Gas Sector	72,576.97	81,225.22	0.00	-72,576.97	81,570.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	81,570.23	72,576.97	0.00
from that Activities outside Gas Sector	159,827.11	241,111.91	0.00	-447,014.83	253,924.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	253,924.09	159,827.11	0.00
Tangible assets																
Land, similar rights and buildings including buildings on leasehold land																
from that Grid Business	169,719,879.13	1,316,902.20	0.00	2,238,369.56	173,273,150.89	116,766,210.99	2,322,381.22	0.00	119,088,592.21	0.00	0.00	0.00	0.00	54,194,589.69	52,953,668.14	0.00
from that Other Activities within Gas Sector	135,414,374.70	897,979.59	0.00	1,743,923.50	138,056,276.19	98,237,140.31	1,676,402.51	0.00	98,913,542.82	0.00	0.00	0.00	0.00	38,142,735.37	37,173,234.36	0.00
from that Other Activities outside Gas Sector	421,200.60	1,596.45	0.00	12,515.28	435,272.33	147,948.12	10,545.42	0.00	158,393.54	0.00	0.00	0.00	0.00	276,878.80	273,952.49	0.00
from that Activities outside Gas Sector	33,884,303.83	417,386.15	0.00	478,930.38	34,781,600.37	18,381,222.56	635,433.29	0.00	18,016,655.85	0.00	0.00	0.00	0.00	15,764,944.51	15,503,081.27	0.00
Technical equipment and machinery																
from that Grid Business	3,546,752,387.70	18,619,649.44	-878,556.25	14,435,096.33	3,578,922,677.22	3,059,346,987.43	62,965,034.24	-875,441.77	3,121,438,679.90	0.00	0.00	0.00	0.00	457,483,897.32	487,403,300.27	0.00
from that Other Activities within Gas Sector	3,536,473,962.65	18,576,064.80	-878,556.25	14,354,457.28	3,568,525,924.38	3,051,445,995.87	62,666,494.38	-875,441.77	3,113,137,049.49	0.00	0.00	0.00	0.00	455,388,879.69	485,050,101.25	0.00
from that Other Activities outside Gas Sector	1,575,759.14	296.40	0.00	1,576,054.54	1,576,054.54	1,511,357.63	22,087.64	0.00	1,533,445.27	0.00	0.00	0.00	0.00	42,609.27	52,248.38	0.00
from that Activities outside Gas Sector	8,702,666.73	37,298.24	0.00	80,639.05	8,820,594.03	6,391,733.92	376,452.04	0.00	6,768,185.96	0.00	0.00	0.00	0.00	2,052,408.07	2,291,550.65	0.00
Factory and office equipment																
from that Grid Business	72,322,984.23	3,657,238.02	-4,062,235.96	183,755.87	72,101,759.16	56,957,361.21	3,534,983.20	-4,027,809.24	56,464,535.17	0.00	0.00	0.00	0.00	15,637,216.99	16,365,633.12	0.00
from that Other Activities within Gas Sector	47,506,600.12	2,437,189.81	-2,931,645.62	101,550.68	47,112,694.98	37,151,586.34	2,357,097.39	-2,908,171.81	36,600,521.92	0.00	0.00	0.00	0.00	10,512,173.06	10,354,003.85	0.00
from that Other Activities outside Gas Sector	46,807.45	9,825.83	-524.10	742.18	54,541.36	16,977.17	8,689.01	-524.10	25,142.08	0.00	0.00	0.00	0.00	30,309.28	28,930.28	0.00
from that Activities outside Gas Sector	24,771,586.66	1,210,622.38	-1,130,666.24	81,463.01	24,933,605.82	19,788,787.70	1,169,198.79	-1,116,113.33	18,838,871.16	0.00	0.00	0.00	0.00	5,094,734.66	4,982,789.99	0.00
Prepayments and construction in process																
from that Grid Business	77,402,146.19	45,607,892.40	0.00	-16,855,211.76	106,154,816.83	0.00	0.00	0.00	106,154,816.83	0.00	0.00	0.00	0.00	106,154,816.83	77,402,146.19	0.00
from that Other Activities within Gas Sector	73,278,660.34	41,167,016.25	0.00	-15,518,907.02	98,926,769.58	0.00	0.00	0.00	98,926,769.58	0.00	0.00	0.00	0.00	98,926,769.58	73,278,660.34	0.00
from that Other Activities outside Gas Sector	28,090.21	20,094.04	0.00	-11,010.68	37,093.57	0.00	0.00	0.00	37,093.57	0.00	0.00	0.00	0.00	37,093.57	28,090.21	0.00
from that Activities outside Gas Sector	4,095,395.64	4,420,872.11	0.00	-1,325,304.06	7,190,965.68	0.00	0.00	0.00	7,190,965.68	0.00	0.00	0.00	0.00	7,190,965.68	4,095,395.64	0.00
Financial assets																
Shares in affiliated companies																
from that Grid Business	190,783,560.10	50,000.00	-39,467,937.71	-2,222,000.00	148,144,522.39	0.00	0.00	0.00	149,144,522.39	0.00	0.00	0.00	0.00	149,144,522.39	190,783,560.10	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	190,783,560.10	50,000.00	-39,467,937.71	-2,222,000.00	148,144,522.39	0.00	0.00	0.00	149,144,522.39	0.00	0.00	0.00	0.00	149,144,522.39	190,783,560.10	0.00
Other long-term equity investments																
from that Grid Business	26,793,355.21	5,000,000.00	-274,818.00	2,222,000.00	33,740,537.21	0.00	0.00	0.00	33,740,537.21	0.00	0.00	0.00	0.00	33,740,537.21	26,793,355.21	0.00
from that Other Activities within Gas Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
from that Activities outside Gas Sector	26,793,355.21	5,000,000.00	-274,818.00	2,222,000.00	33,740,537.21	0.00	0.00	0.00	33,740,537.21	0.00	0.00	0.00	0.00	33,740,537.21	26,793,355.21	0.00
Right of recourse towards MEON																
from that Grid Business	0.00	130,229,081.63	0.00	0.00	130,229,081.63	0.00	0.00	0.00	130,229,081.63	0.00	0.00	0.00	0.00	130,229,081.63	0.00	0.00
from that Other Activities within Gas Sector	0.00	72,811,079.54	0.00	0.00	72,811,079.54	0.00	0.00	0.00	72,811,079.54	0.00	0.00	0.00	0.00	72,811,079.54	0.00	0.00
from that Other Activities outside Gas Sector	0.00	1,953,436.22	0.00	0.00	1,953,436.22	0.00	0.00	0.00	1,953,436.22	0.00	0.00	0.00	0.00	1,953,436.22	0.00	0.00
from that Activities outside Gas Sector	0.00	55,464,565.87	0.00	0.00	55,464,565.87	0.00	0.00	0.00	55,464,565.87	0.00	0.00	0.00	0.00	55,464,565.87	0.00	0.00
Other loans																
from that Grid Business	3,916,214.59	688,312.47	-524,735.24	0.00	4,079,791.82	933,899.23	51,139.53	0.00	985,038.76	0.00	0.00	0.00	0.00	3,094,783.06	2,992,315.36	0.00
from that Other Activities within Gas Sector	2,189,555.50	384,895.50	-293,379.47	0.00	2,281,071.61	522,143.06	28,592.11	0.00	550,735.17	0.00	0.00	0.00	0.00	1,730,276.44	1,667,412.52	0.00
from that Other Activities outside Gas Sector	58,743.22	10,324.89	-7,871.03	0.00	61,196.88	14,008.46	767.09	0.00	14,775.59	0.00	0.00	0.00	0.00	46,421.30	44,734.73	0.00
from that Activities outside Gas Sector	1,667,915.79	293,152.28	-223,484.74	0.00	1,737,583.34	397,747.68	21,780.33	0.00	419,528.01	0.00	0.00	0.00	0.00	1,318,055.33	1,270,168.11	0.00
	221,493,129.90	135,967,394.10	-40,266,890.95	0.00	317,193,933.05	933,899.23	51,139.53	0.00	985,038.76	0.00	0.00	0.00	0.00	316,208,894.29	220,569,230.67	0.00
	4,143,629,324.53	222,894,373.28	-45,398,674.68	0.00	4,321,125,025.13	3,277,750,147.92	71,796,564.71	-5,028,459.20	3,344,518,253.43	0.00	0.00	0.00	0.00	976,606,769.70	865,879,176.71	0.00

Open Grid Europe GmbH, Essen

Unbundling Income Statement
for the Period from January 1 through December 31, 2011

€	Grid Business	Other Activities within Gas Sector	Activities outside Gas Sector	Sum
1. Sales	972.011.887	7.450.302	170.872.104	1.150.334.293
2. Increase or decrease in finished goods and work in process	2.940.904	0	2.030.831	4.971.735
3. Other own work capitalized	11.573.210	38.628	53.926	11.665.764
4. Other operating income	51.151.139	273.609	6.938.696	58.363.444
- of which income from currency translation	37.967	289	10.734	48.990
5. Cost of materials	-661.283.808	101.744	-43.542.210	-704.724.274
a) Cost of raw materials and supplies	-113.218.902	-8.068	-10.091.789	-123.318.759
b) Cost of purchased services	-548.064.906	109.812	-33.450.421	-581.405.515
6. Personnel expenses	-83.791.534	-2.248.285	-63.853.082	-149.892.901
a) Wages and salaries	-69.538.668	-1.911.328	-53.097.713	-124.547.709
b) Social security, pensions and other benefits	-14.252.866	-336.957	-10.755.369	-25.345.192
- of which relating to pensions	-4.451.166	-119.445	-3.391.992	-7.962.603
7. Amortization and depreciation of fixed intangible and tangible assets	-68.897.749	-136.373	-2.711.303	-71.745.425
8. Other operating expenses	-56.311.026	-1.146.695	-23.858.449	-81.316.170
- of which expenses from currency translation	-22.189	-169	-6.274	-28.632
9. Income from other long-term equity investments	0	0	122.189.555	122.189.555
a) Income from Investments	0	0	61.434.767	61.434.767
- of which from affiliated companies	0	0	26.701.268	26.701.268
b) Income from Profit Transfer Agreement	0	0	60.797.714	60.797.714
- of which from affiliated companies	0	0	60.797.714	60.797.714
c) Expenses from transfer of losses	0	0	-42.926	-42.926
- of which from affiliated companies	0	0	-42.926	-42.926
10. Other interest and similar income	925.672	23.749	2.155.677	3.105.098
- of which from affiliated companies	816.841	20.954	859.507	1.697.302
11. Interest and similar expenses	-19.314.830	-194.292	-5.799.804	-25.308.926
- of which from affiliated companies	-116.732	-3.034	-324.486	-444.252
- of which interest expenses from the compounding of provisions	-19.198.096	-191.258	-5.430.460	-24.819.814
12. Profit/loss on ordinary activities	149.003.865	4.162.387	164.475.941	317.642.193
13. Other taxes	-442.237	-2.650	-87.352	-532.239
14. Expenses from profit and loss transfer	-148.561.628	-4.159.737	-164.388.589	-317.109.954
15. Net income for the year	0	0	0	0

Explanation of legal unbundling

Preliminary note

Due to the German Energy Industry Act (Energiewirtschaftsgesetz -EnWG) as amended on August 04, 2011 Open Grid Europe GmbH (complying with the rules of § 6b (3) EnWG) is obliged to provide separate balance sheets as well as profit and loss statements presenting the segments Grid Business, Other Activities within Gas Sector and Activities outside Gas Sector.

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

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

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

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

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

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

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

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Open Grid Europe GmbH, Essen, for the business year from January 1 to December 31, 2012. In accordance with Section 6b (5) EnWG, the audit also included adherence to the duties of accounting pursuant to Section 6b (3) EnWG which requires that separate accounts be maintained and activity reports be prepared for the activities pursuant to Section 6b (3) EnWG. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law, as well as adherence to the obligations of Section 6b (3) EnWG, are the responsibility of the managing directors of the Company. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report based on our audit, as well as on adherence to the accounting requirements of Section 6b (3) EnWG.

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

Our audit of the annual financial statements, including the accounting and 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 comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

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

Essen, March 11, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Bernhard Klinke
Wirtschaftsprüfer
(German Public Auditor)

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