Group Annual Report

Vier Gas Transport GmbH

1 January to 31 December 2013

(Translation – the German text is authoritative)

Contents

Group Management Report of Vier Gas Transport GmbH for Financial Year 2013

Introduction

The Vier Gas Transport Group comprises Vier Gas Transport GmbH (VGT) as the parent company and Open Grid Europe GmbH (OGE), Essen, with its holdings, as subsidiary.

VGT primarily fulfils a holding function for OGE. The management report thus refers primarily to the operating activities of OGE and its business area of natural gas transport logistics.

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

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

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

General economic development

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

Primary energy consumption in Germany

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

Energy policy developments in Europe

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

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

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

Energy policy developments in Germany

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

From an energy policy viewpoint, the issue of temporarily critical storage levels for natural gas has still not been solved adequately. In winter 2012/2013, it became particularly evident that conflicting targets existed between trader behaviour driven purely by market principles on the one hand and reliability of supply on the other hand. The Federal Network Agency recognised the issue to a certain extent and made a first move with the requested definition of system-relevant power stations. However, at present a solution providing all market participants with a legal framework that clarifies the question of responsibility for supply reliability on a sustainable basis has not been found yet.

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

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

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

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

The price indices for determining the new daily values are also regulated for the first time – retroactively from 1 January 2013 – for the periods in which no index series are available yet from the Federal Statistical Office. Substitute index series were determined for this. Furthermore, the authorities are allowed to take progress in productivity into account.
To determine the EK II interest rate, three interest series will be used on the basis of the yields on current debt outstanding published by Deutsche Bundesbank. This is also done on a retroactive basis from 1 January 2013.

Taking into account particular structural characteristics of the efficiency benchmarking, the threshold in the German Incentive Regulation Ordinance has been raised from 3% to 5% (Section 15 ARegV).
Furthermore, the deadline has been brought forward to submit a report to the Federal Network Agency with the evaluation and proposals for future design for regulating incentives. The report will now be due on 31 December 2014, instead of 1 January 2016. As a result, in November 2013 the Federal Network Agency published extensive questionnaires for all transmission system operators. The official data enquiry began in January 2014.

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

Network development plans

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

The Energy Industry Act specifies that natural gas transmission system operators shall jointly submit a ten-year network development plan every year, starting from 1 April 2012. Preparation of the network development plan shall be performed in close cooperation with all main market participants in a public consultation process. All market participants are to be integrated into the preparation process of the Gas Network Development Plan by being provided with the opportunity to submit comments. In compliance with timetable requirements, the German transmission system operators published the draft for the network development plans from 2013 to 2022 for the national gas pipeline network (NEP Gas) on 1 April 2013 and submitted it to the Federal Network Agency. In this draft, gas flows in the German gas network are modelled for the next ten year-period in order to establish the development and/or potential investments in the German transmission networks. The basis for this model is the scenario framework established by Prognos AG upon request from the transmission system operators and then revised as part of a public consultation process with market participants and subsequently amended accordingly.

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

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

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

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

Business review 2013

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

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

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

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

In the previous financial year, there were extensive refinancing activities within the VGT Group. For more information, refer to the "Financing" section.

Furthermore, the business proceeded in a stable fashion, without any factors of specific importance in the reporting year.

Technology and environmental protection

The reliability of technical equipment, including compliance with all statutory requirements related to environmental protection and occupational health and safety, are significant factors for OGE's operating activities. Occupational health and safety have the highest priority at OGE.

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

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

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

- On the compressor stations Bunde and Emsbüren control and energy technology has been replaced for one machine unit respectively.
- On the compressor station Porz of METG, the gas turbine drive on machine unit 5 was exchanged for a machine with lower emission levels. Commissioning is to be concluded at the start of 2014.
- Planning has begun to construct a catalytic exhaust gas cleaner at one machine unit of the compressor station Elten, (NETG). The utilization of this technology is new for the European gas transport sector. The project will be realised in 2014.
- The north European gas pipeline, which has been working at partial capacity since August 2012, achieved its full transport capacity of over 20 billion cubic metres of natural gas on 1 November 2013. With the last welding seam, OGE successfully concluded a connection more than 1,600 kilometres long, from Wyborg in Russia to Rehden in the Netherlands. The north European gas pipeline connects the Nord Stream with the European transmission grid, from the landfall point in Lubmin in Greifswald along a length of approximately 450 km, past Schwerin and Hamburg, to Rehden in Lower Saxony. The 133 km-long section in Lower Saxony, for which the OGE technical department is responsible as a service provider, faced numerous challenges related to construction specifics and legal approval requirements.

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

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

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

Employees

At the end of 2013, the Group had 1,387 employees (excluding management and trainees). Personnel expenses during the financial year amounted to € 147.7 million.

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

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

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

Investments

The Group invested a total of € 196.4 million in financial year 2013 (previous year: € 118.6 million). € 195.9 million related to investments in tangible assets and intangible assets. The most important investments made by OGE in the previous financial year included the acquisition of the Etzel-Gas-Lager pipeline (EGL) for € 47.2 million and of machine unit 5 in Bierwang for € 16.7 million. Further significant investments made by OGE were the measures on the Sannerz-Rimpar pipeline, which was commissioned in 2012 (€ 4.1 million), and the reinvestment in telecontrol technology (€ 3.9 million).

In financial year 2013, investments at MEGAL and TENP amounted to € 57.0 million and €12.6 million respectively, each before pro rata consolidation in the Group. Significant projects were the realisation of the MEDAL-MIDAL network connection at MEGAL (amounting to € 15.7 million) and the exchange of machine unit 1 in Stolberg as the largest project at TENP, resulting from the implementation of the Federal Emission Protection Ordinance (amounting to € 2.3 million).

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

Financing

With effect from 1 January 2013, VGT concluded a profit and loss transfer agreement with OGT, under which OGE undertakes to pay its entire profit to VGT and VGT undertakes to offset any losses sustained by OGE. VGT is a full subsidiary of VGS. With effect from 1 January 2013, VGT concluded a profit and loss transfer agreement with VGS, under which VGT undertakes to pay its entire profit to VGS and VGS undertakes to offset any losses sustained by VGT. Both contracts were concluded for a period of five years and are extended by one year if they are not terminated. Since 1 January 2013, VGT and OGE have formed a trade tax group, as have VGS and VGT. OGE and VGT, as well as VGT and VGS, each concluded an income tax allocation agreement to allocate the taxes on income economically incurred by these companies to OGE and VGT respectively. An income tax expense is shown due to the income tax allocations that would have been incurred without having formed a single tax group.

The takeover of OGE by VGT in 2012 was financed largely by bank loans secured by collateral (amounting to € 2,750.0 million, of which € 2,200.0 million was utilised). In the context of the of the planned refinancing of these loans on the capital market, VGT received a rating from Standard & Poor's for the first time in February 2013. The A- rating (with Stable outlook) provides VGT with the status of a solid investment-grade issuer.

All previously existing bank loans were fully refinanced on the capital market by VGT in summer 2013 on the basis of three unsecured bond tranches with a total volume of € 2,250.0 million (cf. Notes for conditions). Following the wind-up of the old syndicated loan agreement and the release of the collateralby the banks, a new, unsecured syndicated loan agreement for € 200 million with a term of five years was ultimately concluded at better conditions, as of December 2013. The new loan agreement is a revolving credit facilty (RCF) with documentation requirements corresponding to the investment grade standard, i.e. the agreement does not contain any financial covenants.

With a volume of € 200 million, the RCFsecures an appropriate liquidity reserve for the company for the years ahead. A very small part of the revolving credit facility serves OGE as an ancillary facility to provide bank guarantees in business operations. At this time, overall utilisation of the revolving credit facility has been considerably less than 1%.

The conclusion of the revolving credit facility concluded VGT's refinancing process. The VGT Group has established a balanced maturity and liquidity profile.

Investments at the project companies TENP and MEGAL are largely financed with loans. As of 31 December 2013, total liabilities to banks amounted to € 613.5 million, before pro rata consolidation in the Group. Liabilities to banks increased slightly by € 20.5 million year on year (2012: € 596.1 million). In 2013, all loan agreements with upcoming expiration were refinanced successfully.

In order to cover the obligations from pension commitments, OGE and METG continue to use a Contractual Trust Agreement (CTA). The trust fund set up in this connection is managed on a trust basis by Helaba Pension Trust e.V. (Helaba), Frankfurt am Main. In December 2013, € 12.7 million was added to the plan assets for pension commitments and € 1.3 million for early-retirement part-time obligations.

Disclosures in accordance with Section 315 (2.2) HGB

There are foreign exchange risks for OGE and METG from procurement transactions with business partners outside the Euro region. A foreign exchange risk of USD 0.2 million and a foreign exchange risk from METG amounting to GBP 3.5 million was hedged by concluding currency forward transactions as part of micro hedges under Section 254 HGB. These are micro hedges for the currency forward transaction, which are given prospective effectiveness through matched maturities and volumes.

Derivative financial instruments are concluded exclusively for hedging purposes.

Features of the internal control system

In respect to the Group's consolidated financial statements, there is a uniform guideline for accounting and reporting. This includes a description of the accounting and valuation principles to be applied, in accordance with IFRS. Furthermore, there is a binding calendar for the financial statements.

Additional information relevant to the reporting and preparation of accounts is compiled qualitatively and quantitatively as part of the accounting process. Furthermore, relevant information is regularly discussed with all relevant units in established processes and recorded in the quality assurance process to ensure completeness.

The consolidated financial statements of the VGT Group are prepared in a multi-stage process using SAP consolidation software. Ongoing bookkeeping and preparation of the annual financial statements are organised into functional process stages. Automated and manual controls are integrated into all processes. Organisational provisions ensure that all business transactions and the preparation of the consolidated and annual accounts are recorded, processed and documented and that they are complete, timely, correct and presented on an accrual basis. In addition, quality is assured using the principle of dual control.

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

Profitability and financial condition

In the following, the main earnings drivers and income statement items of the Group are compared with the figures of the previous year, in order to provide an overview of the profitability situation. As the previous year represents a short financial year, conclusions from comparisons with the previous year can only be drawn to a limited extent.

Sales from OGE's regulated Gas Transport business and the Group's other subsidiaries are major drivers of the consolidated profit.

The VGT Group recorded total sales of € 1,033.4 million in financial year 2013 (previous year: € 445.7 million). Total sales comprise sales from the Gas Transport business, sales from transport-related services as well as from the other Service business. Sales from the Gas Transportation business as well as transport-related services amounted to € 908.6 million in financial year 2013 (previous year: € 381.2 million). Sales from OGE's Gas Transport business exceeded the revenue cap permitted in accordance with Section 4 of the German Incentive Regulation Ordinance, by approximately 8%. Since these additional sales exceeded the threshold of 5%, in comparison to the sales permitted pursuant to Section 4 of the German Incentive Regulation Ordinance, in line with the current legal situation repayment of additional sales is stipulated in 2015. As a result, lower transport sales are anticipated in financial year 2015.

Sales from the Service business amounted to € 124.9 million in financial year 2013 (previous year: € 64.5 million).

The Group's result from ordinary activities amounted to € 219.3 million (previous year: € 54.8 million). Return on sales was therefore high at 21.2% (previous year: 12.3%), partly as a result of the additional sales achieved.

The Group's financial result contained interest expenses of € 123.4 million (previous year: €35.0 million) primarily comprised of non-cash interest expenses which resulted from bonds and amortisation on a discount. Furthermore, interest of € 31.7 million was paid in relation to VGT's syndicated loan agreement that existed until the refinancing took place. In contrast, there was interest income of € 5.8 million (see Notes for a detailed breakdown).

Income taxes for the Group amounted to € 132.8 million (previous year: € 22.2 million). Of this, € 120.1 million related to deferred taxes (previous year: € 18.6 million).

The Group achieved consolidated net income for the year of € 86.5 million (previous year: € 32.6 million).

As of 31 December 2013, the total assets amounted to € 4,345.5 million, with assets primarily comprising goodwill (€ 830.4 million), tangible assets (€ 2,769.8 million) and bank balances (€ 293.4 million). Financial assets amounted to € 108.4 million and primarily included interests in joint operations that are recognised at cost and interests in associated companies.

As of 31 December 2013, the equity ratio was 17.8%. External funds relate to provisions (4.8%), payables (81.1%) and deferred tax liabilities (14.1%). Financial liabilities contained within the payables amount to € 2,603.2 million. The majority of these liabilities relate to bonds issued by VGT (€ 2,236.3 million). Furthermore, miscellaneous financial liabilities resulted primarily from liabilities to banks of the pipeline companies MEGAL, TENP und NETRA.

The Group achieved cash flow from operating activities of € 476.7 million in the financial year 2013. In 2013, for investments there were payments of € -193.9 million. All investments were again funded solely from operations.

Group cash flow from financing activities amounted to € -317.7 million and was mainly related to the distribution of € -320.9 million to VGS. This amount is composed of transfers of profit/loss for financial year 2012 of € 164,9 million and advance transfers for financial year 2013 of € 156 million. Further effects of financing activities in the cash flow resulted from refinancing the syndicated loan agreement and issuing bonds.

In summary, a positive and solid profitability and financial condition can be determined for the past financial year and to the end of the reporting period. Thus the forecast for the past year of a stable and solid earnings situation is fully confirmed.

Risk report

The Group opportunity and risk report is determined by its material companies.

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

The risk situation of OGE as at 31 December 2013 is largely determined by the regulatory environment. As a regulated company, the earnings situation and prospects of OGE are directly dependent upon decisions of the regulatory authorities. Important parameters in this respect are the approval of the cost base and the efficiency factor. Regulatory decisions in this respect directly affect sales, profit and liquidity. The general regulatory risk with regard to earnings was significantly reduced by the recognition of the efficiency factor of 100% for OGE. The notification on determining the calendar year-end revenue cap for the current regulatory period (2013-2017) of the Federal Network Agency became effective in 2014.

The Federal Network Agency's decision on the revenue cap for the third regulatory period (2018-2022) is expected from 2016 onwards.

OGE 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.

Management regards the occurrence of this risk as highly unlikely.

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

As a consequence of the refinancing, VGT was released from its liabilities to the bank consortium. By issuing unsecured bonds, VGT has entered into the common obligations regular interest payments and repayment at maturity (see Notes for conditions).

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

Financial risk factors

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

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

(a) Market risks

(i) Foreign currency risks

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

(ii) Interest risks

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

The Group regularly analyses its interest rate exposure. The effects of interest rate changes on profit and loss are determined on the basis of these analyses, taking existing interest-rate hedges into account.

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

(b) Credit risks

Credit risks are managed at Group level. Credit risks result from cash and cash equivalents, derivative financial instruments and deposits at banks and financial institutions as well as the utilisation of credit facilities by customers involving outstanding receivables and transactions performed. The Group only works with banks and financial institutions with an independent investment grade rating (currently at least “BBB+”).

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

Key accounts are internally reviewed in regular credit assessments, using credit ratings from recognised credit agencies.

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

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

(c) Liquidity risks

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

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

The risks outlined above are monitoredon a continuous basis and have a low probability of occurrence and only a weak or no correlation.

From a total perspective and on the basis of the above mentioned, the Management does not recognize any risks threatening the existence of the Group to the end of the reporting period and in the forecast period .Thus, the Management considers that the Group is provided with sufficient risk bearing capacity provided at all times.

Opportunities arise primarily through additional increases in efficiency compared to the approved revenue cap. However, due to the regulatory framework these are only effective temporarily.

Further, opportunities and risks could arise from a possible change to the regulatory framework. As a regulated company, OGE does not expect noticeable opportunities outside of the regulated environment.

From the Management's point of view, opportunities and risks with the highest probability of occurrence result from the regulatory environment. In this context, the estimated probabilities of occurrence range from 10%–15%.

Material legal disputes

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

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

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

Events after the balance sheet date

There are no events to be reported.

Forecast Report 2013

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

The future earnings position of the VGT Group is largely determined by the business development of OGE.

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

As a regulated company, OGE calculates the fees on the basis of the revenue cap stipulated by the Federal Network Agency. In addition to these specific fees, which are calculated taking into account the expected bookings, a biogas levy is charged. The economic framework in which OGE operates as a regulated company, continues to be dominated by decisions of the Federal Network Agency.

For financial year 2014, the Management anticipates an EBITDA at roughly the same level as the reporting year. Transport sales are expected on the level of the allowed revenue cap. It is anticipated that slightly declining sales from the Service business and slightly declining income from long-term equity investments will be compensated for by lower costs.

Furthermore, the Management anticipates an improved interest income due to the elimination of expenses related to the refinancing and to the issue of bonds. As a result, a significant increase in consolidated net income for the year is expected. In addition, the management anticipates a stable and solid liquidity situation for the company. All necessary investment measures will be funded solely from operations. Additional refinancing is planned for the project companies TENP and MEGAL in the second half of financial year 2014. As a result of initial conversations and an ongoing favourable market environment for corporate loans, the Management is of the opinion that the refinancing can be implemented successfully.

Furthermore, in the area of occupational safety, the Management's aim is to achieve a further reduction in work accidents. In order to achieve this, corresponding measures have been put in place, including cooperation with partner companies. This will be measured using an internal management figure that compares time lost due to accidents to employees' potential overall work performance.

Overall, the Management believes that the Group's earnings will be clearly positive and liquidity will be solid for the forecast year.

Vier Gas Transport GmbH

Consolidated Financial Statements

1 January to 31 December 2013

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Consolidated Notes

Consolidated Balance Sheet

€ million	Note	31 Dec. 2013	31 Dec. 2012[1]
Assets			
Non-current assets			
Intangible assets	4.3	107.1	118.2
Goodwill	4.2	830.4	830.4
Property, plant and equipment	4.4	2,769.8	2,710.5
Financial assets	4.5	108.4	123.6
Companies accounted for at equity		*65.8*	*72.1*
Other financial assets		*42.6*	*51.5*
Deferred tax assets	4.11	16.0	25.5
Non-current receivables	4.6	38.6	34.5
Total		**3,870.3**	**3,842.7**
Current assets			
Inventories	4.7	35.2	48.2
Trade receivables (including advance payments made)	4.8	46.7	47.8
Income tax receivables	4.8	4.2	12.0
Other receivables	4.8	95.7	68.7
Liquid funds	4.9	293.4	326.1
Total		**475.2**	**502.8**
Total assets		**4,345.5**	**4,345.5**

€ million	Note	31 Dec. 2013	31 Dec. 2012
Equity and liabilities			
Equity			
Subscribed capital	4.10	.	.
Additional paid-in capital	4.10	1,075.6	1,075.6
Retained earnings	4.10	-304.9	33.1
Accumulated other comprehensive income	4.10	1.3	-17.0
Total		**772.0**	**1,091.7**
Non-current liabilities			
Provisions for pensions and similar obligations	4.12	40.4	55.9
Other provisions	4.13	94.3	96.3
Financial liabilities	4.14	2,414.8	2,341.0
Other non-current liabilities	4.14	10.0	29.0
Deferred tax liabilities	4.11	502.3	375.9
Total		**3,061.8**	**2,898.1**
Current liabilities			
Other provisions	4.13	38.1	51.5
Financial liabilities	4.14	188.4	140.0
Trade payables	4.14	55.0	46.8
Income tax liabilities	4.14	36.3	45.6
Other liabilities	4.14	193.9	71.8
Total		**511.7**	**355.7**
Total equity and liabilities		**4,345.5**	**4,345.5**

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

[1] *Short financial year*

Consolidated Income Statement

€ million	Note	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Sales	5.1	1,033.4	445.7
Changes in inventories		-3.8	-1.3
Own work capitalised	5.2	14.3	9.2
Cost of materials	5.4	-354.8	-185.2
Personnel costs	5.5	-147.7	-66.5
Depreciation, amortisation and impairment charges	5.7	-138.3	-53.3
Other operating income	5.3	25.1	5.1
Other operating expenses	5.6	-88.5	-66.7
Income before financial result and taxes		**339.7**	**87.0**
Income/loss (-) from equity investments		2.0	-1.1
Income from companies accounted for at equity		4.5	3.9
Net interest expense		-117.5	-35.0
Impairment on financial assets		-9.4	0.0
Financial result	**5.8**	**-120.4**	**-32.2**
Profit before tax		**219.3**	**54.8**
Effective tax expenses		-7.7	-3.6
Deferred taxes		-120.1	-18.6
Income tax allocations		-5.0	0.0
Income taxes	**5.9**	**-132.8**	**-22.2**
Net income/loss (-)		**86.5**	**32.6**
Share in net income attributable to the sole shareholder of the parent company		86.5	32.6

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

Consolidated Statement of Comprehensive Income

€ million	Note	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Net income/loss (-)		**86.5**	**32.6**
Other comprehensive income		**35.0**	**-16.6**
Reclassifiable OCI		18.3	-17.0
Cash flow hedges	*4.10*	*26.4*	*-24.6*
Deferred taxes	*4.10*	*-8.1*	*7.6*
Not reclassifiable OCI		16.7	0.4
Actuarial gains/losses in accordance with IAS 19	*4.10*	*24.3*	*0.6*
Deferred taxes	*4.10*	*-7.6*	*-0.2*
Comprehensive income		**121.5**	**16.0**
Share in net income attributable to the sole shareholder of the parent company		121.5	16.0

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

Consolidated Statement of Changes in Equity

€ million	Subscribed capital*	Additional paid-in capital	Retained earnings	Change in accumulated other comprehensive income	Total
				Cash flow hedges	
1 January 2013	**.**	**1,075.6**	**33.1**	**-17.0**	**1,091.7**
Comprehensive income			**103.2**	**18.3**	**121.5**
Net income			86.5		86.5
Other comprehensive income			16.7	18.3	35.0
Change in actuarial gains/losses from defined-benefit pension commitments and similar obligations			*16.7*		*16.7*
Change in accumulated other comprehensive income				*18.3*	*18.3*
Profit distribution			**-164.9**		**-164.9**
Profit transfer			**-276.3**		**-276.3**
31 December 2013	**.**	**1,075.6**	**-304.9**	**1.3**	**772.0**

*The subscribed capital of VGT is fully paid in and amounts unchanged to the prior year to € 25k.

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

				Change in accumulated other comprehensive income	
€ million	**Subscribed capital***	**Additional paid-in capital**	**Retained earnings**	**Cash flow hedges**	**Total**
12 April 2012	.	**0.0**	**0.0**	**0.0**	**0.0**
Capital increase	.	**1,075.6**			**1,075.6**
Comprehensive income			**33.1**	**-17.0**	**16.1**
Net income			32.6		32.6
Other comprehensive income			0.4	-17.0	-16.6
Change in actuarial gains/losses from defined-benefit pension commitments and similar obligations			*0.4*		*0.4*
Change in accumulated other comprehensive income				*-17.0*	*-17.0*
31 December 2012	.	**1,075.6**	**33.1**	**-17.0**	**1,091.7**

*The opening balance as of 12 April 2012 shows liquid funds of € 12.5k and subscribed capital of € 25k less the contribution of € 12.5k not yet called in. In 2012, the outstanding contribution was paid in.

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

Consolidated Cash Flow Statement

€ million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Cash provided by operating activities	**476.7**	**89.6**
Group net income	86.5	32.6
Depreciation, amortisation, impairment charges and reversals	147.7	53.4
Changes in provisions	0.1	33.8
Changes in deferred taxes	120.1	18.5
Dividend received	9.5	0.5
Other non-cash income and expenses	118.3	27.9
Changes in operating assets, liabilities and income tax	-4.2	-77.2
Inventories	*12.9*	*-5.8*
Trade receivables	*8.1*	*-7.7*
Other operating receivables and income tax claims	*-30.7*	*-20.1*
Trade payables	*7.9*	*-38.6*
Other operating liabilities and income tax	*-2.4*	*-5.0*
Gain from disposal of assets	-1.3	0.1
Intangible assets and property, plant and equipment	*-1.3*	*0.1*
Cash used for investing activities	**-191.7**	**-2,949.3**
Purchases of subsidiaries less net cash and cash equivalents acquired	0.0	-2,861.6
Proceeds from the disposal of intangible assets and property, plant and equipment	2.0	9.8
Purchases of investments in intangible assets and property, plant and equipment	-193.9	-92.6
Purchases of investments in other equity investments	0.0	-0.1
Proceeds from disposal/purchases of other financial investments	0.2	-4.7
Proceeds from disposal of other financial investments	*5.9*	*145.4*
Purchases of other financial investments	*-5.7*	*-150.1*
Cash provided by financing activities	**-317.7**	**3,185.7**
Payments received from changes in capital	0.0	1,075.6[1)]
Interest paid	-28.6	-30.3
Proceeds from issuing bonds	2,235.6	0.0
Proceeds from financial liabilities	123.1	2,385.1
Payment made for repayment of syndicated loan	-2,215.8	0.0
Repayments of financial liabilities	-107.5	-244.8
Cash dividends[2)]	-324.5	0.0
Changes in cash and cash equivalents	**-32.7**	**326.1**
Cash and cash equivalents at beginning of period	**326.1**	**0.0**
Cash and cash equivalents at end of period	**293.4**	**326.1**

[1] Cash contribution to VGT additional paid-in capital.

[2] Next to the distribution to VGS, cash dividends also contain the distribution to external minority interests resulting from the joint operations amounting to € 3.5 million and the advance profit transfer amounting to € 156.1 million.

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

Additional information on cash provided by operating activities

€ million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Income tax paid (minus reimbursement)	-34.7	-5.4
Interest received	2.3	0.4
Dividends received	9.5	0.5

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

Notes to the Consolidated Financial Statements of Vier Gas Transport GmbH for the Financial Year from 1 January 2013 to 31 December 2013

1 Basic information

The registered head office of Vier Gas Transport GmbH ("VGT" or "the Company") is Kallenbergstraße 5, 45141 Essen. The sole shareholder is Vier Gas Services GmbH & Co. KG, Essen ("VGS"). VGS is therefore the ultimate domestic parent company of the Group and obliged to prepare consolidated financial statements. Since Vier Gas Holdings S.à r.l. (VGH), Luxembourg, publishes consolidated financial statements and a Group management report as the highest parent company in the Group, in accordance with Section 291 HGB (German Commercial Code) VGS is exempt from preparing financial statements and a management report. VGS is invoking the exemption. In financial year 2013, VGT issued bonds on the regulated market in Luxembourg. It is therefore a publicly traded corporation within the meaning of Section 264d HGB. As the publicly traded parent company domiciled in Germany, VGT is obliged to prepare consolidated financial statements pursuant to Section 315a of the German Commercial Code (HGB).

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

The opening balance sheet was prepared as of 12 April 2012. Thus the previous year was a short financial year, from 12 April to 31 December 2012. Consequently a comparison with the previous year is limited.

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

During the previous financial year, the Group acquired Open Grid Europe GmbH ("OGE"), Essen, including its equity investments ("OGE Group") with effect from 23 July 2012. Open Grid Europe performs the activities of a gas transmission network operator.

On 17 March 2014, these consolidated financial statements were approved by the Management for publication.

2 Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

2.1 Basis of presentation

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

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

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

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

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

Unless otherwise stated, all figures are in million euros (€ million).

2.2 Reporting standards applied

All accounting standards and interpretations for which application was mandatory from financial year 2013 have been taken into consideration.

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

The standards IAS 19 (Employee Benefits), IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosures of Interests in Other Entities), IAS 27 (Separate Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) as well as the transition guidance to IFRS 10, IFRS 11 and IFRS 12, were already adopted early in the short financial year of 2012. The change to IAS 36 (2013) “Impairment of Assets” was adopted early on a voluntary basis in the financial year. The change concerns clarifications and corrections of unwanted changes regarding the disclosure requirements for the recoverable amount, in accordance with IFRS 13.

The change to IAS 1 (Presentation of Financial Statements) altered the presentation of the statement of comprehensive income. In line with the change to the standard, other comprehensive income items are to be presented separately. A distinction must be made here between items that are never reclassified in the profit and lost (not reclassifiable), and items that are reclassified in the profit or loss where certain requirements exist (reclassifiable). In addition, the corresponding tax effects must be assigned to these two groups. The Group has adjusted the statement of comprehensive income accordingly.

IFRS 13 (Fair Value Measurement) replaces existing fair value measurement regulations. In particular, the changes include a new definition of fair value, stipulation of the exit price as a measurement attribute, transaction approach when measuring liabilities, consideration of the risk of a counterparty default risk when measuring derivative assets and liabilities (counterparty risk or own credit risk). In addition, the required disclosures in the notes were extended. Details on quantitative adjustments resulting from the application of IFRS 13 were not stated due to materiality aspects. Changes to IFRS 7 (Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities), changes to IAS 12 (Income Taxes - Deferred Taxes: Recovery of Underlying Assets), as well as IFRIC 20 (Stripping Costs in the Production Phase of a Surface Mine) and improvements to International Financial Reporting Standards 2009–2011 were also taken into consideration in these consolidated financial statements and have no significant impact on the presentation of the assets, liabilities, financial position and profit or loss of the VGT Group.

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

Standard / Interpretation		Published by IASB	Adoption by EU	Effective date	Probable effects
IFRS 9	Financial Instruments: Classification and measurement	12 Nov. 2009 / 28 Oct. 2010	No	1 Jan. 2018 (IASB)	Possible effects on the Group are being examined
IFRS 9	Financial Instruments: Hedge accounting	19 Nov. 2013	No	1 Jan. 2018 (IASB)	Possible effects on the Group are being examined

IFRS 9 and IFRS 7	Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures	16 Dec. 2011	No	1 Jan. 2018 (IASB)	Possible effects on the Group are being examined
IFRS 10, IFRS 12, IAS 27	Amendments to IFRS 10, IFRS 12, IAS 27 – Investment Entities and Special Purpose Entities	31 Oct. 2012	Yes	1 Jan. 2014	No material effects on the Group are expected
IFRS 14	Regulatory Deferral Accounts	30 Jan. 2014	No	1 Jan. 2016 (IASB)	No effects on the Group are expected
IAS 19	Employee Benefits	21 Nov. 2013	No	1 Jul. 2014 (IASB)	No material effects on the Group are expected
IAS 32	Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities	16 Dec. 2011	Yes	1 Jan. 2014	No material effects on the Group are expected
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	27 Jun. 2013	Yes	1 Jan. 2014	No material effects on the Group are expected
IFRIC 21	Levies Charged by Public Authorities	20 May 2013	No	1 Jan. 2014 (IASB)	No material effects on the Group are expected
Miscellaneous	Improvements to International Financial Reporting Standards, 2010–2012 cycle[2]	12 Dec. 2013	No	1 Jul. 2014 (IASB)	No material effects on the Group are expected
Miscellaneous	Improvements to International Financial Reporting Standards, 2011-2013 cycle[3]	12 Dec. 2013	No	1 Jul. 2014 (IASB)	No material effects on the Group are expected

[2] Changes to a large number of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16/38, IAS 24)
[3] Changes to a large number of IFRS (IFRS 1, IFRS 3, IFRS 13, IAS 40)

2.3 Consolidation policies

(a) Subsidiaries

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

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

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

Acquisition-related costs incurred are recognised directly as expense.

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

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

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

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

(b) Joint arrangements

Joint arrangements are accounted for in accordance with the requirements of IFRS 11. Companies which, in accordance with IFRS 11, have been classified as joint operations are, for the purposes of simplification, generally proportionately consolidated in line with the share in the investment owing to the immaterial differences to inclusion on the basis of percentage of use, with the exception of expansion investments involving only one joint operator. These are recognised in full in the consolidated financial statements of that joint operator. All material transactions and balances between these companies and other affiliated companies that are included in the consolidated financial statements of VGT are proportionately eliminated.

Gains or losses from the sale of the Group's own assets to joint ventures are recognised in the amount of the proportion of the gain or loss attributable to the interests of the other investors. However, the full amount of any loss on such transactions is recognised if the loss provides reliable evidence of a reduction in the net realisable value of assets to be sold or an impairment loss.

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

(c) Associated companies

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

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

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

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

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

2.4 Scope of consolidation

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

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

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

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

As of the reporting date, there were six associated companies, of which five are also accounted for in accordance with IAS 39 due to their immaterial significance for the consolidated financial statements. The only associated company accounted for at equity is GasLINE GmbH & Co. KG (GasLINE KG), Straelen, whose business is the construction, acquisition, rental, maintenance and grant of use particularly of fibre-optic cables and cable ducts for telecommunications purposes. OGE and GasLINE KG provide services for each other.

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

There are both regulatory and contractual restrictions on the transfer of assets between the companies of the Group. Furthermore, limitations exist under a loan agreement regarding profit distribution to VGT from its subsidiaries.

2.5 Company acquisition

In financial year 2013, VGT did not acquire any shares in companies.

2.6 Segment reporting

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

2.7 Foreign currency translation

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

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

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

2.8 Property, plant and equipment

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

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

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

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

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset may be impaired. In such a case, property, plant and equipment are tested for impairment according to the principles prescribed for intangible assets in IAS 36. If an impairment loss is determined, the remaining useful life of the asset may also be subject to adjustment, where applicable. If the reasons for previously recognised impairment losses no longer exist, such impairment losses are reversed and recognised in income. Such reversal shall not cause the carrying amount to exceed the amount that would have resulted had no impairment taken place during the preceding periods.

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

2.9 Goodwill

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

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

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

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

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

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

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

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

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

For the impairment test as of 31 December 2013, the recoverable amount was determined using the fair value less costs to sell method.

The cash flow forecasts used for the valuation are based on the medium-term planning of the group representing the net assets, financial position and results of operations in the past projected in the future. In this context, significant assumptions are regulatory revenues reflecting the current regulatory regime, the planning of operating costs and the investment planning that is mainly characterized by the network development plan. The key parameters of the regulatory context as well as the network development plan are publicly available information. The calculations for impairment-testing purposes are generally based on the five planning years of the medium-term plan. In certain justified exceptional cases, a longer detailed planning period is used as the calculation basis, especially when that is required under a regulatory framework or specific regulatory provisions. The cash flow assumptions extending beyond the detailed planning period are determined using specific growth rates that are based on historical analysis and prospective forecasting. The inflation rate assumed in the medium-term planning is based on publicly available market data and unchanged from the previous year at 2.0%; the sustained growth rate is unchanged from the previous year assumed to be 1.5% and derived from the inflation rate at a conservative level. The interest rate used for discounting cash flows (WACC after tax) is calculated using market data and unchanged from the previous year at 4.0%.

As part of a sensitivity analysis, a stepwise simulation was performed in a model calculation to determine whether, mathematically, a write-down requirement for the CGU resulted. Should the WACC increase by 0.3 percentage points (previous year: 0.5 percentage points) to 4.3% (previous year: 4.5 %), the recoverable amount would correspond to the carrying amount.

As of the reporting date the recoverable amount exceeds the carrying amount of the CGU by € 120.3 million.

2.10 Intangible assets

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

Intangible assets subject to amortisation are measured at cost of acquisition or production and amortised on a straight-line basis over their respective useful lives. Internally generated intangible assets subject to amortisation are mainly related to software and are amortised over a maximum of 5 years. Intangible assets subject to amortisation are largely software and software licences as well as contract-based intangible assets. The useful life of acquired software and software licences is three years. Contract-based intangible assets are amortised in accordance with the provisions specified in the contracts. Useful lives and amortisation methods are subject to annual review. Intangible assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that such assets may be impaired.

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

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

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

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

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

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

If a recoverable amount for an individual intangible asset cannot be determined, the recoverable amount that can be assigned to these intangible assets will be determined for the smallest identifiable cash generating unit.

2.11 Research and development costs

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

2.12 Financial instruments

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

Non-derivative financial instruments

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

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

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

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

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

Non-derivative financial liabilities (including trade payables and bonds) within the scope of IAS 39 are measured at amortised cost, using the effective interest method. Initial measurement takes place at fair value, with transaction costs included in the measurement. In subsequent periods, the amortisation and accretion of any premium or discount is included in the financial result.

Derivative financial instruments and hedging transactions

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

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

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

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

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

IFRS 7 "Financial Instruments: Disclosures" requires comprehensive quantitative and qualitative disclosures about the extent of risks arising from financial instruments.

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

2.13 Inventories

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

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

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

Construction contracts

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

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

Up to and including 2012, as part of the PoC method the Group also used the zero profit method without proportionate realisation of profit for those projects whose outcome cannot be estimated reliably.

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

2.14 Receivables and other assets

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

2.15 Liquid funds

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

2.16 Borrowing costs

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset from the time of acquisition or from the beginning of construction or production until its entry into service are capitalised and subsequently amortised alongside the related asset. In the case of a specific financing arrangement, the respective borrowing costs incurred for that particular arrangement during the period are used. For non-specific financing arrangements, a financing rate uniform within the Group of 2.3% was applied for 2013 (previous year: 2.1%). Other borrowing costs are expensed.

2.17 Income taxes

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

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

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

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

2.18 Employee benefits

(a) Pension obligations

In accordance with IAS 19, “Employee Benefits”, the provisions for defined benefit obligations are determined on the basis of actuarial computations using the projected unit credit method, with actuarial valuations performed at year-end. The valuation encompasses both pension obligations and pension entitlements that are known on the balance-sheet date, as well as economic trend assumptions made in order to reflect realistic expectations.

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

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

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

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

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

The trust assets meet the requirements for being classified as plan assets.

The provision for defined benefit plans recognised on the balance sheet corresponds to the present value of the defined benefit obligation (DBO) on the reporting date less the fair value of the plan assets. The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the expected future cash outflows using interest rates of corporate bonds with a very high rating. The corporate bonds are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liabilities.

The Group has applied IAS 19 (rev. 2011) since the short financial year 2012. According to this standard, the expected return on plan assets is to be determined on the basis of the discount rate used to measure pension obligations.

The remeasurement component as defined in IAS 19 is referred to in the following as "actuarial gains and losses".

Actuarial gains and losses based on experience adjustments and changes in the actuarial assumptions are recognised directly within equity in other comprehensive income in the period in which they occur and thereafter reported under retained earnings.

The employer service cost representing the additional benefits that employees earned under the benefit plan during the financial year is reported under personnel costs; interest cost and expected return on plan assets are reported under the financial result.

Past service cost is recognised immediately in income.

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

(b) Other post-employment benefits

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

(c) Termination benefits

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

(d) Other long-term benefits

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

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

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

(e) Short-term benefits

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

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

2.19 Provisions

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

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

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

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

2.20 Recognition of income

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

Sales revenues are shown net of sales taxes, returns, rebates and discounts, and after elimination of intragroup sales.

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

2.21 Leases

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

No Group company is a lessee under a finance lease in accordance with IAS 17 in conjunction with IFRIC 4.

2.22 Consolidated Cash Flow Statement

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

2.23 Critical accounting estimates and assumptions as well as critical judgments in the application of accounting policies

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

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

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

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

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risks

(i) Foreign currency risks

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

(ii) Interest risks

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

The Group regularly analyses its interest rate exposure. The effects of interest rate changes on profit and loss are determined on the basis of these analyses, taking existing interest-rate hedges into account.

Due to the long-term focus of the business model, an attempt is made to achieve a high proportion of financing requirements at fixed rates, especially within the planning period. This also involves the use of interest rate swaps.

(b) Credit risks

Credit risks are managed at Group level. Credit risks result from cash and cash equivalents, derivative financial instruments and deposits at banks and financial institutions as well as the utilisation of credit facilities by wholesale and retail customers involving outstanding receivables and transactions performed. The Group only works with banks and financial institutions with an independent rating in the range of at least "BBB+" to "A-" (if available focus is on the "secured long-term rating").

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

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

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

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

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

The financial assets shown in other receivables are neither impaired nor past due and totalled € 30.5 million (previous year: € 68.4 million). The financial receivables are also neither impaired nor past due. They totalled € 15.7 million in the reporting period (previous year: € 19.3 million). The age structure analysis of trade receivables is to be found in section 4.8.

(c) Liquidity risks

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

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

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

in € million	**Cash outflows 2014**	**Cash outflows 2015-2018**	**Cash outflows from 2019**
Non-derivative financial instruments	-179.2	-374.8	-2,600.0
Derivative financial instruments	-0.7	-1.9	-0.4

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

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

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

3.2 Capital management

The Group's capital structure is regularly measured and monitored. The primary aim is to steer the financing conditions of the Group through the securing of an investment grade rating. In line with the relevant KPIs of the leading rating agencies, the Group calculates the net debt-equity ratio in accordance with IFRS as the ratio of net debt to assets. Net debt comprises all financial liabilities less cash and cash equivalents and interest-bearing financial receivables. Non-current assets result from the values recognised as of the reporting date. As of 31 December 2013, the Group had a net debt-equity ratio of 83% (previous year: 79%).

in € million	**31 Dec. 2013**	**31 Dec. 2012**
Financial liabilities	-2,603.2	-2,481.0
Financial receivables	15.7	19.3
Liquid funds	293.4	326.1
Net debt of VGT Group	**-2,294.1**	**-2,135.6**
Property, plant and equipment	2,769.8	2,710.5
Net debt-equity ratio	**83%**	**79%**

4 Information on the Balance Sheet

4.1 Categories of financial instruments

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

The credit quality of financial assets which are neither past due nor impaired is determined by reference to available credit ratings or past experience of default rates of the business partners. In the financial year, no conditions were renegotiated for a financial asset which would otherwise have been past due or impaired. Financial assets were impaired by € 9.4 million. Additional information is provided in section 4.5 “Financial Assets”. There are no further financial assets which can be regarded as material from the Group’s point of view as past due or impaired.

On the basis of the credit ratings available and past experience, for all assets which were neither past due not impaired on the balance-sheet date, there is no indication that these assets might be impaired.

Derivative financial instruments and hedging transactions

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

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

In 2013, eight further interest rate swaps were completed to hedge volatile interest rate risks. From the derivatives of the previous year, a cash flow hedge was reversed as part of refinancing. The parameters of the interest-cash flow hedges were agreed in line with the parameters of the underlying transactions. Of the additional foreign currency transactions completed on an ongoing basis to hedge the currency exchange rate risk, as of the reporting date there were three hedging transactions in GBP and one hedging transaction in USD.

As of 31 December 2013, the hedged transactions in place included foreign currency cash flow hedges with maturities of up to one year and interest cash flow hedges with maturities of up to six years. The cash flows from hedged transactions secured in cash flow hedge accounting occur in the period from 2014 to 2019 and affect at the same time the income statement.

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

Due to early loan repayments (reversal of underlying transactions) on 12 June 2013 and 10 July 2013, the relevant hedging instruments were reclassified to income in full. Costs resulting from this amount to € 11.7 million in total and are shown under other operating expenses. Information on early loan repayments is provided in section 4.14 “Liabilities”.

The fair values of the derivatives used in cash flow hedges total € -0.1 million (previous year: € -26.5 million).

No ineffectiveness resulted in the financial year. In the financial year, accumulated other comprehensive income changed by € 26.4 million to € 1.8 million (previous year: costs of € 24.6 million). Of this, a loss of € 13.2 million (previous year: € 4.4 million) was reclassified from other comprehensive income to the income statement.

Measurement of derivative financial instruments

Financial instruments are measured by determining fair value. The fair value of derivative financial instruments is sensitive to movements in underlying market rates. The Company assesses and monitors the fair value of derivative financial instruments at regular intervals. Fair values for each derivative financial instrument are determined as being equal to the price at which one party can sell the rights and/or obligations to an independent third party. The fair values are calculated using common market valuation methods, including a credit spread, with reference to available market data as of the balance-sheet date. All derivative financial instruments are measured separately.

The following table gives an overview of nominal values and fair values of the derivatives existing as per 31 December 2013. The derivatives all qualify as hedging instruments under cash flow accounting in accordance with IAS 39:

	31 Dec. 2013		31 Dec. 2012	
in € million	Nominal value	Fair value	Nominal value	Fair value
Fx transactions	4.5	-0.1	8.4	-0.1
Subtotal	**4.5**	**-0.1**	**8.4**	**-0.1**
Interest rate swaps	193.8	0.0	1,823.8	-26.4
Fixed-rate payer	*193.8*	*0.0*	*1,823.8*	*-26.4*
Fixed-rate receiver	-	-	-	-
Total	**198.3**	**-0.1**	**1,832.2**	**-26.5**

As part of the sensitivity analyses in accordance with IFRS 7, an examination is conducted for the relevant risk variable to establish what effects the change of the relevant value as of the reporting date would have on the other operating income and expenses and the other comprehensive income before taking deferred tax into account. With the foreign currency risk, a shift of all exchange rates between the local currency and the hedged currency on the balance-sheet date of -/+ 10.0% in each case is assumed. The interest analysis assumes a shift in the interest structure curve on the balance-sheet date by -/+ 100 basis points (bp) in each case.

The sensitivity analyses of the interest rate swaps and foreign currency transactions as of 31 December 2013 are as follows:

	Equity sensitivity		Income statement sensitivity	
in € million	**Interest curve -1%/Monetary curve -10%**	**Interest curve +1%/Monetary curve +10%**	**Interest curve -1%/Monetary curve -10%**	**Interest curve +1%/Monetary curve +10%**
Interest rate swaps	**-4.9**	**4.8**	**0.0**	**0.0**
Fx transactions	**0.4**	**-0.4**	**0.0**	**0.0**

As per 31 December 2012, the sensitivity analyses were as follows:

	Equity sensitivity		Income statement sensitivity	
in € million	**Interest curve -1%/Monetary curve -10%**	**Interest curve +1%/Monetary curve +10%**	**Interest curve -1%/Monetary curve -10%**	**Interest curve +1%/Monetary curve +10%**
Interest rate swaps	**-59.8**	**58.7**	**0.0**	**0.0**
Fx transactions	**0.9**	**-0.8**	**0.0**	**0.0**

Additional information on financial instruments

All financial instruments recognised at fair value are divided into three categories defined in accordance with IFRS 13, as follows:
Level 1 – quoted market prices
Level 2 – measurement techniques (inputs that are observable on the market)
Level 3 – measurement techniques (inputs that are unobservable on the market)

In the period from 1 January 2013 to 31 December 2013, there were no reclassifications between level 1 and level 2, nor were there any in and out of level 3. Furthermore, there was no change in purpose for the financial assets that would cause a change to the classification of an asset. The Group holds no credit enhancements or collateral that would minimise the credit risk. The carrying amount of the financial assets therefore reflects the potential credit risk.

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

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by level are presented in the following table as at 31 December 2013:

in € million	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Fair value (IFRS 13) of which level 1	of which level 2	of which level 3
Equity investments	104.9	104.9	AfS	n/a			
Financial receivables and other financial assets	**15.7**	**15.7**		**n/a**			
Other financial receivables and financial assets	15.7	15.7	LaR	n/a			
Trade receivables and other operating assets	**81.6**	**81.6**		**1.1**		**1.1**	
Trade receivables and loans granted	50.1	50.1	LaR	n/a			
Derivatives with hedging relationships	1.1	1.1	n/a	1.1		1.1	
Other operating assets	30.5	30.5	LaR	n/a			
Cash and cash equivalents	**293.4**	**293.4**	**LaR**	**n/a**			
Total assets	**495.6**	**495.6**		**1.1**		**1.1**	
Financial liabilities	**2,603.2**	**2,603.2**		**2,242.0**	**2,242.0**		
Bonds	2,236.3	2,236.3	AmC	2,242.0	2,242.0		
Liabilities to banks	312.7	312.7	AmC	n/a			
Other financial liabilities	54.2	54.2	AmC	n/a			
Trade payables and other operating liabilities	**222.7**	**222.7**		**1.2**		**1.2**	
Trade payables	55.3	55.3	AmC	n/a			
Derivatives with hedging relationships	1.2	1.2	n/a	1.2		1.2	
Other operating liabilities	166.2	166.2	AmC	n/a			
Total liabilities	**2,825.9**	**2,825.9**		**2,243.2**	**2,242.0**	**1.2**	

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

Carrying amounts and fair values in line with the measurement levels of the financial instruments as at 31 December 2012:

in € million	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category[1]	Fair value	Fair value (IFRS 13)		
					of which level 1	of which level 2	of which level 3
Equity investments	120.7	120.7	AfS	n/a			
Financial receivables and other financial assets	**19.3**	**19.3**		**n/a**			
Other financial receivables and financial assets	19.3	19.3	LaR	n/a			
Trade receivables and other operating assets	**117.8**	**117.8**		**n/a**			
Trade receivables and loans granted	49.4	49.4	LaR	n/a			
Derivatives with hedging relationships	-	-	-	-			
Other operating assets	68.4	68.4	LaR	n/a			
Cash and cash equivalents	**326.1**	**326.1**	**LaR**	**n/a**			
Total assets	**583.9**	**583.9**		**n/a**			
Financial liabilities	**2,481.1**	**2,481.1**		**n/a**			
Bonds	-	-	-	-			
Liabilities to banks	2,461.5	2,461.5	AmC	n/a			
Other financial liabilities	19.6	19.6	AmC	n/a			
Trade payables and other operating liabilities	**108.8**	**108.8**		**26.5**		**26.5**	
Trade payables	47.5	47.5	AmC	n/a			
Derivatives with hedging relationships	26.5	26.5	n/a	26.5		26.5	
Other operating liabilities	35.2	35.2	AmC	n/a			
Total liabilities	**2,589.9**	**2,589.9**		**26.5**		**26.5**	

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

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

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

The financial liabilities recognised at fair value relate to derivative financial instruments that are included in hedge accounting. These financial instruments include derivative foreign currency transactions/interest rate hedging contracts. The fair values of FX swaps were calculated on the basis of discounted, expected cash flows. The market interest rates for the remaining terms of the financial instruments were therefore used.

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

The fair value of shareholdings in unlisted companies and of debt instruments that are not actively traded, such as loans received, loans granted and financial liabilities, is determined by discounting future cash flows, which is equal to the carrying amount. Any necessary discounting takes place using current market interest rates over the remaining terms of the financial instruments. Fair value measurement was not applied to any shareholdings (excluding at-equity interests) as cash flows could not be determined reliably for them. Fair values could not be derived on the basis of comparable transactions.

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

The net gains and losses from financial instruments by IAS 39 category are shown in the following table:

in € million	2013	2012
Loans and receivables	-0.2	-1.2
Available for sale	-9.4	0.0
Financial liabilities measured at amortised cost	-33.8	-32.1
Total	**-43.4**	**-33.3**

In addition to interest income from loans granted, the net gains and losses in the loans and receivables category consist primarily of write-downs on trade receivables.

Net gains and losses in the available for sale category contain an impairment taken on an equity investment.

The net gains and losses in the financial liabilities measured at amortised cost category are primarily due to interest on bonds and financial liabilities and the reversal of discounts regarding the bonds.

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

4.2 Goodwill

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

The tax deductible goodwill amounted to € 22.0 million as of 31 December 2013 (previous year: € 23.7 million). Since January 2012, tax goodwill has been amortised on a straight line basis over 15 years in the tax balance of OGE.

4.3 Intangible assets

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

In 2013, the company recorded amortisation expense of € 28.5 million (previous year: € 10.4 million). There were no impairment losses or reversals of impairments. As part of the acquisition of OGE in 2012, beneficial contracts in the amount of € 89.8 million were identified and recognised at the present value of the estimated margins. The carrying amount of these intangible assets amounted to € 66.3 million as of 31 December 2013. € 65.7 million have a remaining useful life until 31 December 2017 and € 0.6 million have a remaining useful life until 31 December 2018.

At the reporting date, the carrying amount of intangible assets with indefinite useful lives is € 2.4 million (previous year: € 2.3 million). This is attributable to easements amounting to € 1.7 million (previous year: € 1.7 million) and emission rights amounting to € 0.7 million (previous year: € 0.6 million).

In the financial year, there were additions of € 1.5 million to the internally generated intangible assets (previous year: € 0.1 million).

4.4 Property, plant and equipment

We refer to the consolidated statement of changes in non-current assets for the development and composition of the property, plant and equipment.

Borrowing costs in accordance with IAS 23 in the amount of € 1.6 million were capitalised in 2013 (previous year: € 0.4 million).

Systematic depreciation of property, plant and equipment amounts to € 109.8 million (previous year: € 42.9 million). There were no impairment losses or reversals of impairments.

4.5 Financial assets

in € million	31 Dec. 2013	31 Dec. 2012
Companies accounted for under the equity method	**65.8**	**72.1**
Equity investments	39.1	48.5
Loans granted	3.5	3.0
Total	**108.4**	**123.6**

The list of shareholdings is given in section 7.

The main equity investments are Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co.KG, Haan (NETG), amounting to € 29.8 million, and DEUDAN-Deutsch/Dänische Erdgastransport-gesellschaft mbH & Co. KG, Handewitt (DEUDAN), amounting to € 3.0 million.

In financial year 2013, on the basis of the Company's medium-term planning an impairment of € 9.4 million was taken on the equity investment in DEUDAN.

The following table provides information in accordance with IFRS 12.B12 ff. for joint operations and the company accounted for under the equity method to 31 December 2013:

in € million	MEGAL Mittel-Europäische-Gasleitungs-gesellschaft mbH & Co. KG	Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG	Netra GmbH Norddeutsche Erdgas Transversale & Co. KG	GasLINE GmbH & Co. KG
Dividends received	14.9	3.8	25.1	6.4
Current assets	39.6	39.8	78.0	125.4
Liquid funds	*27.0*	*22.1*	*3.5*	*116.9*
Non-current assets	559.6	380.6	297.4	404.2
Current liabilities	204.8	96.8	5.5	93.4
Current financial liabilities	*177.6*	*85.3*	-	-
Non-current liabilities	225.7	212.5	25.8	174.8
Non-current financial liabilities	*170.0*	*180.0*	-	-
Proportionate equity	-	-	-	65.4
Other effects	-	-	-	0.4
Carrying amount from company accounted for under the equity method	**-**	**-**	**-**	**65.8**
Sales	94.3	66.8	102.4	89.3
Depreciation and amortisation	-19.9	-12.0	-12.2	-19.1
Interest income / expense	-7.6	-4.3	-0.2	1.2
Income tax expense	-2.2	-3.5	-6.7	-3.9
OCI	1.0	1.8	-	-
Income statement result	**24.3**	**22.9**	**64.5**	**17.5**
Total	**25.3**	**24.7**	**64.5**	**17.5**

Information in accordance with IFRS 12.B12 ff. for joint operations and the company accounted for under the equity method to 31 December 2012:

in € million	**MEGAL Mittel-Europäische-Gasleitungs-gesellschaft mbH & Co. KG**	**Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG**	**Netra GmbH Norddeutsche Erdgas Transversale & Co. KG**	**GasLINE GmbH & Co. KG**
Dividends received	-	-	15.6	-
Current assets	49.2	26.4	69.6	154.1
Liquid funds	*40.7*	*6.1*	*1.8*	*121.7*
Non-current assets	522.4	377.8	309.5	441.9
Current liabilities	71.7	207.2	7.8	107.9
Current financial liabilities	*37.9*	*195.2*	*1.1*	-
Non-current liabilities	297.5	97.4	26.8	201.4
Non-current financial liabilities	*274.5*	*88.0*	-	-
Proportionate equity	-	-	-	71.8
Other effects	-	-	-	0.3
Carrying amount from company accounted for under the equity method	**-**	**-**	**-**	**72.1**
Sales	44.5	27.3	43.3	34.8
Depreciation and amortisation	-7.2	-4.8	-5.1	-8.3
Interest income / expense	-4.0	-2.5	0.0	1.2
Income tax expense	-3.3	-1.9	-4.0	-6.0
OCI	0.2	-	-	-
Income statement result	**15.3**	**9.3**	**31.6**	**17.5**
Total	**15.5**	**9.3**	**31.6**	**17.5**

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

4.6 Non-current receivables and assets

The non-current receivables include € 30.6 million (previous year: € 25.6 million) arising from the application of the percentage-of-completion method (POC-method) with a remaining term of two to five years. Taking partial invoices into consideration, the total of costs incurred and recognised profits of these construction contracts amounts to € 38.6 million (previous year: € 32.8 million). Advance payments made for these construction contracts of € 7.7 million (previous year: € 11.4 million) are shown under other operating liabilities.

4.7 Inventories

Inventories break down as follows:

in € million	31 Dec. 2013	31 Dec. 2012
Raw materials and supplies	14.4	15.3
Work in progress	4.8	17.0
Gas inventories	16.0	15.9
Total	**35.2**	**48.2**

In accordance with IAS 2.34, write-downs of € 0.1 million were performed on warehouse materials in the reporting period (previous year: € 0.2 million). There were no reversals of impairments on inventories in the reporting period.

4.8 Trade receivables and other receivables

Receivables and other assets break down as follows:

in € million	31 Dec. 2013	31 Dec. 2012
Trade receivables	46.6	46.5
Other operating receivables	85.4	62.7
Trade receivables and other operating receivables	**132.0**	**109.2**
Financial receivables	**14.6**	**19.3**
Total	**146.6**	**128.5**

All receivables have a remaining term of up to one year. The other receivables mainly comprise receivables from taxes chargeable to VGS of € 29.1 million (previous year: € 0.0 million), a contractually agreed entitlement to compensation in the event of the occurrence of the tax risk of € 19.5 million (previous year: € 16.8 million), accruals for outstanding settlements under the levy account of € 8.3 million (previous year: € 6.2 million), income tax and input tax refund receivables from tax creditors of € 4.2 million (previous year: € 12.0 million) as well as prepaid expenses of € 0.5 million (previous year: € 11.7 million).

When OGE was acquired in 2012, tax obligations of € 16.8 million were assumed after retirement from the Contractual Trust Arrangement (CTA) with MEON Pensions GmbH & Co.KG, Grünwald ("MEON KG"). As part of the purchase price allocation, an indemnification asset in the same amount was recognised as, under the purchase contract, if this tax obligation should arise, compensation in the same amount is to be paid by E.ON AG, Düsseldorf, to VGT through a purchase price adjustment.

As at 31 December 2013, as with the tax liability, the indemnification asset was compounded on an annual basis to € 19.5 million.

The key financial receivables are € 12.8 million (previous year: € 12.7 million) relating to short-term cash deposits of NETRA GmbH & Co. KG, Schneiderkrug, at its non-Group companies.

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

in € million	**31 Dec. 2013**	**31 Dec. 2012**
Not yet due	29.0	16.4
0 to 30 days past-due	9.4	15.8
31 to 60 days past-due	3.8	5.7
61 up to one year past-due	1.1	9.6
Over one year past-due	7.0	2.7
Gross trade receivables excl. valuation allowances	***50.4***	***50.3***
Doubtful debts	***4.5***	***4.6***
Valuation allowances	***3.8***	***3.7***
Net value of trade receivables	***46.6***	***46.5***

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

Valuation allowances for trade receivables have changed as shown in the following table:

in € million	**2013**	**2012**
Start of financial year	***3.7***	***0.0***
Addition through company acquisition	0.0	2.0
Utilisation / Reversal	-0.7	-0.2
Net addition	0.8	1.9
End of financial year	**3.8**	**3.7**

All impairment charges were recognised as individual valuation adjustments.

4.9 Liquid funds

The liquid funds relate solely to balances at banks which are mainly invested as overnight money and one-week money.

4.10 Equity

Subscribed capital

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

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

Additional paid-in capital

The additional paid-in capital remains unchanged to the prior year and amounts to € 1,075.6 million.

Retained earnings

Retained earnings total € -304.9 million (previous year: € 33.1 million) and result from the net income for the year of € 86.5 million (previous year: € 32.6 million) and recognised actuarial gains/losses from pensions of € 24.3 million (previous year: € 0.6 million) as well as the deferred taxes thereon of € -7.6 million (previous year: € -0.2 million), reduced by the distribution of profits of € 164.9 million (previous year: € 0.0 million) and profit transfer to VGS of € 276.3 million (previous year: € 0.0 million).

Other comprehensive income

Accumulated OCI totals € 1.3 million (previous year: € -17.0 million) and results from the measurement of derivatives amounting to € 1.8 million (previous year: € -24.6 million) and the deferred taxes thereon of € -0.5 million (previous year: € 7.6 million). In the current financial year, € 11.7 million (previous year: € 0.0 million) was reclassified as part of the reversal of VGT’s cash flow hedges.

4.11 Deferred taxes

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

in € million	Deferred tax assets		Deferred tax liabilities	
	2013	**2012**	**2013**	**2012**
Intangible assets	9.3	9.2	19.8	26.0
Goodwill	6.8	7.3	0.0	0.0
Property, plant and equipment	2.6	1.8	428.1	378.0
Financial assets	0.2	0.3	38.7	30.8
Provisions	32.0	46.9	58.9	1.6
Liabilities	33.3	45.7	3.3	2.2
Loss carryforward	8.9	14.1	n/a	n/a
Other assets	15.1	2.0	45.6	39.1
Deferred taxes before netting	***108.1***	***127.3***	***594.4***	***477.7***
Netting	-92.1	-101.8	-92.1	-101.8
Deferred taxes after netting	***16.0***	***25.5***	***502.3***	***375.9***

In 2013, current deferred tax assets of € 43.2 million (previous year: € 34.7 million) and non-current deferred tax assets of € 48.9 million (previous year: € 67.1 million) were netted against deferred tax liabilities.

The Group has trade tax loss carryforwards of € 60.0 million. Deferred tax assets on these of € 8.9 million were recognised.

On 1 January 2013, in the absence of future utility due to the establishment of the fiscal entity for income tax purposes between VGT as the controlled company and VGS as the controlling company, deferred tax assets on loss carryforwards of € 10.7 million recognised in the previous year at the VGT level were impaired in full in the reporting period.

The maturity structure of the deferred taxes is as follows:

in € million	31 Dec. 2013		31 Dec. 2012	
	Current	**Non-current**	**Current**	**Non-current**
Deferred tax assets	2.1	13.9	13.4	12.1
Deferred tax liabilities	3.2	499.1	2.3	373.6
Net amount	**-1.1**	**-485.2**	**11.1**	**-361.5**

Of the deferred tax assets shown, a total of € -15.7 million are recognised in equity in the reporting period (previous year: € 7.4 million). These deferred taxes are attributable in their entirety to the changes in actuarial gains and losses from defined-benefit pension commitments and similar obligations reported in total income as well as to the measurement of derivatives (cash flow hedges).

in € million	31 Dec. 2013		
	Before tax	Tax	After tax
Change in actuarial losses from defined-benefit commitments	24.3	-7.6	16.7
Cash flow hedges	26.4	-8.1	18.3
Other comprehensive income	**50.7**	**-15.7**	**35.0**

in € million	31 Dec. 2012		
	Before tax	Tax	After tax
Changes in actuarial losses from defined-benefit pension commitments	0.6	-0.2	0.4
Cash flow hedges	-24.6	7.6	-17.0
Other comprehensive income	**-24.0**	**7.4**	**-16.6**

4.12 Provisions for pensions and similar obligations

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

Both defined contribution and defined benefit plans are in place, which provide retirement, invalidity and surviving dependent benefits.

In the VGT Group, there are currently five different pension plans in the form of direct commitments and one pension plan in the form of an insurance-based pension vehicle.

These are as follows:

a) the "Leistungsordnung Bochumer Verband" (Bochumer Verband Benefits Plan) in conjunction with the "RG-AT-Ergänzungsordnung" (Ruhrgas Supplementary Benefits Plan for Non-Pay-Scale Staff); open to non-pay-scale employees who joined the company before 31 December 2002

b) the "Leistungsordnung" (Benefits Plan) referred to below as "LO Benefits Plan"; open to pay-scale employees who joined the company between 1 January 1992 and 31 December 2002

c) the "Versorgungsordnung" (Pension Plan) referred to below as "VO Pension Plan", open to pay-scale and non-pay-scale employees who joined the company between 1 January 2003 and 31 March 2008

d) the "E.ON IQ" defined contribution plan; open to pay-scale and non-pay-scale employees who joined the company after 1 April 2008; differentiation between employer and employee-financed part incl. a company-performance-based component

e) Deferred compensation – applicable as from 18 July 2002; open to those who joined the company up to 31 December 2007

f) the conclusion of direct insurance policies; insurance-based option: conversions in accordance with Section 40b German Income Tax Law (EStG) and Section 36 (3) EStG

With the exception of the insurance-based pension option, the basis for the relevant pension plan is always a works agreement in conjunction with the individual's employment contract. The individual employment contracts of senior executives and managing directors contain pension commitments on the basis of the Bochumer Verband Benefits Plan and the "VO Pension Plan".

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

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

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

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

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

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

The responsibility for managing the pension commitments, in particular concerning investment plans and contribution plans, rests with each management.

Individual contractual pension benefits

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

Defined benefit plans

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

Scope of obligations for benefit commitments

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

in € million	2013	2012
Present value at start of financial year	**259.8**	**0.0**
Company acquisition	0.0	262.9
Service cost	12.3	5.8
Past service cost	0.8	0.0
Interest cost	9.1	3.8
Settlement gain	-0.1	-2.5
Settlement	-0.3	-7.4
Actuarial gains and losses	-24.4	-2.5
Pension benefits paid	-0.9	-0.3
Present value at end of financial year	**256.3**	**259.8**

Settlements in the reporting period mainly relate to transfers of obligations at the commercial balance sheet carrying amount resulting from the move of employees to a subsidiary not included in the consolidated financial statements. The settlement gain is attributable entirely to this transfer.

Actuarial gains and losses for the reporting period are due to changes to the financial assumptions (€ -26.8 million) and experience adjustments (€ +2.4 million). The actuarial gains and losses in the previous year are due solely to experience-based adjustments.

The weighted average duration of the obligation is 23.9 years as of the balance-sheet date. In the following 10 years, the following pay-outs for pension benefits are expected:

	in € million
2014	3.5
2015	3.6
2016	4.4
2017	6.2
2018	6.8
2019	7.8
2020	9.3
2021	10.5
2022	12.1
2023	13.1

Actuarial assumptions

The following parameters were used for measurement:

	31 Dec. 2013	31 Dec. 2012
Discount rate	4.00%	3.50%
Expected salary increase rate	2.50%	2.50%
Expected pension increase rate	2.00% or in line with agreed guaranteed increase	2.00% or in line with agreed guaranteed increase
Biometric data	Heubeck 2005G mortality tables with invalidity probability reduced to 80 % of the table values	Heubeck 2005G mortality tables with invalidity probability reduced to 80 % of the table values

Sensitivity analysis

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

	+ 0.25%p or +10%	- 0.25%p or -10%
Discount rate	-4.7%	+5.1%
Future salary increase rate	+1.5%	-1.5%
Future pension increase rate	+2.9%	-2.8%
Mortality	-2.0%	+2.2%

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

Fair value of the plan assets

The fair value of the plan assets developed as follows:

in € million	2013	2012
Start of financial year	**203.9**	**0.0**
Company acquisition	0.0	202.9
Interest income on plan assets	6.9	2.9
Actuarial gains and losses	-0.1	-1.9
Transfers	**-7.4**	**0.0**
Payments under plan assets	**12.6**	**0.0**
End of financial year	**215.9**	**203.9**

The expected return on plan assets for the subsequent year amounts to € 8.6 million. The expected payments to plan assets for the subsequent year amount to € 25.0 million. Transfers for the financial year mainly correspond to the transfers of obligations in the previous year.

As of the balance-sheet date, the plan assets have been invested in the following asset classes by the trustee:

%	Target allocation	31 Dec. 2013	31 Dec. 2012
Bonds	70.0	62.3	34.5
Equity funds	20.0	20.1	9.8
Real estate funds	10.0	0.5	0.0
Cash and money market instruments	0.0	17.1	55.7

All assets are traded in an active market.

Presentation of provisions for pensions

The pension provisions recognised for direct pension obligations are derived from the difference between the present value and the fair value of the plan assets and are determined as follows:

in € million	31 Dec. 2013	31 Dec. 2012
Present value of pension costs	256.3	259.8
Fair value of plan assets	-215.9	-203.9
Amount recognised	**40.4**	**55.9**

The provision recognised developed as follows:

in € million	2013	2012
Start of financial year	**55.9**	**0.0**
Company acquisition	0.0	60.0
Service cost	12.3	5.8
Past service cost	0.8	0.0
Net interest expense	2.2	0.9
Settlement gain	-0.1	-2.5
Transfers/settlement	7.1	-7.4
Remeasurement effects	-24.3	-0.6
Pension benefits paid	-0.9	-0.3
Payments under plan assets	**-12.6**	**0.0**
End of financial year	**40.4**	**55.9**

Pension cost

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

in € million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Current cost (incl. settlement gain)	12.2	3.3
Past service cost	0.8	0.0
Interest cost	9.1	3.8
Return on plan assets	-6.9	-2.9
Total	15.2	4.2

Actuarial gains and losses are accrued and recognised in full. They are reported outside of the income statement as part of equity in the statement of recognised income and expenses.

The changes in actuarial gains and losses from defined-benefit obligations and corresponding plan assets recognised in equity are shown in the following table:

in € million	**2013**	**2012**
Accumulated actuarial gains (+) / losses (-) recognised in equity at start of financial year	0.6	0.0
Recognition in equity of current-period actuarial gains (+) / losses (-)	24.3	0.6
Accumulated actuarial gains (+) / losses (-) recognised in equity at end of financial year	**24.9**	**0.6**

4.13 Other provisions

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

The other provisions developed in the financial year as follows:

	Beginning of period	Additions	Disposals	Unwinding of discounting	Reclassifications	Change in plan assets	Utilisation	End of period
Other provisions	**147.8**	**31.0**	**-16.0**	**0.9**	**0.0**	**-1.2**	**-30.1**	**132.4**
Provisions – production sector	**0.7**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.7**	**0.1**
Provisions for emission rights – current	*0.7*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*-0.7*	*0.1*
Provisions – pipeline sector	**75.4**	**1.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**77.2**
Provisions for repayments – current	*1.0*	*0.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*1.2*
Provisions for miscellaneous in the pipeline sector - current	*13.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*13.2*
Provisions for miscellaneous in the pipeline sector - non-current	*61.2*	*1.6*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*62.8*
Provisions – sales sector	**0.3**	**0.3**	**-0.2**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.3**
Provisions for miscellaneous in the sales sector - current	*0.3*	*0.3*	*-0.2*	*0.0*	*0.0*	*0.0*	*-0.1*	*0.3*
Provisions – personnel sector	**52.9**	**24.6**	**-0.9**	**0.9**	**0.0**	**-1.2**	**-28.1**	**48.2**
Provisions for early-retirement obligations and part-time phased-retirement - non-current	*20.2*	*4.4*	*0.1*	*0.2*	*0.0*	*0.1*	*-8.0*	*17.0*
Provisions for annual and special bonuses etc. – current	*16.6*	*15.7*	*0.0*	*0.0*	*0.0*	*0.0*	*-16.7*	*15.6*
Provisions for annual and special bonuses etc. - non-current	*0.0*	*0.7*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.7*
Provisions for long-service anniversary obligations - non-current	*5.8*	*0.2*	*0.0*	*0.2*	*0.0*	*0.0*	*-0.5*	*5.7*
Provisions for in-kind benefit obligations - non-current	*6.1*	*0.2*	*-0.7*	*0.2*	*0.0*	*0.0*	*0.0*	*5.8*
Provisions for other personnel expenses – current	*2.8*	*2.6*	*0.0*	*0.0*	*0.0*	*0.0*	*-2.9*	*2.5*
Provisions for other personnel expenses - non-current	*1.4*	*0.8*	*-0.3*	*0.3*	*0.0*	*-1.3*	*0.0*	*0.9*
Provisions for other risks	**15.9**	**1.1**	**-12.5**	**0.0**	**0.0**	**0.0**	**-0.6**	**3.9**
Provisions for litigation cost risks and compensation obligations – current	*15.9*	*1.1*	*-12.5*	*0.0*	*0.0*	*0.0*	*-0.6*	*3.9*
Miscellaneous other provisions	**2.6**	**3.1**	**-2.4**	**0.0**	**0.0**	**0.0**	**-0.6**	**2.7**
Provisions for external annual financial statement audit cost /review – current	*0.2*	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*	*-0.2*	*0.3*
Miscellaneous other provisions – current	*0.7*	*2.8*	*-2.4*	*0.0*	*0.3*	*0.0*	*-0.4*	*1.0*
miscellaneous other provisions – non-current	*1.7*	*0.0*	*0.0*	*0.0*	*-0.3*	*0.0*	*0.0*	*1.4*
Total – current	**51.4**	**23.1**	**-15.1**	**0.0**	**0.3**	**0.0**	**-21.6**	**38.1**
Total - non-current	**96.4**	**7.9**	**-0.9**	**0.9**	**-0.3**	**-1.2**	**-8.5**	**94.3**

VGT expects the complete amount of current provisions (€ 38.1 million) to be utilised within the year.

As part of the acquisition of OGE, contingent liabilities were identified, measured and accounted for as provisions in 2012. These are, on the one hand, provisions for restoration obligations for the decommissioned pipeline network (€ 59.5 million) which are shown under provisions for the pipeline sector and for which, according to current estimates, utilisation can be expected from 2023 onwards, as well as possible litigation obligations (€ 12.8 million). All litigation obligations amount to € 3.9 million as of the reporting date considering utilisation (€ 0.6 million), additions (€ 1.1 million) and reversals (€ 12.5 million).

The following obligations are grouped under personnel obligations:

- obligations for bonus payments amounting to € 16.3 million (previous year: € 16.6 million)
- obligations for restructuring measures amounting to € 11.0 million (previous year: € 11.7 million)
- obligations for part-time pre-retirement arrangements amounting to € 6.0 million (previous year: € 8.5 million)
- obligations for gas allowance payments amounting to € 5.8 million (previous year: € 6.1 million)
- obligations for long-service anniversary payments amounting to € 5.7 million (previous year: € 5.8 million)
- obligations for long-term working-time accounts amounting to € 0.9 million (previous year: € 1.4 million)
- other current obligations amounting to € 2.5 million (previous year: € 2.8 million)

The restructuring measures mainly relate to an extended early retirement programme.

The existing plan assets for part-time phased-retirement obligations and long-term working-time account obligations are only for fulfilling the pension commitments and are not available to the creditors, even in the event of the company's insolvency. For this reason, the plan assets for long-term accounts (€ 12.1 million; previous year: € 10.5 million) are offset by the present value of the obligations for long-term working-time accounts (€ 13.0 million; previous year: € 11.9 million) and recognised in the remaining amount (€ 0.9 million; previous year: € 1.4 million). Plan assets relating to obligations for part-time phased retirement (€ 15.2 million; previous year: € 15.4 million) are offset by the present value of the share of the obligations for part-time phased retirement attributable to the fulfilment deficit (€ 14.8 million; previous year: € 14.8 million). The excess of plan assets (€ 0.4 million; previous year: € 0.6 million) is capitalised. The share of the obligations for part-time phased retirement attributable to the top-up amount (€ 6.0 million; previous year: € 8.5 million) is recognised.

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

in € million	2013	2012
Utilisation within 1 year	0.2	0.1
Utilisation between 1 and 5 years	1.0	1.2
Utilisation after 5 years	11.2	11.9

For the remaining other provisions of € 22.4 million (previous year: € 23.6 million), utilisation is expected within the next two to five years.

4.14 Liabilities

The following table provides a breakdown of the liabilities:

	31 Dec. 2013		31 Dec. 2012	
in € million	Current	Non-current	Current	Non-current
Financial liabilities	**188.4**	**2,414.8**	**140.0**	**2,341.0**
Bonds	*0.0*	*2,236.3*	*0.0*	*0.0*
Liabilities to banks	*134.2*	*178.5*	*120.5*	*2,341.0*
Liabilities to proportionately consolidated companies	*14.5*	*0.0*	*12.8*	*0.0*
Other financial liabilities	*39.7*	*0.0*	*6.7*	*0.0*
Trade payables	55.0	0.3	46.8	0.3
Investment grants / construction cost grants	0.0	1.1	0.0	0.3
Liabilities to proportionately consolidated companies	17.3	0.0	14.0	0.0
Liabilities to affiliated companies	125.5	0.0	3.4	0.0
Income tax liabilities	36.3	0.0	45.6	0.0
Accruals	20.4	0.0	21.6	0.0
Liabilities from derivative financial instruments	0.0	1.2	0.0	26.5
Other operating liabilities	30.7	7.4	32.8	1.9
Trade payables and other operating liabilities	**285.2**	**10.0**	**164.2**	**29.0**
Total	**473.6**	**2,424.8**	**304.2**	**2,370.0**

The loan agreement of 9 May 2012, which was made up of two facilities each of € 1,100 million and a capex facility of € 450 million and a working capital facility of € 100 million and was recognised on 31 December 2012 under non-current financial liabilities in the amount of € 2.16 billion, was fully repaid on 10 July 2013. Refinancing was achieved by issuing three bonds, each with a nominal volume of € 750.0 million and maturities of seven (effective interest rate: 2.065%), ten (effective interest rate: 3.185%) and twelve years (effective interest rate: 2.975%).[4] Of these, two unsecured bond tranches were placed with institutional investors on 12 June 2013, with a third following on 10 July 2013. On 20 December 2013, a new loan agreement in the amount of € 200 million in the form of a revolving credit facility was concluded with a term of five years, at improved conditions. This reduced volume takes into account the future requirements of the VGT Group. The conclusion of this loan agreement was the final step for the Group in replacing the initial acquisition financing. The pledged collateral as borrower and guarantor thus no longer apply. Due to the long maturities of the bonds with maturities in 2020, 2023 and 2025 and the revolving credit facility with a term to 2018, the VGT Group has an appropriate maturity and liquidity profile.

Other operating liabilities mainly relate to obligations to other minority interests of joint operations amounting to € 3.7 million (previous year: € 2.1 million), liabilities from the application of the percentage of completion method (PoC method) amounting to € 1.1 million (previous year: € 0.0 million) as well as deferred income items amounting to € 1.3 million (previous year: € 1.0 million) and liabilities from other taxes amounting to € 9.1 million (previous year: € 7.0 million).

Furthermore, tax obligations amounting to € 16.8 million were assumed with the acquisition of OGE in 2012. As part of the purchase price allocation, an indemnification asset in the same amount was recognised (see section 4.8). As at 31 December 2013, the tax liabiliy and indemnification asset was accreted to € 19.5 million.

5 Information on the Income Statement

Due to initial consolidation, the business figures of Open Grid Europe GmbH are only included in the consolidated income statements for five months in the previous year (period 1 August to 31 December 2012). The extent of a comparison with the previous year is thus very limited.

5.1 Sales

Of the sales revenues generated in 2013, € 834.2 million result from the gas transmission business (previous year: € 355.4 million) and € 74.3 million from transport-related services (previous year: € 25.8 million). € 124.9 million result from technical and commercial services (previous year: € 64.5 million). This includes revenue from construction contracts of € 28.8 million (previous year: € 17.0 million).

[4] Effective interest rates are determined for the arranged banks (so-called book runners) and the issue price, taking into account the fees.

5.2 Own work capitalised

Own work capitalised amounts to € 14.3 million (previous year: € 9.2 million) and results primarily from engineering services in networks and in connection with new construction projects.

5.3 Other operating income

The other operating income mainly includes income of € 14.8 million not relating to the period (previous year: € 4.2 million), including income of € 12.8 million from the reversal of provisions (previous year: € 1.0 million). Furthermore, the other operating income consists of income from derivative financial instruments amounting to € 2.5 million (previous year: € 0.0 million) and gains from the disposal of non-current assets amounting to € 1.5 million (previous year: € 0.1 million).

Realised exchange rate gains and income from foreign currency translation on the balance-sheet date were of an insignificant amount (< € 1 k).

5.4 Cost of materials

in € million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Expenses for raw materials and supplies	267.7	139.0
Expenses for purchased goods	87.1	46.2
Total	**354.8**	**185.2**

The expenses for raw materials and supplies mainly comprise expenses for load flow commitments and fuel gas as well as usage fees. The expenses for purchased goods mainly relate to maintenance costs as well as other services purchased in connection with the service business.

5.5 Personnel expenses

The personnel costs contain the following components:

in € million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Wages and salaries	117.8	55.0
Social security contributions	17.2	7.8
Pension costs and other employee benefits	12.7	3.7
Total	**147.7**	**66.5**

Of the pension costs and other employment benefits totalling € 12.7 million, € 0.2 million relate to defined contribution plans (previous year: € 0.1 million).

In the reporting period, the Group employed an average of 1,494 employees (previous year: 1,641), of which 351 were blue-collar workers (previous year: 413), 1,063 were white-collar workers (previous year: 1,146), 76 were trainees (previous year: 78) and 4 were managing directors (unchanged from the previous year). The figure includes four employees from proportionately consolidated Group companies.
The personnel figures were determined on an average basis from the end figure of each quarter. Employees from proportionately consolidated companies were included in full.

5.6 Other operating expenses

The other operating expenses break down as follows:

in € million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
IT costs	33.4	21.8
Expenses from derivative financial instruments	14.2	0.0
Vehicle costs	5.5	2.7
Expenses for services rendered by third parties	4.9	2.5
Insurance premiums	3.9	1.5
Travelling costs	3.5	1.7
Rental and lease costs	3.1	1.4
External audit and consulting costs	3.0	0.9
Social security contributions	1.9	14.6
Fees and contributions	1.5	5.0
Other taxes	1.0	4.9
Write-downs on receivables	0.8	1.8
Losses from currency derivatives	0.3	0.2
Miscellaneous other operating expenses	11.5	7.7
Total	**88.5**	**66.7**

The miscellaneous other operating expenses contain realised exchange rate losses and expenses from foreign currency translation on the balance-sheet date of an insignificant amount (< € 1 k).

As part of the bond issues, approximately € 0.8 million was directly recognised as costs. Of this, approximately € 0.7 million relates to external audit and consulting costs and approximately € 0.1 million relates to expenses for services rendered by third parties.

5.7 Depreciation, amortisation and impairment charges

in € million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Depreciation of property, plant and equipment	109.8	42.9
Amortisation of intangible assets	28.5	10.4
Total	**138.3**	**53.3**

5.8 Financial result

in € million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Income/loss (-) from equity investments	**2.0**	**-1.1**
Income from company accounted for under the equity method	**4.5**	**3.9**
Interest and similar income	**5.9**	**0.5**
Interest share of the addition to provisions	4.4	3.3
Tax-related interest expense	.	0.1
Other interest expenses	119.0	32.1
Interest expenses	**123.4**	**35.5**
Impairment on financial assets	**9.4**	**0.0**
Financial result	**120.4**	**-32.2**

The interest share of the addition to provisions is almost exclusively mainly the interest cost from pension provisions (€ 9.1 million) – after deduction of the expected return on plan assets (€ 6.9 million) – as well as the unwinding of discounting of the other non-current personnel provisions totalling € 2.2 million.

The other interest expenses are largely interest on debt in connection with the financing of the acquisition of OGE (€ 113.2 million; previous year: € 29.3 million) and payment of interest on bonds. This contains expenses incurred for the payment of interest on the loan agreement concluded in 2012 and recognised in the financial year, expenses for the related discount and expenses for the deferral of interest expenses related to bonds issued.

Net interest expense of € 0.8 million resulted from the effective interest rate of the bonds.
The other interest expenses are reduced by the capitalised interest on debt amounting to € 1.6 million (previous year: € 0.4 million).

Information on impairment of financial assets is provided in section 4.5 “Financial Assets”.

5.9 Income taxes

With effect from 1 January 2013, a profit transfer agreement with OGE as the controlled company and VGT as the controlling company was concluded, to establish a fiscal entity for income tax between VGT and OGE. A further profit transfer agreement was concluded at the same time, creating a further fiscal entity for income tax with VGT as the controlled company and VGS as the controlling company.

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

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

The income taxes break down as follows:

in € million	1 Jan. – 31 Dec. 2013	12 Apr. – 31 Dec. 2012
Income taxes for current financial year	2.9	3.6
Income tax allocations for current financial year	5.0	0.0
Income taxes for prior financial years	4.8	0.0
Deferred taxes for current financial year	72.5	18.6
Deferred taxes for prior financial years	47.6	0.0
Income taxes	**132.8**	**22.2**

The proportionate trade tax of a partnership is shown as an effective tax expense for the current year. Income taxes for prior financial years include trade tax income from partnerships as well as income tax expenses of OGE.

The deferred tax expense of € 61.8 million (previous year: € 18.6 million) relates to the change in temporary differences. The deferred tax expense of € 10.7 million was incurred by the valuation allowance for deferred tax assets on VGT's income tax loss carryforwards in the previous year.

The tax expense for previous years mainly relates to a change of opinion by the tax authorities with regard to the recognition in the tax accounts of the provisions for absorbing additional revenues previously only recognised in the financial accounts of OGE and OGR.

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

		1 Jan. – 31 Dec. 2013		12 Apr. – 31 Dec. 2012	
		in € million	%	in € million	%
	Profit before tax in accordance with IFRS	**219.3**		**54.8**	
	Group income tax rate		31.0		31.0
	Expected income tax expense	**68.0**		**17.0**	
1.	Tax relating to previous years	52.4	23.9	0.0	0.0
2.	Valuation allowance for deferred tax on loss carryforwards	10.7	4.9	0.0	0.0
3.	Difference due to the trade tax assessment basis	7.9	3.6	4.5	8.3
4.	Effect from measurement under the equity method	2.0	0.9	0.8	1.5
5.	Other	-8.2	-3.7	-0.1	-0.3
	Effective tax expense / rate	**132.8**	**60.6**	**22.2**	**40.5**

The difference between the calculated tax expense and the actual tax expense is due in particular to taxes not relating to the period and the valuation allowance of the deferred tax assets recognised on VGT's loss carryforwards.

6 Other information

6.1 Information on the Cash Flow Statement

For the purposes of the cash flow statement, the cash and cash equivalents comprise exclusively cash at banks totalling € 293.4 million (previous year: € 326.1 million).

6.2 Contingencies

On 9 May 2012, VGT signed a syndicated loan agreement with an international bank consortium in connection with the acquisition of all of the shares in OGE (consisting of two term loans totalling € 2,200.0 million, a capex facility of € 450.0 million and a working capital facility of € 100.0 million).

On 19 October 2012, OGE and certain OGE subsidiaries, as borrowers (only OGE) and guarantors, acceded to this syndicated loan agreement. In connection with the above-mentioned agreement and the accession to the syndicated loan agreement, various securities were also provided in favour of the bank consortium.

Through the placement of two unsecured EMTN bond tranches each amounting to € 750.0 million on 12 June 2013, as well as the conclusion of a new syndicated loan agreement (together with VGS and VGSM as guarantors and OGE as an additional borrower) of € 1,226.0 million (consisting of a term loan of € 726.0 million, a capex facility of € 400.0 million and a working capital facility of € 100.0 million) on 22 May 2013, on 12 June 2013 VGT repaid in full the syndicated loan agreement which had been concluded on 9 May 2012 and terminated it early. In connection with the termination of the syndicated loan agreement, all collateral and pledges existing as at 31 December 2012 were withdrawn in full. No collateral was provided for the new syndicated loan agreement. The cash flows stemming from the repayment of the syndicated loan amounting to € 2,200.0 million and the raising of the succeeding syndicated loan amounting to € 726.0 million are net settled.

With the funds from a third unsecured EMTN bond tranche which also totalled € 750.0 million, and which was placed on the market on 10 July 2013, the existing term loan of € 726.0 million was fully paid back.

As per 20 December 2013, the syndicated loan agreement concluded on 22 May 2013 and still only in the form of the remaining existing (and largely unused) capex facility and working capital facility was finally terminated by VGT and replaced by a new syndicated loan agreement in the form of a revolving credit facility amounting to € 200 million with a term to 20 December 2018. No collateral were provided for this new syndicated loan agreement, either.

6.3 Other financial obligations

The other financial obligations which cannot be seen from the balance sheet amounted to € 89.7 million (previous year: € 88.6 million) p.a. as of the balance-sheet date and arise from long-term contracts for the grant of use of the pipeline network.

The following purchase commitments existed as of the balance-sheet date:

in € million	31 Dec. 2013	31 Dec. 2012
Purchase commitment for investments in intangible assets	3.0	1.8
Purchase commitment for investments in property, plant and equipment	138.4	39.5
Purchase commitment for maintenance work (incl. inventory materials)	174.0	133.3
Total purchase commitment	**315.4**	**174.6**

6.4 Leases

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

	Due within 1 year		Due in 1 to 5 years		Due in more than 5 years	
in € million	2013	2012	2013	2012	2013	2012
Pipeline networks	12.1	12.0	61.8	61.7	12.8	12.7
Buildings	2.5	1.9	1.9	3.1	0.0	0.0
Vehicles, IT and others	5.3	5.9	7.1	7.1	0.0	0.0
Minimum lease payments	**19.9**	**19.8**	**70.8**	**72.7**	**12.8**	**12.7**

In the 2013 financial year, payments under leases of € 20.7 million were recognised in income (previous year: € 10.0 million).

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

	Due within 1 year		Due in 1 to 5 years		Due in more than 5 years	
in € million	2013	2012	2013	2012	2013	2012
Buildings	1.9	1.9	0.3	0.2	0.0	0.0
IT and others	0.1	0.1	0.2	0.2	0.0	0.0
Minimum lease payments	**2.0**	**2.0**	**0.5**	**0.4**	**0.0**	**0.0**

In the 2013 financial year, payments under leases of € 2.0 million were recognised in income (previous year: € 0.8 million).

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

6.5 Segment reporting

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

The VGT Group has two business segments, the Transport and Other Services businesses. The sales of these two business segments are reported separately to the Management of OGE. However, as expenses exist in both business segments which are neither immaterial not independent of sales revenues, the sales revenues are not a result metric within the meaning of IFRS 8.5 (b). Another result metric for the two business segments is not reported separately to the Management of OGE. As a result, the VGT Group constitutes a "one segment company".

Additional information at company level

External sales break down as follows:

in € million	2013	2012
Transport business	908.5	381.2
Other Services business	124.9	64.5
Total	**1,033.4**	**445.7**

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

The VGT Group generated € 254.8 million with one customer in 2013 (previous year: € 175.0 million). That is more than 10% of total sales.

6.6 Business transactions with related parties

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

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

On the basis of the profit and loss transfer agreement concluded with VGS on 1 January 2013, VGT is to transfer € 276.3 million of its profits to VGS and to pay € 5.0 million to VGS on the basis of the income tax allocation agreement with VGS. As part of an advance profit transfer in 2013,

€ 156.0 million was transferred. On the balance sheet date, the total remaining amount of €125.3 million is part of the current operating liabilities to affiliated companies.

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

Associated companies

The list of shareholdings is given in section 7. Significant business relations only exist with NETG, Deudan, GasLINE KG and NetConnect Germany GmbH & Co., Ratingen. The individual business transactions were as follows:

in € million	2013	2012
Receivables	15.5	11.4
Liabilities	4.4	2.0
Sales	15.3	8.0
Cost of materials	15.1	11.0

Most of the sales (€ 14.2 million; previous year: € 6.3 million) were generated with technical and commercial services. At € 11.7 million, fees for usage contracts for the pipeline network account for most of the cost of materials (previous year: € 9.5 million).

In addition to the open receivables and liabilities from these business relations on the balance-sheet date, total receivables also include a receivable of € 11.0 million from the share of the profit distribution of associated companies (previous year: € 7.6 million).

Related parties

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

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

€ million	2013	2012
Salaries and other current benefits	1.6	1.3
Post-termination benefits	.	0.0
Total remuneration	**1.6**	**1.3**

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

6.7 Subsequent events

Up to the date of the preparation of the consolidated financial statements, no business transactions of material significance had taken place which have an effect on the presentation of the assets, liabilities, financial position and profit or loss of the Group in the reporting period.

6.8 Independent auditor fees

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

€ million	**1 Jan. – 31 Dec. 2013**	**12 Apr. – 31 Dec. 2012**
Financial statement audits	0.5	0.2
Other services	0.1	0.0
Total	**0.6**	**0.2**

6.9 Management

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

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

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

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

Alice Forster, Munich, Senior Investment Manager, Private Equity & Infrastructure, MEAG MUNICH ERGO Asset Management GmbH

Frank Heiß, Wiesbaden, Senior Vice President, Macquarie Infrastructure & Real Assets

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

Guy Lambert, Abu Dhabi/United Arab Emirates, Senior Fund Manager, Infrastructure Division, ADIA

The managing directors are not employees of the Company.

7 List of shareholdings as of 31 December 2013

a) Fully consolidated

Name	Seat	Trade register number	Share in %	Equity in € k[1]	Net income in € k[1]
Open Grid Europe GmbH	Essen	HRB 17487	100.00	759,469	278,399
Open Grid Regional GmbH	Essen	HRB 19964	100.00	500	739
Mittelrheinische Erdgastransportleitungsgesellschaft mbH	Essen	HRB 24567	100.00	29,150	59,149
Line WORX GmbH	Essen	HRB 23536	100.00	80,725	10,841

b) Proportionately consolidated

Name	Seat	Trade register number	Share in %	Equity in € k	Net income in € k
MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG	Essen	HRA 8536	51.00	42,414	20,362
NETRA GmbH Norddeutsche Erdgas Transversale & Co. Kommanditgesellschaft	Schneider-krug	HRA 150471	40.55	137,992	54,952
Trans Europa Naturgas Pipeline Gesellschaft mbH & Co.KG	Essen	HRA 8548	51.00	48,565	12,603

c) Associated – at equity

Name	Seat	Trade register number	Share in %	Equity in € k	Net income in € k
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. Kommanditgesellschaft [2]	Straelen	HRA 1805	25.00	0	47,966

d) Non-consolidated companies due to subordinate importance

Name	Seat	Trade register number	Share in %	Equity in € k	Net income in € k
Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG [2] [3]	Haan (Rhld.)	HRA 19228	50.00	28,275	4,755
MEGAL Verwaltungs-GmbH [3]	Essen	HRB 18697	51.00	41	2
PLEdoc Gesellschaft für Dokumentationserstellung und -pflege mbH [4]	Essen	HRB 9864	100.00	589	2,382
Open Grid Service GmbH [4]	Essen	HRB 22210	100.00	49	493
NEL Beteiligungs GmbH [4]	Essen	HRB 23527	100.00	25	-1
Trans Europa Naturgas Pipeline Verwaltungs-GmbH [3]	Essen	HRB 18708	50.00	40	2

Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH (3)	Haan (Rhld.)	HRB 14376	50.00	34	1
DEUDAN - Deutsch/Dänische Erdgastransport-Gesellschaft mbH & Co. Kommanditgesellschaft (2) (3)	Handewitt	HRA 3848 FL	24.99	4,560	85
DEUDAN-HOLDING-GmbH (2) (3)	Hannover	HRB 214	49.00	22	-1
NetConnect Germany GmbH & Co. KG (2) (5)	Ratingen	HRA 20201	35.00	5,000	0
NetConnect Germany Management GmbH (2) (5)	Ratingen	HRB 59556	35.00	63	3
NETRA GmbH-Norddeutsche Erdgas Transversale (2) (3)	Schneiderkrug	HRB 150783	33.33	103	2
caplog-x GmbH (2) (5)	Leipzig	HRB 23614	33.33	554	354
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH (2) (5)	Straelen	HRB 4812	25.00	58	2
PRISMA European Capacity Platform GmbH (2) (6)	Leipzig	HRB 21361	1.53	271	71
EuroHub GmbH (in Liquidation)(6)	Haan (Rhld.)	HRB 14398	16.67	-	-
LIWACOM Informationstechnik GmbH (2) (5)	Essen	HRB 7829	33.33	601	188

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

Essen, 17 March 2014

Vier Gas Transport GmbH
The Management

Hilko Cornelius Schomerus

Simon Richard Eaves

Lincoln Hillier Webb

Alice Forster

Frank Heiß

Richard W. Dinneny

Guy Lambert

Consolidated Statement of Changes in Non-current Assets as of 31 Dec. 2013

							Accumulated depreciation and amortisation					Carrying amounts
	1 Jan. 2013	Additions	Appreciation	Disposals	Reclassifications	31 Dec. 2013	1 Jan. 2013	Additions	Disposals	Reclassifications	31 Dec. 2013	31 Dec. 2013
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Intangible assets												
Internally generated industrial property rights and similar rights and assets	0.1	0.6	0.0	0.0	0.9	1.6	0.0	-0.2	0.0	0.0	-0.2	1.4
Purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets	114.8	6.9	0.0	-0.5	8.9	130.1	-10.4	-28.3	0.0	0.0	-38.7	91.4
Advance payments	13.7	10.4	0.0	0.0	-9.8	14.3	0.0	0.0	0.0	0.0	0.0	14.3
	128.6	**17.9**	**0.0**	**-0.5**	**0.0**	**146.0**	**-10.4**	**-28.5**	**0.0**	**0.0**	**-38.9**	**107.1**
Goodwill	**830.4**	**0.0**	**0.0**	**0.0**	**0.0**	**830.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**830.4**
Property, plant and equipment												
Land, leasehold rights and buildings including buildings on third-party land	145.3	5.5	0.0	0.0	1.5	152.3	-1.9	-4.6	0.0	0.0	-6.5	145.8
Pipeline system	1,982.3	61.9	0.0	-8.9	0.9	2,036.2	-25.9	-66.8	0.0	0.0	-92.7	1,943.5
Technical plant, equipment and machinery	493.5	49.7	0.0	0.0	29.6	572.8	-13.1	-33.3	0.0	0.0	-46.4	526.4
Other equipment, fixtures, furniture and office equipment	26.8	3.6	0.0	0.0	0.1	30.5	-1.7	-5.1	0.1	0.0	-6.7	23.8
Advance payments and construction in progress	105.2	57.2	0.0	0.0	-32.1	130.3	0.0	0.0	0.0	0.0	0.0	130.3
	2,753.1	**177.9**	**0.0**	**-8.9**	**0.0**	**2,922.1**	**-42.6**	**-109.8**	**0.1**	**0.0**	**-152.3**	**2,769.8**
Financial assets												
Equity investments	120.7	0.0	0.0	-6.4	0.0	114.3	0.0	-9.4	0.0	0.0	-9.4	104.9
Loans granted	2.9	0.5	0.6	-0.5	0.0	3.5	0.0	0.0	0.0	0.0	0.0	3.5
	123.6	**0.5**	**0.6**	**-6.9**	**0.0**	**117.8**	**0.0**	**-9.4**	**0.0**	**0.0**	**-9.4**	**108.4**
	3,835.7	**196.3**	**0.6**	**-16.3**	**0.0**	**4,016.3**	**-53.0**	**-147.7**	**0.1**	**0.0**	**-200.6**	**3,815.7**

Consolidated Statement of Changes in Non-current Assets as of 31 Dec. 2012

								Accumulated depreciation and amortisation					Carrying amounts
	12 Apr. 2012	Additions to scope of consolidation	Additions	Appreciation	Disposals	Reclassifications	31 Dec. 2012	12 Apr. 2012	Additions	Disposals	Reclassifications	31 Dec. 2012	31 Dec. 2012
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Intangible assets													
Internally generated industrial property rights and similar rights and assets	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets	0.0	108.7	2.7	0.0	-5.5	8.8	114 8	0.0	-10.4	0.0	0.0	-10.4	104.4
Advance payments	0.0	14.0	8.7	0.0	0.0	-9.0	13.7	0.0	0.0	0.0	0.0	0.0	13.7
	0.0	**122.7**	**11.5**	**0.0**	**-5.5**	**-0.2**	**128.6**	**0.0**	**-10.4**	**0.0**	**0.0**	**-10.4**	**118.2**
Goodwill	**0.0**	**830.4**	**0.0**	**0.0**	**0.0**	**0.0**	**830.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**830.4**
Property, plant and equipment													
Land, leasehold rights and buildings including buildings on third-party land	0.0	142.0	1.7	0.0	-1.3	2.9	145 3	0.0	-1.9	0.0	0.0	-1.9	143.4
Pipeline system	0.0	1.814.6	64.4	0.0	0.0	103 3	1.982 3	0.0	-25.9	0.0	0.0	-25.9	1,956.4
Technical plant, equipment and machinery	0.0	452.1	18.3	0.0	-2.6	25.7	493 5	0.0	-13.3	0 2	0.0	-13.1	480.4
Other equipment, fixtures, furniture and office equipment	0.0	22.2	2 8	0.0	-1.0	2.8	26 8	0.0	-1.8	0.1	0.0	-1.7	25.1
Advance payments and construction in progress	0.0	220.1	19.6	0.0	0.0	-134 5	105 2	0.0	0.0	0.0	0.0	0.0	105.2
	0.0	**2,651.0**	**106.8**	**0.0**	**-4.9**	**0.2**	**2,753.1**	**0.0**	**-42.9**	**0.3**	**0.0**	**-42.6**	**2,710.5**
Financial assets													
Equity investments	0.0	123.1	0.1	0.0	-2.5	0.0	120.7	0.0	0.0	0.0	0.0	0.0	120.7
Loans granted	0.0	3.0	0 2	0.1	-0.4	0.0	2 9	0.0	0.0	0.0	0.0	0.0	2.9
	0.0	**126.1**	**0.3**	**0.1**	**-2.9**	**0.0**	**123.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**123.6**
	0.0	**3,730.2**	**118.6**	**0.1**	**-13.3**	**0.0**	**3,835.7**	**0.0**	**-53.3**	**0.3**	**0.0**	**-53.0**	**3,782.7**

Auditor's Report

We have audited the consolidated financial statements of Vier Gas Transport GmbH, Essen, comprising the balance sheet, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a (1) HGB [Handelsgesetzbuch - German Commercial Code] are the responsibility of the Company's managing directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Essen, March 18, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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