Group Annual Report

Vier Gas Transport GmbH

for the Short Financial Year

from 12 April to 31 December 2012

(Translation – the German text is authoritative)

Contents

Group Management Report of Vier Gas Transport GmbH for the Short Financial Year from 12 April to 31 December 2012

Introduction

Vier Gas Transport GmbH, Essen, was established on 10 January 2012 and entered in the commercial register on 12 April 2012.

Therefore, the first financial year is a short financial year covering the period from 12 April to 31 December 2012. The object of the Company is the acquisition, holding, management and sale of equity investments in companies or their assets and any action or measures connected therewith as well as the provision of services of any kind for its subsidiaries, including but not limited to the provision of financial services.

Vier Gas Services GmbH & Co. KG, Essen, is the sole shareholder of Vier Gas Transport.

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

Effective 23 July 2012, Vier Gas Transport acquired all the shares in Open Grid Europe from E.ON Ruhrgas AG, Essen.

The business figures of Open Grid Europe have been included since 1 August 2012 (initial consolidation as of 31 July 2012).

Vier Gas Transport largely performs a holding function for Open Grid Europe. This Management Report therefore mainly refers to the business activities of Open Grid Europe, which is active in the field of gas transport logistics.

General economic development

According to the annual report by the German Council of Economic Experts assessing overall economic development, the economy in Germany slowed noticeably in the course of 2012. The escalation of the crisis in the euro zone and recession in major member states of the European Union resulted in a decline in exports in the euro zone. Despite the continuing deterioration of the global economy and thanks to the fall in the value of the euro, this decline was, however, more than offset by export trade with countries outside the euro zone.

In consequence, export trade contributed significantly to the growth in gross domestic product (GDP). The German Council of Economic Experts expected GDP to grow in 2012 by 0.8%.

Primary energy consumption in Germany

In 2012, energy consumption in Germany was slightly up on the level of the previous year according to a forecast by the Working Group on Energy Balances. Natural gas consumption for space heating rose due to the colder weather in February and April. By contrast, gas demand for power generation was significantly below the level of the previous year. Overall, natural gas consumption in 2012 increased by around 1%. Natural gas therefore had a consistent share of 21% (previous year: 20.9%) in total domestic energy consumption.

Energy policy developments in Europe

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

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

On 24 August 2012, the European Commission adopted specific rules to avoid congestion in European gas transmission pipelines. Gas pipeline congestion impedes a smoothly functioning, open and integrated natural gas market. The new rules serve to ensure that companies use reserved capacities more efficiently. If they largely fail to use allocated capacity, they are in danger of having it withdrawn or offered elsewhere on the market according to the principle of “use it or lose it”.

In December 2012, 19 leading European pipeline network operators, including Open Grid Europe, announced the planned establishment of the joint European capacity platform Prisma in 2013. The platform enables shippers for the first time to purchase capacity products from various German and European network operators through a uniform auctioning process.

Energy policy developments in Germany

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

Section 13c of the amended Energy Industry Act prescribes that operators of transmission system networks must draw up a list of system-relevant power stations. Once the listing of such a station has been approved, the operator of the respective station is obliged, if technically and legally possible and economically viable, to secure the availability of the station to the necessary extent by utilising existing possibilities of fuel switching. If fuel switching is not possible, it has to be explained which other optimisation or upgrading measures can be taken to meet the capacity requirements.

A right of instruction of the power transmission system operator vis-à-vis the gas transmission system operator to secure the gas supply for system-relevant gas-fired power stations has been included in Section 16.

The second and third reading of the amended Energy Industry Act in the German Bundestag took place on 29 November 2012. The upper chamber (Bundesrat) approved the draft legislation at its session on 14 December 2012.

Regulation

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

In 2012, Open Grid Europe completed the cost audit procedure of the Federal Network Agency pursuant to Section 6 (1) ARegV (Ordinance on Incentive Regulation) determining the baseline on which to base the stipulated revenue cap for the 2nd regulatory period. This cost level determined on the basis of the 2010 calendar year was used as a basis for the subsequent efficiency benchmarking process pursuant to Section 12 ARegV. The efficiency benchmarking proceedings are currently at the hearing stage. As things stand at present, a final decision by the Federal Network Agency is expected during the second quarter of 2013.

Division 9 of the Federal Network Agency started a formal procedure on 11 April 2012 with the objective of regulating the costs for flow commitments as volatile costs pursuant to Section 11 (5) ARegV (KOLA). This also serves to create incentives for the efficient procurement of flow commitments. Together with the other German transmission system operators, Open Grid Europe drew up a joint statement in which the Federal Network Agency's opinion is shared that both the offered quantities as well as the purchase prices for flow commitments can be subject to high fluctuations and therefore the classification of these costs as volatile costs can be deemed reasonable. At the same time, it was pointed out that, because of the particular significance of flow commitments, it is necessary to ensure to an adequate extent that the planned regulation does not restrict either the availability of flow commitments or the possibility of safely projectable utilisation of flow commitments by transmission system operators. The harmonisation of flow commitments and balancing energy products that was also proposed in the regulation process was subject to critical analysis, and it was noted that further examination and considerations are necessary for any such further development. Accordingly, the Federal Network Agency issued a provisional regulation on 1 January 2013 in order to enable further discussions on the main elements of a future concept. The provisional regulation contains a classification of flow commitments costs as volatile costs and a reduction in the size of lots for flow commitments for the coming invitations to tender from currently 30 to 10 MW at Open Grid Europe.

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

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

The Ordinance on Incentive Regulation (ARegV) prescribes that the Federal Network Agency is required to approve budgets for investments in construction, extensions and restructuring, in particular in natural gas pipeline networks and power transmission networks. In the past, the decisions of the Federal Network Agency had led to court cases as a result of legal action by transmission system operators. In the course of several rounds of discussions, it was possible to solve individual questions at dispute between the authorities and the network operators and agree on a settlement in February 2012. As a result of the principles set out in this agreement, it was possible to terminate the court proceedings; now current and future petitions can be processed in a legally reliable manner. With this agreement, the transmission system operators pursued the common objective in coordination with the German regulatory authorities of laying down important framework conditions for network expansion that will be legally binding for the future. Furthermore, with its amendment to Section 23 ARegV the legislator removed the time delay in the revenue recognition of investment measures eligible for inclusion in the investment budget which had long been criticised by the transmission system operators. As a consequence, corresponding capital and operating costs of approved investment measures can now be recognised directly through the revenue cap (“t-0”) by the transmission system operators.

Network development plans

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

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

On 11 December 2012, the Federal Network Agency published an amendment request in respect of the Gas Network Development Plan 2012 submitted by the transmission system operators in early April 2012. The Federal Network Agency decided not to demand any changes requiring extensive remodelling. This was welcomed by the transmission system operators. However, the transmission system operators have to incorporate the requested changes and submit the final Gas Network Development Plan 2012 by March 2013. Parallel to this, the transmission system operators are required to have already drawn up and conducted consultations on the Network Development Plan 2013 by 1 April

2013. The overlapping of these two procedures underlines the urgent necessity of extending the annual preparation of the plans. The legislator is called upon to ensure synchronisation in this respect, e.g. with a two-year rhythm for the European Gas Network Development Plan.

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

In August 2012, the transmission system operators published and made available for consultation the scenario framework for the Gas Network Development Plan 2013. At the end of the submission period, all comments received were passed on to the Federal Network Agency pursuant to Section 15a EnWG for evaluation of the scenario framework. On 18 October 2012, the Federal Network Agency confirmed the scenario framework subject to certain amendments and conditions. Compared with the scenario framework for the previous year, not only future gas requirements were forecast in three scenarios, but also the various options for structuring the gas network were presented as the main priority. The purpose of the structuring options is to show which actual (upgrade) measures and costs are to be expected with the respective "calculation versions".

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

Business review of 2012

On 23 July 2012, Vier Gas Transport acquired all shares in Open Grid Europe from E.ON Ruhrgas AG, Essen. Transaction closing was preceded by approval of the Federal Cartel Office and the Federal Ministry of Economics and Technology in compliance with the Foreign Trade and Payments Act ("Aussenwirtschaftsgesetz"). The purchase price was € 3,215 million and was provided by a mixture of equity and borrowings. As part of the purchase price allocation, the identifiable assets and liabilities assumed were measured at their fair value in accordance with IFRS 3.18. Contingent liabilities of € 73.2 million were disclosed. Goodwill amounted to € 830.4 million.

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

In the course of the sale of Open Grid Europe by E.ON AG, the subsidiary E.ON Gas Grid was renamed Open Grid Regional in August 2012. Open Grid Regional is the network company that operates the gas supply network of Ferngas Nordbayern. The network comprises more than 2,100 km high and medium-pressure pipelines with a total of 395 exit points and is connected to the complete network of Open Grid Europe.

Basically the Group's business was stable in the reporting period without any special influencing factors.

Technology and environmental protection

The major non-financial factors determining the Group's performance are technology and environmental protection, particularly the reliability of the technical plant including compliance with all statutory environmental protection and occupational health and safety regulations.

There were no significant interruptions to the technical operation of the gas transmission network during the financial year. Technology-related capacity restrictions as a result of maintenance, repair and integration measures were communicated in good time and information was continuously updated on the Internet.

Open Grid Europe performed various measures and investments to modernise and expand its technical infrastructure in 2012:

- Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), a joint venture of Open Grid Europe GmbH and GRTgaz Deutschland GmbH, constructed a 72 km natural gas pipeline from Schwandorf (Upper Palatinate) to Windberg (Lower Bavaria). The new natural gas pipeline runs largely parallel to the already existing MEGAL pipeline Oberkappel-Schwandorf and serves as supply line for regional customers in Bavaria. In addition, the pipeline strengthens the European natural gas transmission network as the new north-south connection creates additional transport capacities to and from Austria. The pipeline was commissioned in October 2012.
- During the financial year, MEGAL constructed the new Wildenranna compressor station. The new-build was necessary in order to meet the requirements of the Technical Guidelines (“TA-Luft” / TG Air).
- Open Grid Europe laid a 67 km natural gas pipeline from Sannerz (Hesse) to Rimpar (Bavaria). The “Sannerz-Rimpar” pipeline runs as a so-called “loop” largely parallel to the existing pipeline “Rimpar-Schlüchtern” and supplies regional customers (public utilities, industrial plants) in Bavaria and Hesse. Furthermore, additional capacities have been created to reduce network bottlenecks between North and South Germany and provide further

transport capacities in the direction of Austria, Italy and France. The pipeline was commissioned in December 2012.

- A compressor unit was replaced at the Werne compressor station during the reporting period. The investment had become necessary because the old unit had reached the end of its service life.
- Furthermore, measures were continued to implement the requirements of the 13th Federal Emissions Control Ordinance (13. Bundesimmisionsschutzverordnung) at the equity investments Open Grid Europe, Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG, Mittelrheinische Erdgastransportleitungsgesellschaft mbH and MEGAL.

In March 2012, the certification processes in accordance with 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 successfully completed, i.e. without deviation, and existing certifications were confirmed.

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

Employees

At the end of 2012, the Group had 1,488 employees (excluding management and apprentices). Personnel expenses in the short financial year amounted to € 66.5 million.

The Group provides apprenticeships for technical and commercial staff at seven locations in North Rhine-Westphalia (Essen), Lower Saxony (Krummhörn), Bavaria (Waidhaus, Bierwang, Wildenranna), Hesse (Gernsheim) und Rhineland Palatinate (Mittelbrunn).

In the course of further efforts to increase efficiency during the past financial year, the Group further extended its existing early retirement programmes at Open Grid Europe and supplemented them with new measures. This led to restructuring expenses, above all as a result of the establishment of provisions.

Investments

In addition to the acquisition of Open Grid Europe, the Group invested a total of € 118.6 million in the reporting period. Investments in property, plant and equipment and intangible assets accounted for € 118.3 million. The investments were mainly in pipeline construction projects (in particular Sannerz-Rimpar and Schwandorf-Windberg) as well as the construction and upgrading of compressor stations (in particular Wildenranna and Werne).

Financing

Open Grid Europe GmbH has been a fully owned subsidiary of Vier Gas Transport since 23 July 2012. In the reporting period, there was no profit-and-loss transfer agreement between the parent company and the subsidiary. Vier Gas Transport was therefore an independent entity from the tax point of view during 2012. The Company concluded a profit-and-loss transfer agreement with Open Grid Europe with effect from 1 January 2013 and therefore forms a fiscal entity with Open Grid Europe.

The purchase of Open Grid Europe by Vier Gas Transport was partly financed with borrowings through the raising of two loans, each with a nominal value of € 1.1 billion. In addition, the parent company has agreed with the bank consortium further credit lines in the amount of approx. € 550 million which, if required, can be used by Open Grid Europe to fund investments and/or to cover any additional liquidity requirements during the year. In order to provide collateral for the loans and be able to utilise the credit lines made available, Open Grid Europe and certain subsidiaries acceded to the loan agreements of Vier Gas Transport on 19 October 2012. The available credit lines were not utilised during the past financial year.

In February 2013, Vier Gas Transport was given its first rating of A- with a stable outlook by the rating agency Standard & Poor’s.

In preparation for the issuing of bonds planned for mid-2013, the loans taken out as part of the acquisition of Open Grid Europe are currently being restructured. The ongoing talks and negotiations with banks are nearing successful completion. The necessary bond issuing processes have already begun.

In order to cover its obligations from pension commitments, Open Grid Europe has continued to use a Contractual Trust Agreement (CTA), even after the change of ownership. In the change of ownership process, Open Grid Europe set aside appropriate funds in a trust fund. The fund is managed on a trust basis by Helaba Pension Trust e. V. (Helaba), Frankfurt am Main.

The investments in the project companies TENP and MEGAL are largely financed with borrowings. The liabilities to banks amounted to € 593 million as of 31 December 2013 before pro-rata inclusion in the Group. Extensive refinancing is planned for the 2013 financial year. On the basis of the ongoing talks and concrete negotiations with banks, it can be assumed that refinancing will be secured.

Net assets, financial position and profits

Due to the fact that Vier Gas Transport was established with effect from 12 April 2012, the following information and figures relate to the short financial year from 12 April to 31 December 2012. Therefore, prior-year figures and comparisons are not available. The business figures of Open Grid Europe are included as from 1 August 2012.

Vier Gas Transport posted sales of € 445.7 million in the short 2012 financial year. Of the total figure, € 381.2 was sales revenue from the transport business and transport-related services and € 64.5 million from other services.

Cost of materials amounted to € 185.2 million. In addition to personnel expenses of € 66.5 million and other operating expenses of € 66.7 million, the Group result of Vier Gas Transport is still largely determined by depreciation and amortisation (€ 53.3 million) and net interest expense of € 35.0 million in connection with the loans described above.

The Group generated profit before tax of € 54.8 million, which gives a profit margin of 12.3% on sales revenues.

The net income for the year totalled € 32.6 million.

The total assets of the Vier Gas Transport Group amounted to € 4,345.5 million as of the reporting date, 31 December 2012. Therefore, the equity ratio is 25.1%. Liabilities mainly consist of provisions (6.3%), trade payables, other liabilities and deferred income (82.1%) and deferred tax liabilities (11.6%). Of the total liabilities, financial liabilities amounted to approx. € 2,481.0 million and mainly related to liabilities to banks.

Assets break down into non-current assets (87.0%), current assets (12.4%) and deferred tax assets (0.6%).

Liquid funds amounted to € 326.1 million as of 31 December 2012.

The Group generated cash flow from operating activities of € 89.6 million in the 2012 reporting period. The cash used for investing activities totalled € 2,949.3 million. Cash provided by financing activities amounted € 3,185.7 million. In the reporting period, all current investments were funded solely from operations.

In summary, on the basis of the above-mentioned KPIs, the Group's net assets, liabilities, financial position and profits were positive and sound in the reporting period without any special influencing factors.

Risk Report

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

The opportunities and risks of Open Grid Europe and its equity investments are assessed and documented every quarter using a standardised process. As a part of this process, the Management and Supervisory Board are regularly informed. The aim of the process is to identify opportunities and risks at an early stage and – wherever possible and necessary – initiate appropriate precautionary action.

The opportunities and risks of Open Grid Europe as of 31 December 2012 are largely influenced by the regulatory environment. As a regulated company, the earnings situation and prospects of Open Grid Europe are directly dependent on decisions made by the regulatory authorities. The important parameters of the regulated sales revenue are approval of the cost base and the efficiency benchmarking. Regulatory decisions directly affect the sales and earnings situation of Open Grid Europe.

Despite possible uncertainties regarding the development of the regulatory framework in Germany and Europe, the regulated gas transport business is a relatively stable and sound source of earnings for the Group.

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

Open Grid Europe generates most of its sales revenue by selling transport capacity to a small group of large customers.

Changes to the booking behaviour of shippers from long-term capacity bookings to short-term bookings through auctions only lead to a temporary fall in sales. Resulting lower sales revenues compared with the approved cap on revenues are recognised in the so-called regulatory account and settled accordingly through an adjustment of the calendar year-end revenue cap for the following regulatory period, including an interest component. There is therefore no sustained risk from fluctuations in demand.

No further effects on the Group results from subsequent adjustments are to be expected in future as the gas industry levy account was transferred to NetConnect Germany GmbH & Co. KG on 1 April 2011 in connection with the balancing group management.

As things now stand, owing to the sound business situation and positive business prospects of Open Grid Europe, there is no evidence of any material risks from the fact that Open Grid Europe and certain subsidiaries acceded to the loan agreements of Vier Gas Transport. The interest rate risk from existing loan agreements is largely covered by interest rate hedging transactions.

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, Open Grid Europe, and by the Investment Controlling department of the shareholder. Financial risks are identified, assessed and hedged in close cooperation with the Group's operational units. Owing to the very limited volume of transactions in foreign currency as well as the only occasional raising and securing of loans, the currency risk, interest rate 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 are conducted, foreign currency forwards are used to hedge the foreign currency risk. Due to the very limited volume of transactions in foreign currency, the Group is currently only exposed to an insignificant foreign currency risk.

(ii) Interest rate risks

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

The 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, 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 customers involving outstanding receivables and transactions performed. The Group only works with banks and financial institutions with an independent investment grade rating of at least “A-”. 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 non-performance 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 so that the Group neither exceeds its credit lines nor violates loan agreements. 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.

There are currently no known risks threatening the existence of the Group.

Furthermore, there are also no known material environmental risks.

Material legal disputes

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

As part of the purchase price allocation, this legal dispute was identified as a contingent liability in accordance with IFRS 3.22 and measured for the first time. It is recognised under other provisions. The adjustment as of 31 December 2012 was performed in accordance with IFRS 3.56 at the value determined under the purchase price allocation.

Events after the balance sheet date

Events of particular significance which occurred after the balance sheet date are the completion of the rating process as well as the start of work in connection with the issuance of a bond. We refer to the information in the section “Financing”.

Forecast Report for 2013

According to the German Council of Economic Experts' forecast on the overall economic situation, the German economy is expected to pick up again in the course of 2013. Gross domestic product (GDP) is forecast to grow again by an average of 0.8% in 2013. An unemployment rate of 6.9% is anticipated.

The future earnings position of the Vier Gas Transport Group will be largely determined by the development of business of Open Grid Europe.

Open Grid Europe adjusted the transport fees with effect from 1 January 2013. With this regular fee adjustment, the Company is also reacting to the change in booking behaviour of shippers. The Federal Network Agency had placed German pipeline network operators under an obligation to market transport capacities in an auction procedure (stipulation regarding capacity control and auction procedures in the gas sector KARLA Gas). This has been taking place since the fourth quarter of 2011 through the TRAC-X primary platform ("Prisma" since 1 January 2013) and has resulted in a considerable change in the booking behaviour of shippers. Auction procedures make short-term bookings particularly attractive from an economic point of view because they allow flexible coordination of capacity and market requirements while, at the same time, achieving a reduction in capacity bookings. So-called profiled bookings are therefore increasingly replacing the formerly predominant long-term capacity bookings. Despite a slightly reduced revenue cap, this change in booking behaviour has made it necessary to increase the specific transport fees of Open Grid Europe by an average of 30% as of 1 January 2013.

As a regulated company, Open Grid Europe calculates the fees on the basis of the revenue cap laid down by the Federal Network Agency, including biogas transfer costs, and takes the expected bookings as a basis for the fees to be reported. The economic framework of the Group is largely linked to the business activities of Open Grid Europe which are subject to regulation and thus largely determined by the decisions of the Federal Network Agency.

Overall, the Management believes that the Group's earnings will be stable and sound in the coming two years and beyond.

Consolidated Financial Statements
for the Period from
from April 12 through December 31, 2012

Consolidated Balance Sheet

in € million	Notes	31 Dec. 2012
Assets		
Non-current assets		
Intangible assets	4.3	118,2
Goodwill	4.2	830,4
Property, plant and equipment	4.4	2.710,5
Financial assets	4.5	123,6
Companies accounted for under the equity method		*72,1*
Other financial assets		*51,5*
Deferred tax assets	4.11	25,5
Non-current receivables	4.6	34,5
Total		**3.842,7**
Current assets		
Inventories	4.7	48,2
Trade receivables (including advance payments made)	4.8	47,8
Income tax receivables	4.8	12,0
Other receivables	4.8	68,7
Liquid funds	4.9	326,1
Total		**502,8**
Total assets		**4.345,5**

in € million		31 Dec. 2012
Equity and Liabilities		
Equity		
Subscribed capital*	4.10	
Additional paid-in capital	4.10	1.075,6
Retained earnings	4.10	33,1
Accumulated other comprehensive income	4.10	-17,0
Total		**1.091,7**
Non-current liabilities		
Provisions for pensions and similar obligations	4.12	55,9
Other provisions	4.13	96,3
Financial liabilities	4.14	2.341,0
Other non-current liabilities	4.14	29,0
Deferred tax liabilities	4.11	375,9
Total		**2.898,1**
Current liabilities		
Other provisions	4.13	51,5
Financial liabilities	4.14	140,0
Trade payables	4.14	46,8
Income taxes	4.14	45,6
Other liabilities	4.14	71,8
Total		**355,7**
Total equity and liabilities		**4.345,5**

*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

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

Consolidated Income Statement

in € million	Notes	12 Apr. - 31 Dec. 2012
Sales	5.1	445,7
Changes in inventories		-1,3
Own work capitalised	5.2	9,2
Cost of materials	5.4	-185,2
Personnel costs	5.5	-66,5
Depreciation, amortisation and impairment charges	5.7	-53,3
Other operating income	5.3	5,1
Other operating expenses	5.6	-66,7
Income before financial result and taxes		**87,0**
Income/loss from equity investments	5.8	-1,1
Income from companies accounted for under the equity method	5.8	3,9
Net interest expense	5.8	-35,0
Financial result		**-32,2**
Profit before tax		**54,8**
Effective tax expenses	5.9	-3,6
Deferred taxes	5.9	-18,6
Income taxes		**-22,2**
Net income/loss (-) from continuing operations		**32,6**
Net income/loss (-)		**32,6**
Share in net income attributable to the sole shareholder of the parent company		**32,6**

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

Consolidated Statement of Comprehensive Income

€ million	Notes	12 Apr. - 31 Dec. 2012
Net income/loss (-)		32,6
Cash flow hedges		
Unrealised changes	4.10	-24,6
Actuarial gains/losses in accordance with IAS 19	4.10	0,6
Deferred taxes on changes not affecting net income	4.10	7,4
Total income		**16,0**
Share in net income attributable to the sole shareholder of the parent company		**16,0**

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

Consolidated Statement of Changes in Equity

				Change in accumulated other comprehensive income	
in € million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedges	Total
12 April 2012	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Capital increase	0,0	1.075,6			1.075,6
Comprehensive income			33,1	-17,0	16,1
Net income/loss (-)			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	**0,0**	**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

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

Further explanations can be found in section 4.10 of the Notes.

Consolidated Cash Flow Statement

in € million	12 Apr. - 31 Dec. 2012
Cash provided by operating activities	**89,6**
Net income / loss	32,6
Depreciation, amortisation, impairment charges and reversals	53,4
Changes in provisions	33,8
Changes in deferred taxes	18,5
Dividend received	0,5
Other non-cash income and expenses	27,9
Changes in operating assets, liabilities and income tax	**-77,2**
Inventories	*-5,8*
Trade receivables	*-7,7*
Other operating receivables and income tax claims	*-20,1*
Trade payables	*-38,6*
Other operating liabilities and income tax	*-5,0*
Gain from disposal of assets	**0,1**
Intangible assets and property, plant and equipment	*0,1*
Cash used for investing activities	**-2.949,2**
Purchases of subsidiaries less net cash and cash equivalents acquired	-2.861,6
Purchases of joint operations less proportionate share of net cash and cash equivalents acquired	0,0
Proceeds from the sale of subsidiaries plus cash and cash equivalents disposed of	0,0
Proceeds from the sale of joint operations plus proportionate share of net cash and cash equivalents disposed of	0,0
Proceeds from the disposal of intangible assets and property, plant and equipment	9,8
Proceeds from the sale of other equity investments	0,0
Purchases of investments in intangible assets and property, plant and equipment	-92,6
Purchases of investments in other equity investments	-0,1
Proceeds from disposal/purchases of other financial investments	-4,7
Proceeds from disposal of other financial investments	*145,4*
Purchases of other financial investments	*-150,1*
Cash provided by financing activities	**3.185,7**
Payments received from changes in capital[1)]	1.075,60
Interest paid	-30,3
Proceeds from financial liabilities	2.385,1
Repayments of financial liabilities	-244,8
Cash dividends	0
Purchases of further shares in consolidated companies	0
Proceeds from the sale of consolidated companies (without loss of control)	0
Changes in cash and cash equivalents	**326,1**
Cash and cash equivalents at beginning of period[2)]	**0**
Cash and cash equivalents at end of period	**326,1**

1) Cash contribu ion to VGT additional paid-in capital

2) 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

Additional information on cash provided by operating activities

in € million	12 Apr. - 31 Dec. 2012
Income tax paid (minus reimbursement)	-42,9
Interest received	0,4
Dividends received	0,5

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

Further explanations can be found in section 6.1 of the Notes.

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Notes to the Consolidated Financial Statements of

Vier Gas Transport GmbH
for the Short Year from 12 April to 31 December 2012

1 Basic information

The registered head office of Vier Gas Transport GmbH ("VGT" or "the Company") is Kallenbergstraße 5, 45128 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. As the parent company domiciled in Germany, VGT prepares consolidated financial statements voluntarily pursuant to Section 315a of the German Commercial Code (HGB).

The company was established on 10 January 2012 as an acquisition vehicle company and on 12 April 2012 was entered under the name Blitz F12 - acht GmbH in the commercial register of the Frankfurt am Main local court under HRB 93508. The company was renamed Vier Gas Transport GmbH (VGT), Essen, and the new name entered in the commercial register on 3 May 2012. The Articles of Association were changed on 22 November 2012 and the company's head office moved from Frankfurt am Main to Essen. Since 14 December 2012, the company has been registered under HRB 24299 in the commercial register of the Essen local court.

The opening balance sheet was prepared as of 12 April 2012.

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 reporting period, 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 23 April 2013, 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, and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as the commercial provisions to be applied in accordance with Section 315a, para. 1 of the German Commercial Code (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 on the reporting date of 31 December 2012 have been taken into consideration. Furthermore, there are some new standards as well as amendments to standards and interpretations which are to be applied to financial years beginning on or after 1 January 2013.

These new, amended or revised accounting standards are, in principle, applied from the respective date when their application is mandatory, with the exception of 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, which were already adopted early in these consolidated financial statements.

The folllowing new, amended or revised standards and interpretations which have been published but whose adoption is not yet mandatory were not yet applied:

Standard / Interpretation		Published by IASB	Adoption by EU	Effective date	Probable effects
IFRS 1	First-time Adoption of International Financial Reporting Standards - Severe hyperinflation and removal of fixed dates for first-time adoption	20 Dec. 2010	Yes	1 Jan. 2013	No material effects on the Group are expected
IFRS 1	First-time Adoption of International Financial Reporting Standards: Government loans	13 Mar. 2012	Yes	1 Jan. 2013	No material effects on the Group are expected
IFRS 7	Financial Instruments: Disclosures: Offsetting of financial assets and financial liabilities	16 Dec. 2011	Yes	1 Jan. 2013	Possible effects on the Group are being examined
IFRS 9	Financial Instruments: Classification and	16 Dec. 2011	No	1 Jan. 2015 (IASB)	Possible effects on the Group

	measurement				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. 2015 (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	31 Oct. 2012	No	1 Jan. 2014 (IASB)	No material effects on the Group are expected
IFRS 13	Fair Value Measurement	12 May 2011	Yes	1 Jan. 2013	No material effects on the Group are expected
IAS 1	Presentation of Financial Statements: Presentation of items of other comprehensive income	16 Jun. 2011	Yes	1 Jul. 2012	Possible effects on the Group are being examined
IAS 12	Deferred Taxes: Recovery of underlying assets	20 Dec. 2010	Yes	1 Jan. 2013	Possible effects on the Group are being examined
IAS 32	Financial Instruments: Presentation: Offsetting of financial assets and financial liabilities	16 Dec. 2012	Yes	1 Jan. 2014	Possible effects on the Group are being examined
Miscellaneous	Improvements to International Financial Reporting Standards 2011 (May 2012)	17 May 2012	Yes	1 Jan. 2013	No material effects on the Group are expected
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	19 Oct. 2011	Yes	1 Jan. 2013	No material effects on the Group are expected

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 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 Group's share in 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 joint operators. 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. See section 2.5 for more information on 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.

Five 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), 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 GmbH & Co. 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.

2.5 Company acquisition

With effect from 23 July 2012 (data of acquisition), VGT acquired all shares in OGE at a purchase price of € 3,215.1 million in cash in order to develop activities in the regulated gas transmission business. OGE performs the tasks of a gas transmission network operator and all associated activities and services and provides other services for affiliated and third-party companies using the company's technical and other equipment as well as the company's staff.

Taking materiality considerations into account, initial consolidation was performed as of 31 July 2012 (date of initial consolidation).

The acquiree was consolidated in accordance with IFRS 3. The assets, liabilities and contingent liabilities identified and recognisable at the date of initial consolidation were measured at fair value. As part of the acquisition process, contingent liabilities of € 73.2 million were identified (see also section 4.13).

The fair value of the receivables acquired amounted to € 275.2 million as at the date of acquisition. Of this figure, € 170.2 million was financial receivables, € 41.1 million trade receivables, € 28.3 million PoC receivables and € 18.8 million other operating receivables and assets. The remaining amount of € 16.8 million is attributable to a receivable in connection with the assumption of a tax obligation (see below). A write-down of € 2.0 million has been performed on the trade receivables so that gross trade receivables amount to € 43.1 million. With all other receivables, the fair value is the gross amount.

The goodwill resulting from the purchase price allocation represents the future economic benefit of other assets acquired in the business combination which cannot be identified individually and recognised separately and totals € 830.4 million.

The following table gives an overview of the purchase price paid for the acquired company as well as the identified assets and liabilities which were taken over at the date of initial consolidation.

in € million	**Fair values on acquisition**
Intangible assets	122.7
Property, plant and equipment	2,651.0
Financial assets	126.2
Inventories	42.3
Receivables and other assets	275.2
Deferred tax assets	12.6
Liquid funds	353.5
Provisions for pensions and other personnel obligations	213.4
Other provisions	126.6
Financial liabilities	326.8
Trade payables and other liabilities	180.1
Deferred tax liabilities	351.9
Net assets	**2,384.7**
Total compensation paid	3,215.1
Goodwill	**830.4**

When OGE was acquired, tax obligations of € 16.8 million were assumed after retirement from the Contractual Trust Arrangement (CTA) with MEON Pensions GmbH & Co.KG, Grünwald, Essen ("MEON KG"). 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. This asset was taken into account when determining the goodwill. As there was no resulting change in the corresponding liability as of 31 December 2012, the carrying amount of the indemnification assets is also unchanged as of 31 December 2012.

Following its initial consolidation, OGE contributed € 445.8 million to sales and € 59.5 million to Group net income.

Determining the hypothetical contribution to sales and income which the company would have made if it had been included in the scope of consolidation from 1 January 2012 is only possible with a disproportionate amount of time and effort and therefore has been dispensed with.

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 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, the contingent liabilities and all non-controlling shares in the acquiree 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
- 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 2012, 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 corporate planning of assets, liabilities, financial position and results. 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 was 2.0%; the sustained growth rate was assumed to be 1.5%. The interest rate used for discounting cash flows (WACC after tax) is calculated using market data and was 4.0% as of the reporting date.

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 0.5 percentage points to 4.5%, the recoverable amount would correspond to the carrying amount.

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

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

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

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

2.11 Research and development costs

In accordance with IAS 38.52 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 2012 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) 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 forwards 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 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) and reclassified into income 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.

In addition to the PoC method, the Group also uses 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 2.1% was applied for 2012. 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%. This tax rate includes, in addition to the 15% corporate income tax, the solidarity surcharge of 5.5% on the corporate tax and the average trade tax rate of 15% 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 2012 and as trustor transferred as a precautionary measure assets to the trustee in the 2012 financial year.

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 already applied IAS 19 (rev. 2011) in the reporting period. 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 provision for long-service anniversary benefits, gas allowance obligations and part-time phased-retirement obligations was 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. The 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 purchase price allocation (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 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.

The long-term focus of the business model in principle means meeting 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 of at least "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 using credit ratings from recognised credit agencies.

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. 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 in any case only a temporary phenomenon.

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

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 receivables are neither impaired nor past due. They totalled € 19.3 million in the reporting period. The other receivables are also neither impaired nor past due and totalled € 68.4 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 so that the Group neither exceeds its credit lines nor violates loan agreements. 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 2013**	**Cash outflows 2014-2017**	**Cash outflows from 2018**
Non-derivative financial instruments	-158.3	-2,530.1	0.0
Derivative financial instruments	-11.5	-31.5	0.0
Financial guarantees	0.0	0.0	0.0

For financial liabilities that bear floating interest rates, the rates that were fixed 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. The cash outflows from the derivatives (incl. interest derivatives) corresponded to the amounts given only in the case of early termination.

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 2012, the Group had a net debt-equity ratio of 79%.

in € million	**31 Dec. 2012**
Financial liabilities	-2,481.0
Financial receivables	19.3
Liquid funds	326.1
Net debt of VGT Group	**2,135.6**
Property, plant and equipment	2,710.5
Net debt-equity ratio	**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. No financial asset which can be regarded as material from the Group's point of view is past due or impaired.

On the basis of the credit ratings available and past experience, for all assets which were neither past due 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

Fair value hedges are used to protect against the risk from changes in market values. Gains and losses on these hedges are generally reported in the line item of the income statement which also includes the respective hedged items.

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.

As of 31 December 2012, the hedged transactions in place included foreign currency cash flow hedges with maturities of up to two years and interest cash flow hedges with maturities of up to five years. The cash flows from hedged transactions secured in cash flow hedge accounting occur in the period from 2013 to 2017 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 in the period when the cash flows of the hedged item affect income. Gains and losses from the ineffective portions of cash flow hedges are recognised under other operating income or other operating expenses. Interest cash flow hedges are reported under other interest and similar. The fair values of the derivatives used in cash flow hedges total € -26.5 million.

No ineffectiveness resulted in the financial year. In 2012, a loss of € 24.6 million before deferred tax was posted to other comprehensive income. In the same period, a loss of € 4.4 million was reclassified from other comprehensive income to the income statement.

Measurement of derivative financial instruments

The fair value of derivative financial instruments is sensitive to movements in underlying market rates and other relevant variables. 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 would assume the rights and/or obligations of another party. The fair values are calculated using common market valuation methods with reference to available market data as of the balance-sheet date.

The following is a summary of the methods and assumptions for the measurement of the derivative financial instruments used:

- Foreign currency transactions are valued separately at their forward rates and prices as of the balance-sheet date. Whenever possible, forward rates and prices are based on market quotations, with any applicable forward premiums and discounts taken into consideration.
- The fair values of instruments to hedge interest risk are determined by discounting future cash flows using market interest rates over the remaining term of the instrument. Discounted cash values are determined for interest rate swaps for each individual transaction as of the balance-sheet date. Interest income is recognised in income at the date of payment or accrual.
- In accordance with IFRS 7.27A and IFRS 7.27B, the derivatives are classified in Level 2 of the fair value hierarchy.

The following table gives an overview of nominal values and fair values of the derivatives existing as per 31 December 2012. The derivatives all qualify as hedging instruments under cash flow accounting in accordance with IAS 39:

in € million	31 Dec. 2012	
	Nominal value	Fair value
Fx transactions	8.4	-0.1
Subtotal	**8.4**	**-0.1**
Interest rate swaps	1,823.8	-26.4
Fixed-rate payer	1,823.8	-26.4
Fixed-rate receiver	-	-
Interest rate futures	-	-
Interest rate options	-	-
Total	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% 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 2012 are as follows (in €):

	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 swaps	-59.8	58.7	0.00	0.00
FX swaps	0.9	-0.8	0.00	0.00

Additional information on financial instruments

The carrying amounts of the financial instruments, their grouping into IAS 39 measurement categories, their fair values and their measurement sources by class are presented in the following table:

in € million	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IAS 39 measurement category1	Fair value
Equity investments	120.7	120.7	AfS	120.7
Financial receivables and other financial assets	**19.3**	**19.3**		**19.3**
Other financial receivables and financial assets	19.3	19.3	LaR	19.3
Trade receivables and other operating assets	**117.8**	**117.8**		**117.8**
Trade receivables and loans granted	49.4	49.4	LaR	49.4
Derivatives with hedging relationships	-	-	-	-
Other operating assets	68.4	68.4	LaR	68.4
Cash and cash equivalents	**326.1**	**326.1**	**AfS**	**326.1**
Total assets	**583.9**	**583.9**		**583.9**
Financial liabilities	**2,481.1**	**2,481.1**		**2,481.1**
Liabilities to banks	2,461.5	2,461.5	AmC	2,461.5
Other financial liabilities	19.6	19.6	AmC	19.6
Trade payables and other operating liabilities	**108.8**	**108.8**		**108.8**
Trade payables	47.1	47.1	AmC	47.1
Derivatives with hedging relationships	26.5	26.5	n/a	26.5
Other operating liabilities	35.2	35.2	AmC	35.2
Total liabilities	**2,589.9**	**2,589.9**		**2,589.9**

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

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. Any necessary discounting takes place using current market interest rates over the remaining terms of the financial instruments. Fair value measurement was not applied in the case of shareholdings with a carrying amount of € 48.5 million (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	2012
Loans and receivables	-1.2
Available for sale	0
Financial liabilities measured at amortised cost	-32.1
Total	**-33.3**

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

The net gains and losses in the financial liabilities measured at amortised cost category are primarily due to interest on financial liabilities, adjusted for borrowing costs.

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

Under the loans raised for the acquisition of Open Grid Europe GmbH, shares in companies were pledged as collateral. See section 6.2 for further information on contingencies.

4.2 Goodwill

The acquisition of OGE 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 € 23.7 million as of 31 December 2012 (€ 24.3 million as of 31 July 2012). Amortisation as of 1 January 2012 is over 15 years (€ 25.3 million as of 1 January 2012).

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

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 2012, the company recorded amortisation expense of € 10.4 million. There were no impairment losses or reversals of impairments. 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 € 82.9 million as of 31 December 2012. € 82.2 million have a remaining useful life until 31 December 2017 and € 0.7 million have a remaining useful life until 31 December 2018.

In the financial year, there were additions of € 1.2 million to the internally generated intangible assets.

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 € 0.4 million were capitalised in 2012.

In the reporting period, the Company recorded depreciation of property, plant and equipment in the amount of € 43.0 million. No impairment losses nor reversals of impairments were recognised on property, plant and equipment.

4.5 Financial assets

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

The list of shareholdings is given in section 7.

The main equity investments are Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co.KG, Haan (Rhld.) (€ 29.8 million) and DEUDAN-Deutsch/Dänische Erdgastransportgesellschaft mbH & Co.KG, Kiel (€ 12.4 million), which are both joint operations according to the definition in IFRS 1 but which are included at cost for materiality reasons.

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

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*	*0.0*
Non-current liabilities	297.5	97.4	26.8	201.4
Non-current financial liabilities	*274.5*	*88.0*	*0.0*	*0.0*
Proportionate equity				71.8
Other effects				0.3
Carrying amount from companies 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 / income	3.3	1.9	4.0	-6.0
Accumulated 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

The non-current receivables include € 25.6 million arising from the application of the percentage-of-completion method (POC-method) without pro-rata profit realization and non-current prepaid expenses amounting to € 8.9 million. All items have a remaining term of 2 to 5 years.

4.7 Inventories

Inventories break down as follows:

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

In accordance with IAS 2.34, write-downs of € 0.2 million were performed on warehouse materials in the reporting period. 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. 2012
Trade receivables	46.5
Other operating receivables	62,7
Trade receivables and other operating receivables	**109,2**
Financial receivables	**19.3**
Total	**128,5**

All receivables have a remaining term of up to one year. The other receivables mainly comprise a contractually agreed entitlement to compensation in the event of the occurrence of the tax risk described in section 2.5 (€ 16.8 million), income tax and input tax refund receivables from tax creditors (€ 12.0 million), prepaid expenses (€ 11.7 million), accruals for outstanding settlements under the levy account (€ 6.2 million), a receivable from a subsequent purchase price adjustment in connection with the acquisition of OGE (€ 4.7 million) as well as a receivable from a former shipper (€ 3.3 million).

The financial receivables are mainly € 12.7 million relating to short-term cash deposits of NETRA GmbH & Co. KG at its non-Group companies and € 5.3 million relating to a short-term loan granted to VGS.

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

in € million	31 Dec. 2012
Not yet due	16.4
0 to 30 days past-due	15.8
31 to 60 days past-due	5.7
61 up to one year past-due	9.6
Over one year past-due	2.7
Gross trade receivables excl. valuation allowances	***50.3***
Doubtful debts	***4.6***
Valuation allowances	***3.7***
Net value of trade receivables	***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	
12 April 2012	**0.0**
Addition through company acquisition	2.0
Utilisation / Reversal	-0.2
Net addition	1.9
31 December 2012	**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 consists of 25,000 shares each with a value of € 1. VGS holds all the shares.

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

After cash contributions by the shareholder, the additional paid-in capital amounts to € 1,075.6 million.

Retained earnings

Retained earnings total € 33.1 million and result from the net income for the year of € 32.6 million and recognised actuarial gains/losses from pensions of € 0.6 million as well as the deferred taxes thereon of € -0.2 million.

Other comprehensive income

The accumulated OCI totals € -17.0 million and results from the measurement of derivatives amounting to € -24.6 million and the deferred taxes thereon of € 7.6 million.

4.11 Deferred taxes

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

in € million	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	9.2	26.0
Goodwill	7.3	0.0
Property, plant and equipment	1.8	378.0
Financial assets	0.3	30.8
Provisions	46.9	1.6
Liabilities	45.7	2.2
Loss carryforward	14.1	0.0
Other assets	2.0	39.1
Deferred taxes before netting	**127.3**	**477.7**
Netting	-101.8	-101.8
Deferred taxes after netting	**25.5**	**375.9**

In 2012, current deferred tax assets of € 34.7 million and non-current deferred tax assets of € 67.1 million were netted against deferred tax liabilities. Deferred tax liabilities of € 64.8 were not recognised on temporary differences in connection with shares in subsidiaries as it is not likely that these temporary differences will be reversed in the foreseeable future.

The Group has a corporate tax loss carryforward of € 37.6 million and trade tax loss carryforwards of € 53.5 million. In this connection, deferred tax assets of € 14.1 million were recognised.

The maturity structure of the deferred taxes is as follows:

in € million	**31 Dec. 2012**	
	Current	**Non-current**
Deferred tax assets	13.4	12.1
Deferred tax liabilities	2.3	373.6
Net amount	**11.1**	**-361.5**

Of the deferred tax assets shown, a total of € 7.4 million are recognised in equity. 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. 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 acc. with Article 40b German Income Tax Law (EStG)and Article 36, para. 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 insurances) 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.

Detailed description of the individual plans:

a) Bochumer Verband Benefits Plan in conjunction with the Ruhrgas Supplementary Benefits Plan for Non-Pay-Scale Staff

This is kind of pension plan based on the years of service and the final salary and is a direct commitment.

According to the Supplementary Benefits Plan for Non-Pay-Scale Staff of E.ON Ruhrgas AG, Essen, of 15 October 1987 in the version of 1 January 2003, non-pay-scale staff have in principle a legal right to retirement pension benefits according to the relevant guidelines of Bochumer Verband.

An entitlement to 30% of the full pension is earned in the first 5 years of service, 5% in each year of service in the next 10 years of service and 2% in each of the next 10 years of service. Each calendar year in which the employee was registered counts as a full year of service.

If an employee retires before the age of 55, half of the difference to the percentage achievable at the age of 55 is added to the percentage achieved on entry into retirement.

If, after less than 25 years of service, the employee draws a full pension from the statutory pension insurance fund for age reasons or benefits from any exempting life insurance before reaching 65, the pension is cut by 0.4% for each month of premature drawing of the pension. Furthermore, the works agreement on the revision of pension reductions dated 3 July 2008 is taken into consideration.

The current benefits are adjusted by Bochumer Verband (in accordance with Section 16 BetrAVG).

b) LO Benefits Plan

The LO Benefits Plan for additional benefits of E.ON Ruhrgas AG is kind of pension based on the years of service and the final salary and is a direct commitment for pay-scale workers entering into the company's service on or before 31 December 2002, which breaks down into retirement, invalidity and surviving dependents' benefits.

Taking the number of years of service into consideration, the company pension amounts to not more than 20% of the pensionable income applicable at the time the employee starts drawing the pension (co-called full entitlement).

After fulfilment of the qualifying period (7 years), the employee has a vested right to 40% of the full entitlement. The entitlement then increases by 4% for each of the next 10 years of service. Each further year of service leads to a 25 increase in the entitlement up to a maximum of the full entitlement of 100 %, which is reached after 27 years.

When the pension is calculated, each calendar year commenced counts as a year of service. If an employee draws the company pension before reaching the age of 65, the entitlement is reduced by 0.4% for each month of premature drawing. If the employee claims the pension on the grounds of reaching the pensionable age for the severely disabled, the entitlement is only reduced by 0.25% for each month of departure before the age of 63.

Furthermore, the works agreement on the revision of pension reductions dated 3 July 2008 is taken into consideration.

Every year in November, the beneficiaries receive a Christmas allowance amounting to the benefit due to them for the month of November. The pension benefits are paid every month in advance.

The current benefits are adjusted in accordance with Section 16 BetrAVG for so-called “Altzusagen” (Old pension commitments).

c) VO Pension Plan

The VO Pension Plan of E.ON Ruhrgas AG of 20 December 2002 applies to pay-scale and non-pay-scale workers entering into the company's service between 1 January 2003 and 31 March 2008; it replaces the Bochumer Verband Benefits Plan and the LO Pension Plan. The pension is also based on the years of service and the final salary and breaks down into retirement, invalidity and surviving dependents' benefits.

When an employee retires, the VO Pension Plan provides a lifelong pension in the form of a fixed amount. A pension is payable when the employee leaves the company after reaching the age of 65 or draws a retirement pension from the statutory pension insurance fund as a full pension before reaching the age of 65 and leaves the company.

Years of service between the age of 20 and 62 are counted as pensionable years of service. For cases of invalidity or death before the age of 62, the time missing until the age of 62 is to be taken into account as a supplementary period. The pensionable period of service is no more than 20 years, each calendar year commenced being considered as a full year of service. In the event of less than 20 years of service, the retirement or invalidity benefit per year of service is 5% of the full entitlement.

The annual pension is defined by the company as a fixed amount and also adjusted when general pay reviews take place. Part-time workers receive a reduced fixed amount in line with the average number of hours worked in relation to a full-time worker.

The widows' and widowers' pension is 60% of the pension which the spouse entitled to a pension was due or would have been due at the time of death. The pension is paid monthly in advance, including a Christmas allowance in November in the amount of the pension due in that month. From the start of pension payments, the current pension benefits are increased annually with effect from 1 July by at least 1%.

d) "E.ON IQ" Defined contribution Plan

This pension system is a defined contribution pension plan which is financed by employer and employee and which provides for a retirement, invalidity and surviving dependents' pension. Those entitled to take part in this plan are all employees who, after 31 December 2007, enter into a permanent or fixed-term employment contract or apprenticeship contract with a Group company of E.ON AG, which has previously already given employer-financed collective-law direct commitments for company retirement pensions. The individual contract must, however, not have been signed before 31 March 2008. E.ON IQ replaces the VO Pension Plan and the Pension Benefits Plan (DC) for those employees which it covers.

The defined contribution plan grants pension benefits in the event of retirement, invalidity or death. An employee has a claim to retirement age benefits if the employment contract ends on or after the individual statutory retirement age has been reached, but no later than when the employee becomes 67 (fixed age limit) as well as on application if the employment contract ends when the employee becomes 62.

The amount of the respective contribution is based on the remuneration of the respective employee in the year the contribution is determined. Furthermore, there is an obligation to pay in an additional component once a year which depends on the company's performance and is financed by the employer.

The contributions bear interest in accordance with three different interest rates (reference interest rate, pension interest rate and short-term interest rate). They are recalculated every year and reflect the yield on government bonds in the Federal Republic of Germany.

In the event that the employee foregoes remuneration in a minimum amount, the employer is obliged to pay in a so-called matching contribution. As regards this pension component, the employee has the possibility of receiving the pension paid out as a one-off sum.

The pension may be paid out as a lump sum, in instalments or as a life-long pension.

The pension benefits are increased by 1% per year from the time the pension is drawn.

e) Deferred Compensation

The works agreement which entered into force in 2002 - "Pension Benefit Plan for Employees of E.ON Ruhrgas AG with a Permanent Employment Contract; Deferred Compensation: DC" dated 19 July 2002 applies to pay-scale and non-pay-scale employees who joined the company on or before 31 December 2007. It enables the employees to forego a portion of their remuneration every year. The benefits are paid out as a retirement pension in a maximum of 10 annual instalments from the age of 62 at the earliest. There is also the possibility of alternative pay-out in a one-off sum. The benefit is heritable. An invalidity component is also possible.

According to the DC, a capital sum is calculated as a retirement benefit from the annually determined foregone remuneration amounts which bear interest at 6% until maturity. The retirement benefit is due on 31 January of the year following the year in which the beneficiary reaches the age of 65. A recalculation is made in the event of premature drawing of the retirement benefit (however not before the beneficiary reaches 60). On request by the beneficiary before retirement, the same total benefit may be split and paid in a pension paid annually in advance over not more than 10 years instead in one single capital sum.

In the case of full or partial incapacity to work, the employee receives a monthly pension of 1% of the accrued foregone remuneration amounts for the duration of the incapacity to work but only up to the age of 60. The retirement benefit is not affected by this payment.

In the event of death before drawing of the retirement benefit, a payment of 150% of the accrued foregone remuneration amounts is made; in the event of death during any agreed instalment payment period, the outstanding amount would be paid out in one sum. The surviving dependents are, in each case, the beneficiaries. In the event of drawing of the retirement benefit before the maturity date, the capital sum is reduced by 0.5% for each month by which the month of drawing precedes the maturity date.

f) Direct insurances (foregoing of part of remuneration)

This is the insurance-based pension option for a retirement, invalidity and survivors' pension in which the employee foregoes payment of part of his/her remuneration and the employer takes out a corresponding direct insurance with the employee as the beneficiary.

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 (DC). Employer-financed direct life insurances 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 or benefit commitments

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

in € million	**2012**
Present value as of 12 April 2012	**0.0**
Change/company acquisition	262.9
Service cost	5.8
Interest cost	3.8
Settlement gain	-2.5
Provision transfers	-7.4
Actuarial gains and losses	-2.5
Pension benefits paid	-0.3
Present value as of 31 December 2012	**259.8**

The provision transfers mainly relate to transfers of obligations at the commercial balance sheet carrying amount as part of the spin-off of part of operations to E.ON Gas Storage GmbH, Essen ("EGS"). The settlement gain is attributable entirely to this transfer.

The weighted average duration of the obligation is 24.2 years as of the balance-sheet date. In the following 10 years, the following pay-outs for pension benefits are expected:

	€ million
2013	1.4
2014	2.3
2015	3.5
2016	4.5
2017	6.5
2018	6.9
2019	8.3
2020	9.7
2021	11.0
2022	12.6

Actuarial assumptions

The following parameters were used for measurement as of 31 December 2012:

	31 Dec. 2012
Discount rate	3.50%
Expected salary increase rate	2.50%
Expected pension increase rate	2.00% or in line with agreed guaranteed increase
Expected return on plan assets	3.50%
Biometric data	Heubeck 2005G mortality tables with invalidity probabilities reduced to 80 % of the table values
Retirement age	Early retirement age in accordance with RV- Altersgrenzenanpassungsgesetz (Pension Insurance Retirement Age Adjustment Act) of 20 April 2007
Employee turnover rate probability	Standard 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 will be as follows:

	+ 0.25%p or -10%	**- 0.25%p or -10%**
Discount rate	-5.1%	+5.4%
Future salary increase rate	+1.8%	-1.8%
Future pension increase rate	+3.0%	-2.9%
Mortality	-2.2%	+2.4%

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	**2012**
12 April 2012	0.0
Change/company acquisition	202.9
Expected return on plan assets	2.9
Actuarial gains and losses	-1.9
31 December 2012	**203.9**

The expected return on plan assets for the subsequent year amounts to € 6.9 million. The expected contributions to plan assets could not yet be reliably estimated as of the balance-sheet date.

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

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

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	2012
Present value of pension ***costs***	259.8
Fair value of plan assets	-203.9
Amount recognised	**55.9**

The provision recognised developed as follows:

in € million	2012
Provision as of 12 April 2012	0.0
Change/company acquisition DBO	60.0
Service cost	5.8
Net interest expense/income	0.9
Settlement gain	-2.5
Provision transfers	-7.4
Remeasurement effects	-0.6
Pension benefits paid	-0.3
Provision as of 31 December 2012	**55.9**

Pension cost

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

in € million	12 Apr. – 31 Dec. 2012
Current cost (incl. settlement gain)	3.3
Interest cost	3.8
Return on plan assets	-2.9
Total	**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 actuarial gains and losses are due solely to experience-based adjustments.

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	**2012**
Accumulated actuarial gains (+) / losses (-) recognised in equity as of 12 April	0.0
Recognition in equity of current-period actuarial gains (+) / losses (-)	-0.6
Accumulated actuarial gains (+) / losses (-) recognised in equity as of 31 December	**-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:

	Additions to scope of consoli-dation	Additions	Disposals	Unwinding of discounting Provisions	Reclassif-ications	Change in plan assets	Utilisation Provisions	Final amount
Other provisions	**126.6**	**37.6**	**-3.5**	**2.5**	**0.0**	**-2.5**	**-12.9**	**147.8**
Provisions – production sector	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.7**
Provisions for emission rights – current	*0.7*							*0.7*
Provisions – pipeline sector	**68.6**	**7.2**	**-0.1**	**0.0**	**0.0**	**0.0**	**-0.3**	**75.4**
Provisions for repayments – current	*1.2*		*-0.1*				*-0.1*	*1.0*
Provisions for miscellaneous in the pipeline sector - current	*6.0*	*7.2*						*13.2*
Provisions for miscellaneous in the pipeline sector - non-current	*61.4*						*-0.2*	*61.2*
Provisions – sales sector	**0.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**
Provisions for miscellaneous in the sales sector - current		*0.3*						*0.3*
Provisions – personnel sector	**40.0**	**27.6**	**-2.6**	**2.5**	**0.0**	**-2.5**	**-12.1**	**52.9**
Provisions for early-retirement obligations and part-time phased-retirement - non-current	*8.6*	*17.1*	*-1.6*	*0.3*		*-2.5*	*-1.7*	*20.2*
Provisions for annual and special bonuses etc. – current	*16.2*	*7.1*	*-0.1*				*-6.6*	*16.6*
Provisions for annual and special bonuses etc. - non-current	*0.3*		*-0.1*				*-0.2*	*0.0*
Provisions for long-service anniversary obligations - non-current	*5.7*	*0.3*	*-0.2*	*0.1*			*-0.1*	*5.8*
Provisions for in-kind benefit obligations - non-current	*5.9*	*0.3*	*-0.2*	*0.1*				*6.1*
Provisions for other personnel expenses – current	*3.3*	*2.8*					*-3.3*	*2.8*
Provisions for other personnel expenses - non-current			*-0.4*	*2.0*			*-0.2*	*1.4*
Provisions – other risks	**14.6**	**2.2**	**-0.7**	**0.0**	**0.0**	**0.0**	**-0.2**	**15.9**
Provisions for litigation costs and compensation obligations – current	*14.6*	*2.2*	*-0.7*				*-0.2*	*15.9*
Provisions – miscellaneous other provisions	**2.7**	**0.3**	**-0.1**	**0.0**	**0.0**	**0.0**	**-0.3**	**2.6**
Provisions for external annual financial statement audit cost /review – current	*0.1*	*0.1*						*0.2*
Miscellaneous provisions – current	*0.8*	*0.2*	*-0.1*		*0.1*		*-0.3*	*0.7*
Miscellaneous provisions - non-current	*1.8*				*-0.1*			*1.7*
Total – current	**42.9**	**19.9**	**-1.0**	**0.0**	**0.1**	**0.0**	**-10.5**	**51.4**
Total - non-current	**83.7**	**17.7**	**-2.5**	**2.5**	**-0.1**	**-2.5**	**-2.4**	**96.4**

VGT expects the complete amount of current provisions (€ 51.4 million) to be utilised within the year.

As part of the acquisition, contingent liabilities were identified, measured and accounted for as provisions. 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 2022 onwards, as well as possible litigation obligations (€ 12.8 million).

The following obligations are grouped under personnel obligations:

- obligations for bonus payments (€ 16.6 million)
- obligations for restructuring measures (€ 12.3 million)
- obligations under part-time pre-retirement arrangements (€ 7.9 million)
- obligations for gas allowance payments (€ 6.1 million)
- obligations for long-service anniversary payments (€ 5.8 million)
- obligations for long-term working-time accounts (€ 1.4 million)
- other obligations due in the short term (€ 2.8 million)

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

The existing plan assets for part-time phased-retirement obligations (€ 15.4 million) and long-term working-time account obligations (€ 10.5 million) are only for fulfilling the pension commitments and are not available to the creditors, also in the event of the company's insolvency. For this reason, the present value of the obligations (part-time phased-retirement obligations (€ 23.3 million) and long-term working-time account obligations (€ 11.9 million) and the value of the plan assets are offset against each other.

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

2013: € 0.1 million
2014-2018: € 1.2 million
From 2018: € 11.9 million

For the remaining other provisions of € 39.0 million, VGT expects utilisation within the next two to five years.

4.14 Liabilities

The following table provides a breakdown of the liabilities:

in € million	**Current**	**Non-current**
Financial liabilities	**140.0**	**2,341.0**
Trade payables (including advance payments)	58.2	0.3
Investment grants / construction cost grants	0.0	0.3
Liabilities to proportionately consolidated companies	14.0	0.0
Income tax liabilities	45.6	0.0
Accruals	21.6	0.0
Liabilities from derivative financial instruments	0.0	26.5
Other operating liabilities	24.8	1.9
Trade payables and other operating liabilities	**164.2**	**29.0**
Total	**304.2**	**2,370**

The other operating liabilities mainly result from transfers of employee-related obligations as part of spin-offs of parts of operations to E.ON Gas Storage GmbH (€ 8.0 million) and to VGS (€ 1.3 million). Furthermore, they include other tax liabilities of € 7.0 million, obligations to VGS of € 2.2 million for costs paid, obligations to other joint operators of joint operations amounting to € 2.1 million as well as deferred income of € 1.1 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 (period 1 August to 31 December 2012).

5.1 Sales

Sales revenues are generated primarily from the transportation of gas and transport-related services. Additional revenue is earned from technical and commercial services.

Of the sales revenues generated in 2012, € 355.3 million results from the gas transmission business and € 25.9 million from transport-related services. € 64.5 million results from technical and commercial services. The sales revenues include revenue from construction contracts of € 2.7 million. The construction costs connected with these contracts amount to € 2.7 million

5.2 Own work capitalised

Own work capitalised amounted to € 9.2 million in the reporting period and resulted 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 € 4.2 million not relating to the period, including income of € 1.0 million from the reversal of provisions.

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	12 Apr. – 31 Dec. 2012
Expenses for raw materials and supplies	139,0
Expenses for purchased goods	46,2
Total	**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	12 Apr. – 31 Dec. 2012
Wages and salaries	55.0
Social security contributions	7.8
Pension costs and other employee benefits	3.7
Total	**66.5**

Of the pension costs and other employment benefits totalling € 3.7 million, € 0.1 million relate to defined contribution plans.

In the reporting period, the Group employed an average of 1,641 people (413 blue-collar workers and 1,146 white-collar workers). The figure includes an average of four managing directors, 78 apprentices and 4 employees from proportionately consolidated Group companies.

The personnel figures were determined on an average basis on 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	12 Apr. – 31 Dec. 2012
IT costs	21.8
Social security contributions	14.6
Fees and contributions	5.0
Other taxes	4.9
Vehicle costs	2.7
Expenses for services rendered by third parties	2.5
Write-downs on receivables	1.8
Travelling costs	1.7
Court and notary costs	1.7
Insurance premiums	1.5
Rental and lease costs	1.4
External audit and consulting costs	0.9
Losses from currency derivatives	0.2
Miscellaneous other operating expenses	6.0
Total	**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).

5.7 Depreciation, amortisation and impairment charges

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

5.8 Financial result

in € million	12 Apr. – 31 Dec. 2012
Income/loss (-) from equity investments	**-1.1**
Income from companies accounted for under the equity method	**3.9**
Interest and similar income	**0.5**
Interest share of the addition to provisions	-3.3
Tax-related interest expense	-0.1
Other interest expenses	-32.1
Interest expenses	**-35.5**
Financial result	**-32.2**

The interest share of the addition to provisions is almost exclusively mainly the interest cost from pension provisions (€ 3.8 million) – after deduction of the expected return on plan assets (€ 2.9 million) – as well as the unwinding of discounting of the other non-current personnel provisions totalling € 2.5 million.

The other interest expenses are largely interest on debt in connection with the financing of the acquisition of OGE.

The other interest expenses are reduced by the capitalised interest on debt amounting to € 0.4 million.

5.9 Income taxes

As the controlling company, VGT signed a profit-and-loss transfer agreement with OGE effective 1 January 2013 and established a fiscal entity for income tax purposes. 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.

The income taxes break down as follows:

in € million	12 Apr. – 31 Dec. 2012
Income taxes for current financial year	3.6
Income taxes for prior financial years	0.0
Deferred taxes for current financial year	18.6
Deferred taxes for prior financial years	0.0

The effective tax expense includes the income taxes for the current year amounting to € 3.6 million. Of the deferred tax expense, € 18.6 million is attributable to the change in temporary differences and loss carryforwards in the current year.

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

		12 Apr. – 31 Dec. 2012	
		€ million	**%**
	Profit before tax in accordance with IFRS	**54.8**	
	Group income tax rate		31.0
	Expected income tax expense	**17.0**	
1.	Difference due to the trade tax assessment basis	4.5	8.3
2.	Effect from measurement under the equity method	0.8	1.5
3.	Other	-0.1	-0.3
	Effective **tax expense / rate**	**22.2**	**40.5**

The difference between the calculated tax expense and the actual tax expense is due in particular to trade tax additions.

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 € 326.1 million.

6.2 Contingencies

On 9 May 2012, VGT signed a syndicated loan agreement with an international consortium of business banks in connection with the acquisition of all of the shares in OGE completed on 10/16 May 2012. As of the balance-sheet date, the syndicated loan had a value of € 2,200.0 million excluding accrued interest. Taking the unwinding of discounting effects into consideration, the figure recognised in the balance sheet was € 2,156.1 million.

On 19 October 2012, OGE and certain subsidiaries, as borrowers and guarantors, acceded to this syndicated loan agreement. In addition, of the total syndicated loan volume available, € 1.1 million was utilised by OGE as guarantor for bank guarantees in favour of third parties through Unicredit Bank AG.

In connection with accession to the syndicated loan agreement, the following securities were provided in favour of the consortium of business banks:

- Pledging of the bank accounts of VGT as well as all other acceding companies (carrying amount as of 31 December 2012: € 301.5 million)
- Pledging of all shares held by VGT in OGE as well as all shares held by OGE in METG, OGS and PLEdoc (carrying amount as of 31 December 2012: € 3,353.3 million)
- Assignment of all current and future receivables from OGE and all wholly-owned subsidiaries under inter-company loan agreements (carrying amount as of 31 December 2012: € 0.0 million)
- Assignment of customer receivables of all acceding companies (carrying amount as of 31 December 2012: € 35.6 million)
- Assignment of claims under the acquisition agreements (carrying amount as of 31 December 2012: € 0.0 million)
- Assignment of claims under interest hedging agreements (carrying amount as of 31 December 2012: € 0.0 million)

— Assignment of all possible insurance compensation of all acceding companies (carrying amount as of 31 December 2012: € 0.0 million)

6.3 Other financial obligations

The other financial obligations which cannot be seen from the balance sheet amounted to € 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. 2012
Purchase commitment for investments in intangible assets	1.8
Purchase commitment for investments in property, plant and equipment	39.5
Purchase commitment for maintenance work (incl. inventory materials)	133.3
Total purchase commitment	**174.6**

6.4 Leases

The Group rents business premises, vehicles and other operating equipment under cancellable operating leases. On the basis of the minimum contract term and/or the earliest contract termination date, the existing contract relationships result in the following minimum lease payments for the Group:

in € million	**2013**	**2014**	**2015-2017**	**2018**
Building(s)	1.9	1.8	1.3	0.0
Vehicles, IT and others	5.9	4.4	3.5	0.0
Minimum lease payments	**7.8**	**6.2**	**4.8**	**0.0**

In the 2012 financial year, payments under leases of € 4.1 million were recognised in income.

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 in full:

in € million	**2013**	**2014**	**2015-2017**	**From 2018**
Building(s)	1.9	0.2	0.0	0.0
IT and others	0.1	0.1	0.1	0.0
Minimum lease payments	**2.0**	**0.3**	**0.1**	**0.0**

In the 2012 financial year, payments under leases of € 0.8 million were recognised in income.

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

The external sales by services break down as follows:

Segment information by services		
in € million	2012	2011
Transport business	381.2	n/a
Other Services business	64.5	n/a

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 € 175.0 million with one customer in 2012. 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 Vier Gas Holdings S.A.R.L ("VGH"), Luxembourg, and VGS, a consortium consisting of the British Columbia Investment Management Corporation (32.2%), Abu Dhabi Investment Authority (24.9%), Macquarie Infrastructure and Real Assets (23.9%) as well as MEAG MUNICH ERGO Asset Management (19.0%), together holds 100% of the shares in VGT.

In addition to the subscribed capital of € 25k, VGS has paid € 1,075.6 million into the additional paid-in capital of VGT.

In connection with the establishment of VGT and the acquisition of OGE, VGH had outlays of € 2.2 million on behalf of VGT. VGH assigned the resulting receivable to VGS. Therefore, as of the balance-sheet date, VGT recognised liabilities to VGS in the aforementioned amount.

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

Associated companies:

The list of shareholdings is to be found under section 7. There were only significant business relations with NETG, Deudan, GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. Kommanditgesellschaft, Straelen and NetConnect Germany GmbH & Co., Ratingen. The individual business transactions were as follows:

Transactions in € million	**31 Dec. 2012**
Receivables	11.4
Liabilities	2.0
Cost of materials	8.0
Sales	11.0

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

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

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 remuneration of the members of the OGE management for their services as employees breaks down as follows:

in € million	**2012**
Salaries and other current benefits	1.3
Post-termination benefits	0.0
Total remuneration	**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, PricewaterhouseCoopers AG WPG, Essen, received the following fees in the 2012 financial year:

in € million	**12 Apr. – 31 Dec. 2012**
Financial statement audits	0.2
Total	**0.2**

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.

6.9 Exemption options pursuant to Section 264, para. 3 and Section 264b HGB

The domestic subsidiaries in the legal form of a corporation (Kapitalgesellschaft) do not make use of the exemption provisions in accordance with Section 264, para. 3 and Section 264b of the German Commercial Code (HGB).

6.10 Management

The following persons have been appointed to the Management of VGT:

Hilko Cornelius Schomerus, Darmstadt, Managing Director, Macquarie Infrastructure & Real Assets, since 3 May 2012

Simon Richard Eaves, Dubai/United Arab Emirates, Regional Head, Infrastructure Division, ADIA, since 11 June 2012

Lincoln Hillier Webb, Victoria, British Columbia/Canada, Vice President, Private Placements, British Columbia Investment Management Corp., since 26 June 2012

Alice Forster, Munich, Senior Investment Manager, Private Equity & Infrastructure, MEAG MUNICH ERGO Asset Management GmbH, since 7 August 2012

Frank Heiss, Wiesbaden, Senior Vice President, Macquarie Infrastructure & Real Assets, since 27 September 2012

Richard W. Dinneny, Victoria, British Columbia/Canada, Portfolio Manager, Private Placements British Columbia Investment Management Corp.,
since 5 October 2012

Guy Lambert, Abu Dhabi/United Arab Emirates, Senior Fund Manager, Infrastructure Division, ADIA, since 17 October 2012

The managing directors are not employees of the Company.

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7 List of shareholdings as of 31 December 2012

a) Fully consolidated

Name	Seat	Trade register number	Share In %	Equity in € k (1)	Net income/loss in € k (1)
Open Grid Europe GmbH	Essen	**HRB 17487**	100,00	849,589	292,620
Open Grid Regional GmbH	Essen	**HRB 19964**	100,00	500	1,476
Mittelrheinische Erdgastransportleitungsgesellschaft mbH	Haan (Rhld.)	**HRB 12666**	100,00	29,150	58,604
Line WORX GmbH	Essen	**HRB 23536**	100,00	80,725	7,776

b) Proportionately consolidated

Name	Seat	Trade register number	Share In %	Equity in € k (1)	Net income/loss in € k (1)
MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG	Essen	**HRA 8536**	51.00	52,921	32,470
NETRA GmbH Norddeutsche Erdgas Transversale & Co. Kommanditgesellschaft	Schneiderkrug	**HRA 150471**	40.55	148,437	65,397
Trans Europa Naturgas Pipeline Gesellschaft mbH & Co.KG	Essen	**HRA 8548**	51.00	31,305	10,272

c) Associated – at-equity

Name	Seat	Trade register number	Share In %	Equity in € k (1)	Net income/loss in € k (1)
GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. Kommanditgesellschaft	Straelen	**HRA 1805**	25.00	83,149	42,149

d) At cost

Name	Seat	Trade register number	Share In %	Equity in € k (1)	Net in-come/loss in € k (1)
Nordrheinische Erdgastransportlei-tungsgesellschaft mbH & Co. KG (3)	Haan (Rhld.)	**HRA 19228**	50.00	29,614	6,095
MEGAL Verwaltungs-GmbH (4)	Essen	**HRB 18697**	51.00	39	2
PLEdoc Gesellschaft für Dokumenta-tionserstellung und -pflege mbH (4)	Essen	**HRB 9864**	100.00	589	18
Open Grid Service GmbH (4)	Essen	**HRB 22210**	100.00	28	564
NEL Beteiligungs GmbH (4)	Essen	**HRB 23527**	100.00	25	-1
Trans Europa Naturgas Pipeline Verwaltungs-GmbH (5)	Essen	**HRB 18708**	50.00	39	2
Nordrheinische Erdgastransportlei-tungs-Verwaltungs-GmbH (5)	Haan (Rhld.)	**HRB 14376**	50.00	33	1
DEUDAN - Deutsch/Dänische Erd-gastransport-Gesellschaft mbH & Co. Kommanditgesellschaft (3)	Hande-witt	**HRA 3848 FL**	24.99	6,991	2,475
DEUDAN-HOLDING-GmbH (5)	Hanno-ver	**HRB 214**	49.00	23	-2
NetConnect Germany GmbH & Co. KG (5)	Ratin-gen	**HRA 20201**	35.00	5,000	233
NetConnect Germany Management GmbH (5)	Ratin-gen	**HRB 59556**	35.00	60	3
NETRA GmbH-Norddeutsche Erd-gas Transversale (5)	Schnei-derkrug	**HRB 150783**	33.33	101	3
caplog-x GmbH (5)	Leipzig	**HRB 23614**	33.33	411	211
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deut-scher Gasversorgungsunternehmen mbH (5)	Straelen	**HRB 4812**	25.00	58	2
PRISMA European Capacity Plat-form GmbH (2) (6)	Leipzig	**HRB 21361**	8.33	370	170
EuroHub GmbH (in liquidation)(6)	Haan (Rhld.)	**HRB 14398**	16.67	-	-
LIWACOM Informationstechnik GmbH (5)	Essen	**HRB 7829**	33.33	742	407

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

Essen, 23. April 2013

Vier Gas Transport GmbH
Die Geschäftsführung

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. 2012

	Changes in historical cost							Accumulated depreciation and amortisation					Carrying amounts
	12 Apr. 2012 € million	Additions to scope of consolidation € million	Additions € million	Appreciation € million	Disposals € million	Reclassifications € million	31 Dec. 2012 € million	12 Apr. 2012 € million	Additions € million	Disposals € million	Reclassifications € million	31 Dec. 2012 € million	31 Dec. 2012 € million
Intangible assets													
Internally generated industrial property rights and similar rights and assets	0,00	0,00	0,10	0,00	0,00	0,00	0,10	0,00	0,00	0,00	0,00	0,00	0,10
Purchased concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets	0,00	108,70	2,70	0,00	-5,50	8,90	114,80	0,00	-10,40	0,00	0,00	-10,40	104,40
Advance payments and construction in progress	0,00	14,00	8,70	0,00	0,00	-9,00	13,70	0,00	0,00	0,00	0,00	0,00	13,70
	0,00	**122,70**	**11,50**	**0,00**	**-5,50**	**-0,10**	**128,60**	**0,00**	**-10,40**	**0,00**	**0,00**	**-10,40**	**118,20**
Goodwill	**0,00**	**830,40**	**0,00**	**0,00**	**0,00**	**0,00**	**830,40**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**830,40**
Property, plant and equipment													
Land, leasehold rights and buildings including buildings on third-party land	0,00	142,00	1,70	0,00	-1,30	2,90	145,30	0,00	-1,90	0,00	0,00	-1,90	143,40
Pipeline system	0,00	1.814,60	64,40	0,00	0,00	103,30	1.982,30	0,00	-25,90	0,00	0,00	-25,90	1.956,40
Technical equipment, plant and machinery	0,00	452,10	18,30	0,00	-2,60	25,70	493,50	0,00	-13,30	0,20	0,00	-13,10	480,40
Other equipment, fixtures, furniture and office equipment	0,00	22,20	2,80	0,00	-1,00	2,80	26,80	0,00	-1,80	0,10	0,00	-1,70	25,10
Advance payments and construction in progress	0,00	220,10	19,60	0,00	0,00	-134,50	105,20	0,00	0,00	0,00	0,00	0,00	105,20
	0,00	**2.651,00**	**106,80**	**0,00**	**-4,90**	**0,20**	**2.753,10**	**0,00**	**-42,90**	**0,30**	**0,00**	**-42,60**	**2.710,50**
Financial assets													
Equity investments	0,00	123,10	0,10	0,00	-2,50	0,00	120,70	0,00	0,00	0,00	0,00	0,00	120,70
Non-current securities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Long-term loans	0,00	3,00	0,20	0,10	-0,40	0,00	2,90	0,00	0,00	0,00	0,00	0,00	2,90
	0,00	**126,10**	**0,30**	**0,10**	**-2,90**	**0,00**	**123,60**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**123,60**
	0,00	**3.730,20**	**118,60**	**0,10**	**-13,30**	**0,10**	**3.835,70**	**0,00**	**-53,30**	**0,30**	**0,00**	**-53,00**	**3.782,70**

"**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 short financial year from April 12 to December 31, 2012. 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 Section 315a (1) HGB [Handelsgesetzbuch - German Commercial Code] are the responsibility of the Company's managing director. 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 Section 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 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, April 24, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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