viergas

2021
Group Annual Report

Vier Gas Transport GmbH

(Translation – the German text is authoritative)

Contents

Group Management Report 2021

Vier Gas Transport GmbH

Basic information on the Group

The Vier Gas Transport Group is made up of Vier Gas Transport GmbH (VGT), Essen, as the parent company, and its major subsidiary Open Grid Europe GmbH (OGE), Essen, with its equity investments.

VGT largely performs a holding company function for OGE. This Group management report therefore mainly refers to the business activities of OGE, which is active in the field of gas transport logistics.

OGE is Germany's leading natural gas transmission system operator and operates Germany's largest transmission network with a length of approximately 12,000 km. As a network operator, OGE is subject to supervision by the Federal Net-work Agency (BNetzA), the German regulatory authority, and is bound by both European Union (EU) and German statutory regulations.

OGE's core activities include marketing gas transport capacities (including determining quantities and billing), operating, maintaining and repairing the pipeline system as well as controlling and monitoring the network. From 1 January 2021 to 30 September 2021, the gas transport capacities were marketed in the two existing market areas of GASPOOL Balancing Services GmbH (GASPOOL) and NetConnect Germany GmbH & Co. KG (NCG). Since 1 October 2021, the capacities have been marketed in the new merged market area of Trading Hub Europe GmbH (THE). Furthermore, the core activities include the efficient development of the gas transmission pipeline networks on the basis of network development plans and in line with demand.

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

Report on economic position

Overall economic and industry-related conditions

Overall economic development

In its annual report, the German Council of Economic Experts expects Germany's gross domestic product to have grown by 2.7 % in 2021 and to grow by 4.6 % in 2022. It anticipates growth of 5.2 % and 4.3 % for the Euro area in the same periods. The pre-crisis level of the 4th quarter of 2019 should be reached again in the 1st quarter of 2022. Uncertainty about future economic development is high. New health policy restrictions or prolonged supply bottlenecks could impact more heavily on recovery.

The sharp rise in global demand has led to high raw material and energy prices as well as supply-side bottlenecks. As a result, the consumer price index in Germany increased by 3.1 % in 2021 compared with 2020. Prolonged supply-side bottlenecks, higher wage settlements and rising energy prices pose risks and act as temporary price drivers, leading to persistently higher inflation rates.

Extensive private-sector investments are needed if the transformation to a climate-friendly and digital economy in Germany is to succeed. To this end, growth-promoting conditions have to be created. Forward-looking public spending are to be prioritised and the many non-monetary obstacles removed. The simplification and shortening of planning, approval and judicial procedures and the bundling of capacities and expertise in operationally independent institutions are to help towards the achievement of these goals.

Primary energy consumption in Germany

According to the Working Group on Energy Balances (AGEB), energy consumption in Germany reached a level of 12,193 petajoules (PJ) or 416.1 million tonnes of hard coal equivalent (mtce) in 2021. That is an increase of 2.6 % compared with the previous year. However, energy consumption is still significantly below pre-COVID-19 levels, which indicates that energy and macroeconomic developments in Germany continue to be shaped to a large extent by the COVID-19 pandemic and its effects.

According to the AGEB's estimate, the development of prices on the energy markets towards the end of 2021 led to a significant reduction in consumption. Above all, the prices of natural gas and crude oil rose extraordinarily sharply compared with the previous year. CO_2 emission certificate prices more than doubled compared with the previous year and reached historic highs by the end of the year. The higher energy and CO_2 prices noticeably slowed the growth-related increase in primary energy consumption.

Natural gas consumption increased in 2021 by 3.9 % to 3,258 PJ (111.2 mtce). The main reason for this development was the significantly cooler and largely rather windless weather in the first five months, which led to the increased use of gas in both heat and power generation. From the middle of the year onwards, the rise in prices led to an increase in the use of other energies for electricity and heat generation. The share of natural gas in total primary energy consumption rose slightly from 26.4 % to 26.7 %.

For 2021 as a whole, the AGEB expects an increase in energy-related CO_2 emissions of a good 4 % or roughly 25 million tonnes. The crucial factors in this estimate are not only the increase in consumption due to the weather and economic conditions but also the slight decline in the share of renewables in total consumption. On the power generation side, the decrease in electricity generated by wind power was made up by the competition, i.e. reliable supplies from hard coal and lignite-fired power plants.

Energy policy developments in Europe

In July 2021, the EU Commission presented its "Fit for 55" package of measures for the legislative implementation of the European Green Deal, designed to achieve a reduction in greenhouse gas emissions of 55 % by 2030 compared with 1990 emission levels. The package includes a large number of regulatory measures, which in their entirety aim to increase the costs for emitters of greenhouse gases, promote the expansion of renewable energies and realise efficiencies in energy consumption. The central instrument here is the European Emissions Trading Scheme. In addition to industry and energy supplies, the existing system is also to include shipping in the future and bring about emission reductions in these sectors much more quickly by setting upper limits for the number of certificates to be issued. In addition, the EU Commission will introduce a further separate emission trading system for road traffic and the building sector from 2025 onwards. As part of a revision of the Renewable Energies Directive, the EU Commission wants to set quotas for the use of renewable energies in various sectors that would collectively lead to 40 % of total energy demand being covered by renewable sources by 2030. Among other things, a quota of 50 % is planned for the use of renewable fuels of non-biogenic origin (so-called RFNBO) to cover the demand for hydrogen from member states' industry by the year 2030, which would be met primarily through the use of green hydrogen and corresponding downstream products. Further measures relate, for example, to the taxation of energies based on their respective emissions, the energy-efficient refurbishment of existing buildings and the expansion of the refuelling and charging infrastructure for renewable and low-carbon fuels.

As the second suite of its "Fit for 55" package, in December 2021 the EU Commission presented a hydrogen and gas market decarbonisation package, containing, among other things, a number of proposals for the legal and regulatory framework for a future hydrogen market. The EU Commission wants to build largely on the existing gas market rules for access to hydrogen infrastructures, but allow flexibilities in unbundling and access conditions during a transition phase until 2030 in order to facilitate the development of the hydrogen market. In addition, a transport fee system is to apply to hydrogen and other renewable and low-carbon gases, which is based almost exclusively on income at exit points, in order to promote inner-European transport of these gases between the member states. Further rules in the December package relate, for example, to requirements to reduce methane emissions in the energy industry and possibilities for storing volumes of gas to ensure supply security.

Energy policy developments in Germany

The most important energy-policy developments in Germany in 2021 are closely connected with the Bundestag elections in September. With a joint majority in the Bundestag, the SPD, Bündnis 90/Die Grünen and FDP were able to form a so-called traffic-light coalition and thus bring about a change of government. The coalition agreement also includes a number of energy-policy plans whose implementation is likely to be of great importance for achieving Germany's climate protection goals.

Climate protection and energy are already dealt with in the second chapter of the agreement and thus occupy a prominent position. The new Federal government wants to stick to the known climate goals. This means climate neutrality by 2045. In a departure from the last coalition agreement, however, special focus is paid on achieving these goals with technology-open, sector-overarching instruments. Furthermore, the sector-specific targets of the current Federal Climate Change Act will be replaced by holistic monitoring of all sectors in a revision in 2022.

Hydrogen plays a prominent role in the traffic-light coalition's plans for climate protection. Along with electricity, hydrogen is mentioned as a "prerequisite for Europe's ability to act and its competitiveness in the 21st century". Therefore, the hydrogen economy is to be ramped up quickly and comprehensively with the necessary resources. The focus is to be on domestically produced green hydrogen[1], although there are also references to the considerable importance of imports as well as possibilities for producing blue hydrogen[2]. At the same time, the required hydrogen networks and import structures are to be established to transport the gas. In general, approval procedures are to be accelerated. Particularly when compared with the focus of the last German government, it is clear that politicians see hydrogen and its infrastructure as a necessary and key part of the energy transition. However, according to the coalition agreement, natural gas is "indispensable" for a transitional period. Gas-fired power plants would be particularly needed to ensure system stability and are to be expanded, provided they are also hydrogen-compatible.

All in all, the coalition agreement is a good basis for achieving progress with the energy transition in the next four years and implementing important projects such as the ramping-up of the hydrogen industry.

The preceding SPD-CDU coalition government also launched some important energy-policy projects in 2021, including, first and foremost, the amendment to the Climate Change Act. In response to a ruling by the Federal Constitutional Court, the Federal government significantly tightened the climate targets and, for the first time, defined the goal of climate neutrality in 2045. Furthermore, before the 2021 summer break, the Grand Coalition had, for the first time, also included hydrogen in the Energy Industry Act (EnWG) and anchored further relevant regulations in law. In addition, the criteria for exempting the electricity used in hydrogen production from the EEG levy were defined.

[1] Green hydrogen is made from water via electrolysis, only electricity from renewable sources being used for the electrolysis. Regardless of the electrolysis technology chosen, the production of hydrogen is CO_2-free as the electricity used comes 100% from renewable sources and is therefore CO_2-free.

[2] Blue hydrogen is hydrogen whose CO_2 is captured and stored during its production. The CO_2 produced during hydrogen production is thus not released into the atmosphere and hydrogen production can be considered CO_2-neutral on balance.

Business performance

National regulations

The revenue cap applicable to the 2021 financial year came into effect by decision of 13 June 2018 on the setting of the calendar-year revenue cap for the third regulatory period (2018-2022) in accordance with section 29, para. 1 of the EnWG in conjunction with section 32, para. 1, nos. 1, 5 and 11 and section 4, para. 2 of the German Incentive Regulation Ordinance (ARegV). The annual balance of the regulatory account is not part of the decision on the revenue cap and is decided in separate administrative proceedings. By decision of 12 June 2020, the BNetzA approved the regulatory account balance for the year 2017. The procedure for the 2018 to 2021 balances has not yet been completed.

In preparation for determining the revenue cap for the fourth regulatory period (2023-2027), OGE submitted the cost data required for the BNetzA's cost review procedure pursuant to section 6, para. 1 ARegV by the deadline 1 June 2021. In addition to the costs for the 2020 financial year (base year), these also include corresponding data for the previous years 2016 to 2019.

In accordance with the stipulation dated 6 January 2021, on 30 April 2021 the BNetzA was provided with the load, structure and sales volume data needed for performing the efficiency comparison – which follows the cost review procedure.

On the basis of the industry dialogues held since 2019 on the further development of incentive regulation, the Federal government adopted the draft of the "Ordinance Amending the Incentive Regulation Ordinance and the Electricity Grid Charges Ordinance" on 12 May 2021. The relevant changes came into effect on 31 July 2021. In addition to changes to the bearing of the cost of bottleneck management measures for electricity network operators, significant new changes affecting gas transmission system operators were also adopted. They also affect OGE in the following areas:

- Re-investments: From 2023, introduction of the instrument of capital cost balancing (KKA) already established for distribution network operators
- Investment measures (IMA): Termination of the instrument at the end of the fourth regulatory period with transitional arrangements for existing measures
- Remuneration EK II (Equity II) pursuant to section 7, para. 7 of the Gas Grid Charges Ordinance (GasNEV): Change in the calculation system on the basis of the Bundesbank series as of the 4th regulatory period
- Regulatory account mechanism: Extension of the data provision deadline from 30 June to 31 December of the relevant year. In future, the revenue cap adjustment will therefore not take place in the following year but in the second year after the application has been submitted.

In the European Commission's infringement action against Germany (case C-718/18) on the independence of the Federal Network Agency, the European Court of Justice (ECJ) ruled in favour of the European Commission on 2 September 2021. According to the ruling, the German legislators have limited the responsibilities of the regulatory authority too much. It is expected that the legislators' and regulators' scope for decision-making on the future regulatory framework will be significantly restricted and the responsibility of the regulatory authority will increase. It is further to be expected that the German legislators will promptly start taking action to adapt the national legal framework to the requirements specified by the ECJ. Until the legal framework has been redrawn, the Federal Network Agency has already announced that it will continue to apply the current rules of the Electricity and Gas Grid Charges Ordinances (Strom- und GasNEV) and the ARegV with reference to the latest Federal Court of Justice ruling.

Furthermore, key regulatory parameters for the 4th regulatory period (2023-2027) were determined by the BNetzA in 2021 or the determination process was started:

On 12 October 2021, the Federal Network Agency revised the equity interest rates. Accordingly, from 2023 onwards the equity interest rate (before corporation tax, after trade tax) for new investments will be 5.07 % and for old investments (capitalised before January 2006) 3.51 %. All in all, this means a reduction of more than 25 % compared to the rate valid until 2022. OGE has lodged an appeal against this decision with the Higher Regional Court of Düsseldorf.

On 7 July 2021, the decision-making chamber 4 set requirements for the collection of data for determining the general sectoral productivity factor (Xgen). According to these requirements, the gas network operators must submit the necessary data to the BNetzA by 15 April 2022 at the latest. The Xgen determination procedure for the 4th regulatory period is expected to start in the 2nd half of 2022.

Extensive new rules on the regulation of hydrogen networks came into force on 27 July 2021 with the "Act on the Implementation of EU Legal Requirements and the Regulation of Pure Hydrogen Networks in Energy Industry Law". In addition to the inclusion of hydrogen as an energy source in the Energy Industry Act and extensive individual regulations (e. g. for planning approval, approval and conversion of gas pipelines), an opt-in rule is to be provided.

In accordance with section 28j, para. 3 of the Energy Industry Act, hydrogen network operators can voluntarily but irrevocably declare to the Federal Network Agency whether they wish to be subject to regulation pursuant to part 3, section 3b of the Energy Industry Act. If the hydrogen network operator chooses the opt-in alternative, additional regulations apply, for example, relating to access, fees and unbundling (including separate bookkeeping and accounting). OGE had not yet made any declaration on this point by the end of 2021.

In addition to the amended Energy Industry Act, the Ordinance on the Costs and Charges for Access to Hydrogen Networks (WasserstoffNEV) entered into force on 1 December 2021. This ordinance regulates the determination of network costs/charges for regulated hydrogen network operators at national level for a transitional period until a corresponding EU legal framework is adopted.

Network development plans and market area conversion

Both European and national regulations oblige network operators to draw up plans which determine future network expansion requirements and set out the plans for network expansion.

In line with the stipulations of the EnWG, natural gas transmission system operators have to jointly submit to the regulatory authority a ten-year network development plan in each even calendar year and, in each uneven calendar year, a joint implementation report on the network development plan last published.

In compliance with the deadline of 1 April 2021, the German transmission system operators published the implementation report on the Gas Network Development Plan 2020-2030 (Implementation Report 2020) in accordance with section 15b EnWG for the national gas transmission pipeline system and submitted it to the BNetzA. The Implementation Report 2020 gives a detailed overview of the confirmed measures of the Gas Network Development Plan 2020-2030 which have already been implemented, those which are currently still under construction and those which still have to be performed in the future.

The transmission system operators published the final version of the Gas Network Development Plan for 2020-2030 (Gas NDP 2020) in due time on 26 May 2021. The transmission system operators' plans in the final NDP 2020 for the expansion of the German natural gas infrastructure provide, among other things, for the extension of the gas transmission pipeline system by a further 1,620 km as well as the construction of an additional 405 MW of compressor capacity by 2030. The volume of the NDP investments therefore will total some € 7.8 billion by 2030, of which OGE accounts for some € 1.6 billion. The hydrogen network 2030 modelled by the transmission system operators in the draft Gas NDP and the connected measures for the transport of hydrogen are no longer contained in the final Gas NDP 2020 owing to the Federal Network Agency's request for changes.

On 21 June 2021, the transmission system operators published the scenario framework for the Gas Network Development Plan 2022-2032 (Gas NDP 2022) for consultation. One focus of the scenario framework is again the subject of "green gases" and their integration into the gas infrastructure. For the Gas Network Development Plan 2022, the transmission system operators conducted a second market survey on hydrogen generation and demand as well as green gases and found their market partners reporting 500 projects. Therefore, they have taken the growing importance of hydrogen and green gases into account with their own modelling variant. The scenario framework provides an outlook on the development of methane and hydrogen demand until 2032 and beyond until 2050. The basis for this is the dena-TM95 scenario, which was adapted by the transmission system operators to reflect the current development of the energy sector and shows the potential of gaseous energies for decarbonisation. The transmission system operators suggest that the development of methane demand will be stable until 2032, the target year of the planning period. The transmission system operators propose a basic variant for the modelling of the natural gas infrastructure, which, in their view, is based on appropriate assumptions of network expansion in line with demand and future developments.

After consultation and discussion with market participants, the revised scenario framework was submitted to the BNetzA on 16 August 2021. The BNetzA confirmed the scenario framework on 20 January 2022.

In a separate chapter, the implementation report on the Gas Network Development Plan 2020-2030 goes into detail on the challenges of the L-gas to H-gas conversion plans (market area conversion). For example, one part of the German gas market is supplied with L-gas that originates solely from German and Dutch deposits. The other deposits available in Germany supply H-gas. For technical and calibration law reasons, H-gas and L-gas are transported in separate systems. Due to the steady decline in German and Dutch L-gas production, the conversion of the relevant areas to H-gas is an important element for maintaining gas supply security. The changeover to H-gas means that all gas appliances in the relevant area have to be adjusted to the higher calorific value of H-gas. In accordance with section 19a EnWG, the gas transmission system operators spread the cost of this over the whole of Germany by means of a separate levy.

As part of the plans to switch over from L-gas to H-gas, L-gas balances, both in terms of supply/demand volumes as well as in terms of capacity, are established in the implementation report on the Gas Network Development Plan 2020-2030. In these supply/demand volume and capacity balances, forecasts for the development of demand and supply are compared taking into consideration the changeover from L-gas to H-gas and declining L-gas production. Through consultation with the "Task Force Monitoring L-Gas Market Conversion" set up by the Dutch Ministry of Economic Affairs, it was ensured that the decrease in the annual L-gas production in the Netherlands is in line with the plan assumptions on L-gas demand in Germany made in the implementation report on the Gas Network Development Plan 2020-2030.[3]

A major element in the switch-over from L-gas to H-gas is the expansion of the existing gas transmission system in order to permit

[3] Source: Implementation report on the Gas Network Development Plan 2020 -2030, page 42.

both the linking up of the areas currently supplied with L-gas to H-gas sources and a step-by-step changeover. In 2021, the changeover process at OGE affected 15 distribution network operators and 12 directly connected industrial customers in North Rhine-Westphalia, Hesse and the Rhineland-Palatinate. The commissioning of the ZEELINK pipeline in 2021 meant, among other things, that parts of the gas supply to the NRW capital, Düsseldorf, could also be switched over from L-gas to H-gas. All areas which OGE had scheduled for changeover in 2021 were actually changed over during the year. According to current plans, conversion to H-gas at OGE will be completed by 2029.

Technology

In 2021, OGE performed various measures to upgrade and expand its technical infrastructure. These included work carried out by Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (MEGAL), Essen, Trans Europa Naturgas Pipeline GmbH & Co. KG (TENP), Essen, Mittelrheinische Erdgastransportleitungsgesellschaft mbH (METG), Essen, Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (NETG), Dortmund and ZEELINK GmbH & Co. KG (ZEELINK), Essen, which are integrated in the OGE network.

One of the projects of MEGAL, a project company of OGE and GRTgaz Deutschland GmbH, Berlin, is the project to extend the Rimpar compressor station on the basis of the Gas Network Development Plan with a compressor capacity of 3 x 11 MW. The project is progressing to plan. The assembly work is well advanced; the pipeline construction and structural engineering works are virtually complete. A large part of the ancillary systems has already been commissioned and commissioning of the compressor units has already started. Completion of commissioning of the entire station is scheduled for the end of 2023.

On the basis of the results of extensive investigations, in November 2019 TENP, a pipeline company of OGE and Fluxys TENP, Düsseldorf, decided that the parts of the TENP I Boxberg-to-Wallbach pipeline section sheathed in Polyken would not be put back into service again. To ensure supply security, the projects for the construction of the new pipelines running from Mittelbrunn to Schwanheim (38 km, DN 1000) and Hügelheim to Tannenkirchen (16 km, DN 900) as well as the construction of the necessary connecting pipelines to the TENP II pipeline were included in the Network Development Plan 2018. Commissioning is scheduled for December 2024. To reflect higher demand for capacity at the Wallbach exit point, the pipeline construction projects Schwanheim to Au am Rhein (13 km, DN 1000), Schwarzach to Eckartsweier (29 km, DN 1000) and Tannenkirch to Hüsingen (16 km, DN 900) were included in the Gas Network Development Plan 2020 with commissioning in December 2025. These projects were confirmed by the BNetzA. The engineering work and approval procedures for these new construction projects are proceeding according to plan.

The Network Development Plan projects of MEGAL and TENP to reinforce the overflow between the systems at the Mittelbrunn compressor station to some 2 million Nm³/h were commissioned in September 2021 and are now in commercial operation.

The next expansion stage for the OGE Krummhörn compressor station involving the construction of an additional gas turbine-driven compressor unit (13 MW) was completed and commissioning took place in April 2021.

The NDP pipeline project Heiden to Dorsten (approx. 18 km, DN 500/600) was split into two pipeline sections for approval reasons. This split meant that the original official planning approval procedure had to be stopped. It is planned to initiate two separate official planning approval procedures with the aim of putting the pipelines into operation by the end of 2026.

The pipeline construction work and recultivation for the NDP project, the Erftstadt-to-Euskirchen pipeline (EUSAL, approx. 18.5 km, DN 400) were completed. Owing to the Erft river flooding, commissioning is expected in April 2022.

Construction work on a pipeline from Voigtslach to Paffrath (approx. 24 km, DN 900) has been slightly delayed due to the Erft river flooding. This is a NDP project of NETG, a project company of OGE and Thyssengas GmbH, Dortmund. However, commissioning is still scheduled for the end of 2022.

A ZEELINK project – a joint project of Thyssengas GmbH, Dortmund, and OGE – consisting of two compressor stations in Würselen (3 x 13 MW) und Legden (2 x 15 MW), a gas transmission pipeline running from Lichtenbusch to Legden (approx. 215 km, DN 1000) as well as four gas pressure regulating and metering stations and one gas pressure regulating station was executed according to schedule. The final work remaining on the ZEELINK pipeline is virtually complete. All major works on the construction of the Würselen compressor station were completed – it was also commissioned to schedule in April 2021. Construction work at the compressor station in Legden is also proceeding to plan. Commissioning is scheduled for 2024.

As part of the switchover from L-gas to H-gas running until 2029, OGE is planning and constructing gas pressure regulating and metering stations and gas pipelines to connect the former L-gas areas to the H-gas pipelines. This involves the modification and new build of many gas pressure regulating and metering stations and pipeline sections. All expansion measures for the switchover from L-gas to H-gas laid down in the Gas Network Development Plan 2020-2030 are to be completed by 2026. So far all works and commissioning have been completed to schedule.

As part of condition-based maintenance, old pipelines in the OGE network are being rehabilitated, particularly in North Rhine-Westphalia. In addition, numerous existing pipelines were re-routed in order to adapt to infrastructure expansions in Germany.

In July large parts of North Rhine-Westphalia and the Rhineland-Palatinate were affected by flooding due to heavy rainfall. The OGE network and TENP pipelines were also impacted by the water masses. However, the network was in a safe condition at all times and supply was also secure. One pipeline section had to be temporarily closed until December 2021 following a landslide on the edge of a gravel pit, which exposed the pipeline. The lost transport capacities were compensated for, among other things, by the ZEELINK pipeline system. Repair work was carried out on the affected facilities and the pipeline routes were restored.

Occupational health and safety have top priority in the VGT Group. The Group aims to continually reduce the number of accidents and other harmful effects on the health of its own employees and those of partner companies over the long term and to constantly improve work ergonomics and occupational health. The targets set for the 2021 financial year were achieved. The number of work-related accidents, measured in terms of TRIFcomb[4], is continuing to fall on a long-term average and taking account of the proportion of jobs with an increased risk (construction work). This indicator fell significantly to 3.7 (previous year: 4.7) compared with the previous year. The external auditors of the occupational health and safety management system again noted a further improvement in the safety culture. Activities in the field of HSE sub-contractor management were stepped up, particularly in the major new build projects and employees from the Technology divisions completed the Risk Factor further training programme to improve the safety culture.

Net assets, financial position and results of operations

In the 2021 financial year, COVID-19 had again no major impact on the net assets, financial position and results of operations. The Group is continuously monitoring current developments. As an operator of critical infrastructure, OGE has taken appropriate precautions to ensure operation and thus supply security.

- EBITDA (earnings before interest, tax, depreciation and amortisation – including income from equity investments and income from companies accounted for using the equity method) and
- investments (CAPEX) – defined as total additions to tangible assets less additions for CO_2 emission rights and additions to leases.

The most important non-financial performance indicator in the Group is:

- the number of work-related accidents, measured in terms of TRIFcomb.

Net assets

As of 31 December 2021, the Group's total assets amounted to € 5,713.8 million (previous year € 5,540.7 million). Of this figure, non-current assets accounted for € 5,297.2 million as at the reporting date (previous year: € 5,198.5 million).

This results in a net debt-asset ratio of 72.6 % (previous year: 75.7 %; detailed breakdown in the notes to the consolidated financial statements). Of the external funds, 6.1% relate to provisions, 81.8% to liabilities and 12.1% to deferred tax liabilities. Financial liabilities contained within liabilities amount to € 3,329.4 million (previous year: € 3,267.8 million). The majority of these liabilities (€ 2,983.6 million; previous year: € 2,981.2 million) relate to bonds issued by VGT. Furthermore, miscellaneous financial liabilities resulted primarily from liabilities of the pipeline companies MEGAL and TENP to banks.

Financial position

Capital structure

Since 1 January 2013, there has been a profit-and-loss transfer agreement with OGE, under which OGE undertakes to transfer its entire profit to VGT and VGT undertakes to offset any losses sustained by OGE. The agreement was concluded for a period of five years and is then extended by periods of one year if it is not terminated. Consequently, the agreement was extended as of 31 December 2021 by a further year. Since 1 January 2013, VGT and OGE have formed a tax unit for corporate and trade tax purposes, according to which VGT is the controlling company and OGE the controlled company. OGE and VGT have concluded an income tax allocation agreement to allocate to OGE the taxes on income incurred by OGE in its commercial operations. As a result of the income tax allocations, OGE recognises an income tax liability that it would have incurred if it had not formed a single tax unit with VGT.

In addition, since 1 January 2013, there has also been a profit-and-loss transfer agreement with VGS, under which VGT undertakes to transfer its entire profit to VGS and VGS undertakes to offset any losses sustained by VGT. The agreement was also concluded for a period of five years and is also extended by periods of one year if it is not terminated. Furthermore, since 1 January 2013, VGT and VGS have also formed a tax unit for corporate and trade tax purposes, according to which VGS is the controlling company and VGT the controlled company. VGT and VGS also concluded an income tax allocation agreement to allocate to VGT the taxes on income incurred by VGT in its commercial operations. VGT recognises an income tax liability that VGT would have incurred if it had not formed a single tax unit with VGS.

In the 2013 financial year, VGT placed three bond tranches with a total volume of € 2,250.0 million on the capital market and in 2018 a further bond with a volume of € 500.0 million was placed. In the

[4] TRIFcomb = Total number of work-related accidents (accidents at work and on the way to and from work) of own employees and sub-contractors' employees with medical treatment and/or with lost time per one million hours worked.

2019 financial year another two bonds with a total volume of € 1.0 billion were issued. In June 2020, one of the tranches with a volume of € 750.0 million was repaid after the end of the contractually agreed term. The revolving credit facility (RCF) in the amount of € 600.0 million concluded by VGT in the 2017 financial year will continue to run to 2024. OGE is also a borrower under the loan and therefore entitled to use the credit line. As of the reporting date, the credit facility had not been drawn down.

This credit line includes three ancillary facilities in the amount of € 20.0 million, € 10.0 million and € 1.5 million. The first serves as an overdraft facility for the OGE cash pool and the second as an overdraft facility for VGT. The remaining third ancillary facility is reserved for surety (e. g. bank guarantees) from OGE and € 1.2 million had been utilised as of 31 December 2021 for the issuing of bank guarantees. In the 2020 financial year, OGE concluded a further surety line in the amount of € 10.0 million. As of 31 December 2021, € 1.6 million of this facility had been utilised for the issuing of bank guarantees.

In the 2018 financial year, a Euro Commercial Paper Programme with a total volume of € 500.0 million was established as additional cover for short-term liquidity requirements. This Euro Commercial Paper Programme was replaced in the 2021 financial year by a Short-Term European Paper Programme (STEP) in the amount of € 500.0 million. There were no STEP issues outstanding at the reporting date.

Given the maturities of the bonds maturing in 2023, 2025, 2028, 2029 and 2034 as well as the RCF maturing in 2024 and the Euro Commercial Paper Programme as a further source of short-term financing, VGT has overall a balanced liquidity profile with broadly diversified maturities.

In order to cover its obligations arising from pension entitlements, OGE uses a Contractual Trust Agreement (CTA). The trust fund set up in this connection is managed on a fiduciary basis by Helaba Pension Trust e. V. (Helaba), Frankfurt am Main. Plan assets at Helaba have been netted with the corresponding pension obligations in the balance sheet. In the 2021 financial year, € 29.0 million was added to the plan assets for pension obligations and € 5.5 million for long-term working-time account obligations.

Investments

Overall, additions to non-current assets totalled € 327.1 million in the 2021 financial year (previous year: € 452.7 million).

Of this figure, CAPEX accounted for € 315.2 million (previous year: € 446.7 million), which can be reconciled as follows:

€ million	31 Dec. 2021	31 Dec. 2020
Intangible assets	24.7	15.5
Property, plant and equipment	268.5	407.2
Financial assets	22.0	24.0
CAPEX	**315.2**	**446.7**
Additions CO_2 emission rights	7.1	2.1
Additions leases	4.8	3.9
Other additions	**11.9**	**6.0**
Additions to non-current assets	**327.1**	**452.7**

Property, plant and equipment accounted for most of the capital expenditure at € 268.5 million (previous year: € 407.2 million). These investments are mostly part of the network development plan.

OGE accounted for € 148.7 million of the Group's total investment in property, plant and equipment. OGE invested € 80.1 million (previous year: € 72.5 million) in expanding and upgrading pipelines, including € 18.1 million in the construction of a connecting pipeline between Erftstadt and Euskirchen and € 6.2 million in the laying of the pipeline section from Gelsenkirchen to Heßler. In addition, OGE invested € 7.1 million in the construction of a new compressor unit in Werne and € 4.5 million in the construction of a new compressor unit in Krummhörn. MEGAL accounted proportionately for investments of € 32.4 million in property, plant and equipment, relating largely to the construction of the new compressor station in Rimpar. The pro-rata TENP investments amount to € 12.2 million. Investment in the construction of a cooler and the extension of the roadway in Mittelbrunn were the main items here. Projects at ZEELINK accounted for a further € 67.9 million of Group investments involving construction of the new compressor stations in Würselen and Legden and construction of the new ZEELINK lines I and II.

Liquidity

Liquid funds totalled € 115.6 million as at 31 December 2021, increasing by € 9.4 million compared with the previous year.

In the 2021 financial year, the Group generated cash flow from operating activities in the amount of € 452.0 million (previous year: € 445.2 million). Cash flow from investing activities totalled € -317.5 million (previous year: € 87.5 million). Cash flow from financing activities totalled to € -124.7 million (previous year: € -957.7 million).

Results of operations

In order to provide a better analysis of the Group's situation, the Group's main earnings drivers and key figures of the consolidated income statement are compared with the prior year's figures and forecast.

The gas transport business was largely unaffected by the COVID-19 pandemic in 2021. Capacity demand was within the expected range. By splitting staff into small teams, taking appropriate precautions to protect the health of its employees and by restricting personal contacts to a minimum, the Group ensured that the transportation of gas continued without restriction and the scheduled maintenance and investment work was also carried out largely to plan.

The main drivers of the Group's earnings are the revenues from OGE's regulated gas transport business. With effect from 1 January 2021, OGE adjusted the uniform transport tariffs for entry and exit. As a result, entry and exit fees were some 7.4 % lower in the NCG market area and some 1.2 % lower in the GASPOOL market area than in 2020. In contrast to previous years, the network fees only applied from 1 January 2021 to 30 September 2021. Since 1 October 2021, uniform tariffs have applied to the new merged market area THE on the basis of the REGENT stipulation by the Federal Network Agency. This resulted in a roughly 1 % higher fee for this new market area THE compared with the NCG market area and a roughly 14 % higher fee compared with the GASPOOL market area for the booking of firm, freely allocable entry and exit capacities.

Overall, the Group's total revenues fell in 2021 by 5.2 % to € 1,091.2 million (previous year: € 1,151.1 million) as expected. Total revenues consist solely of revenues from the gas transport business and from the services business. Revenues from the gas transport business and transport-related services amounted to € 962.4 million in the 2021 financial year (previous year: € 1,012.6 million).

Revenues from the gas transport business were € 13.4 million higher than the revenue cap expected and allowed under section 4 of the ARegV. A large part of this additional revenue was due to the fact that, at the time the fees were set (May 2020), the returns from investment measures were anticipated to be even higher. In fact – in particular due to lower interest rates on the capital markets – the returns from investment measures going into the revenue cap are lower. The allowed revenue cap is therefore lower than the planned revenue cap. Revenues from the services business totalled € 128.8 million and were therefore slightly down on the previous year's figure (€ 138.5 million) and slightly better than forecast.

Cost of materials increased – as expected – compared with the previous year by a total of some € 8.8 million to € 367.6 million. The increase is due in particular to the higher cost of fuel energy.

[5] Definition: Consolidated net income for the year divided by revenues.

Personnel costs totalled € 187.8 million in the financial year (previous year: € 188.3 million).

Earnings before tax decreased significantly compared with the previous year by € 64.8 million to € 248.3 million, largely as a result of the above-mentioned effects. The Group's net income amounted to € 180.1 million in the 2021 financial year and, as expected, was well below the figure for the previous year (€ 189.5 million). At 16.5 %, the profit margin[5] remained at a high level.

As a key internal control metric, EBITDA is defined as follows:

€ million	2021	2020
Income before financial result and taxes	297.7	378.6
Income from equity investments	6.3	1.8
Income from companies accounted for using the equity method	2.5	0.3
Depreciation and amortisation	214.6	185.2
EBITDA	**521.1**	**565.9**

EBITDA was € 44.8 million lower than in the previous year due to the above-mentioned developments.

The Group's financial result contained interest expense of € 58.9 million (previous year: € 67.8 million), which mainly reflects interest expenses under the VGT bonds and the pro-rata interest expense of the companies MEGAL and TENP (adjusted for capitalised borrowing costs).

Income taxes for the Group totalled € 68.2 million (previous year: € 123.6 million). This figure contains deferred tax expense in the amount of € 14.3 million (previous year: expense € 45.1 million).

In summary, the Board of Management believes that the Group's net assets, financial position and results of operations for the 2021 financial year are stable and secure, as forecast in the previous year.

Non-financial statement in accordance with section 315b HGB[6]

All aspects of section 315c para. 1 HGB in conjunction with section 289c para. 2 HGB are described in the non-financial statement. The Group does not pursue a concept in relation to any of the following aspects, as this is not necessary for an understanding of the Group's business performance, results of operations and position, nor is it necessary for an understanding of the impact of the Group's activities on the non-financial aspects.

Environment, climate and energy

The VGT Group attaches particular importance to environmental protection, climate protection and energy efficiency. Meeting and further developing health, safety and environment goals, while taking the requirements of occupational health and safety,

[6] In accordance with section 317, para. 2 HGB, the contents and subject matter of this chapter was not part of the audit by the financial statement auditors.

environmental protection and energy efficiency into consideration, are major prerequisites for reliable, safe and efficient gas transportation and for the provision of high-quality services for our customers. It goes without saying that in so doing the Group observes the applicable statutory regulations, technical rules/standards and contractual agreements.

Occupational health and safety and environmental protection include an obligation to put processes in place that minimise the risks to health and safety as far as possible for all employees and keep the detrimental effects of our business activities on the environment as small as possible. Therefore, the aim is to avoid work-related illnesses, injuries to persons and accidents as well as damage to the environment. Another goal is to further increase energy efficiency and achieve a lasting reduction in energy demand.

An integrated management system has been developed and introduced in order to control and support the relevant activities; this system meets the requirements of the following standards:

- Quality management in accordance with DIN EN ISO 9001,
- Occupational health and safety management in accordance with DIN ISO 45001,
- Environmental management in accordance with DIN EN ISO 14001,
- Energy management in accordance with DIN EN ISO 50001.

In addition, the management system meets the standards required of a technical safety management system in accordance with the DVGW Code of Practice G 1000. The conformity of the integrated management system with the standards is regularly reviewed by accredited certification bodies.

The main impacts on the environment are in the areas of air pollutants, greenhouse gases and the handling of water pollutants. The gas transport compressor stations operated in the VGT Group are subject to the requirements of the German Greenhouse Gas Emissions Trading Act (TEHG). Well-established processes ensure that the requirements of the TEHG are implemented. This is confirmed at regular intervals by accredited environmental auditors.

A company-appointed officer for water protection and waste management regularly monitors all plant sites and advises and supports those responsible on site in all questions regarding environmental requirements. The appointment of a waste management officer is voluntary although, on average, only some 1.8 kt of hazardous and also 1.8 kt of non-hazardous waste are produced every year throughout Germany.

Important environmental data in the VGT Group are:

- CO emissions: 0.74 kt[7]
- NOx emissions: 0.38 kt[7]
- CO_2 emissions: 374 kt[8]
- Energy consumption gas: 2.2 TWh[9]
- Energy consumption electricity: 72.3 GWh[9]

In addition, approx. 0.6 dam³ of liquid fuels (vehicles and emergency/alternative power generation) are consumed.

There were no relevant environmental incidents in 2021.

Employees

At the end of 2021, the VGT Group had 1,515 employees, excluding management and apprentices. The Group trains apprentices for technical and administrative occupations at eight locations in North Rhine-Westphalia (Essen and Ummeln), Lower Saxony (Krummhörn), Bavaria (Rimpar, Waidhaus and Wildenranna), Hesse (Gernsheim) und Rhineland Palatinate (Mittelbrunn). In addition, since 2016, a large part of the technical training for Thyssengas GmbH has been carried out in the training workshop at the Altenessen site. This apprentice training cooperation was terminated this year, so the current seven apprentices of Thyssengas GmbH will be trained to the end of their apprenticeship in the coming years but no new ones will follow.

In the VGT Group, the collective wage agreement and various works agreements and policies basically set the framework for the employment conditions of the employees – irrespective of criteria such as gender, race or religion. In this connection, very close cooperation with the codetermination bodies is a matter of course.

The aim is to create working conditions and workplaces that both satisfy the requirements of the field of work and protect the health of the employees. The subject of occupational health and safety, in particular the avoidance of accidents at work, has high priority. This is evidenced by the many training courses, information materials and events on this subject as well as by an occupational health and safety documentation system that is intensively used. For example, an extensive training programme was held from 2019 to 2021 to help employees in technical occupations heighten their personal safety awareness and reduce unsafe decisions and behaviour. In addition, as part of health management, the VGT Group offers its employees many benefits every year, such as free cancer screening, dietary advice and fitness checks. Height-adjustable desks are also standard in the offices.

In order to enable its employees to reconcile their work and family commitments, the VGT Group offers its employees various working time models providing varying degrees of flexibility and numbers of working hours. This provides a good combination of flexibility and planning reliability so employees can cope with the demands of both

[7] Report for the year 2020 to the monitoring authorities in accordance with the 11th Federal Emission Control Act (BImSchV).

[8] Total plants subject to emissions trading under TEHG for the year 2020.

[9] Consumption of the compressor stations and manned locations in the year 2020.

parts of their lives. These working time models are supplemented, where possible, by alternatives to workplaces on the company premises (working from home options).

Furthermore, the VGT Group offers employees family caregiver leave models if needed. Employees can also use the counselling services of an external provider if they need help on the subject of caregiving and also childcare.

Remuneration depends on the relevant position and its evaluation. As part of job evaluations, the “value” of all tasks and responsibilities that the job involves is systemically determined on the basis of qualitative requirement features and the job is then assigned to the pay groups of the applicable collective pay agreement or to the pay classification system for employees outside the collective pay agreement.

The VGT Group offers a comprehensive further training programme to encourage lifelong learning – both with regard to professional qualifications and to social skills. This programme is supplemented by various Human Resources development modules specially designed for various target groups in the company and supporting different career paths.

In view of the pandemic, which continued in 2021, employees were told to work from home wherever possible and depending on the infection rates at the time. Meetings, training courses etc. were held virtually or, if presence was required, only under tight restrictions. In addition, employees were helped to deal with the sometimes difficult situation through offers such as digital childcare or digital sports lessons, as well as options offering advice on topics such as leading people from a distance, working from home with a child or working in isolation.

Social engagement

VGT is aware of its corporate social responsibility. For this reason, OGE has already been running its apprentice training facility in the Altenessen district of Essen for more than 80 years. Every year, this facility trains young people in technical occupations. Commerical apprenticeships are offered at the company's three locations in Essen. This offering is supplemented by apprenticeships for young people in technical occupations at seven sites throughout Germany. At the end of 2021, the company ermployed a total of 78 technical and commercial apprentices.

The VGT Group attaches great importance to the subject of integration. In 2016, OGE provided four additional technical apprenticeships for refugees from Syria and Iran. In both 2017 and 2019, another two apprenticeships were created in order to continue to support this programme and operate it over the long term. Two refugees who started their apprenticeships in 2016 successfully completed their training in 2021; one of them is now working at an OGE operating facility. OGE continued this engagement in 2021, giving a technical apprenticeship place to another refugee.

Through the annual "Last Few Cents/Few Euros Campaign", the VGT Group and its employees support numerous charity projects. Roughly half of the employees have joined in this programme and agreed to have their net monthly salaries rounded down either to full euros or to five or 10 euros. These cents and euros are collected and topped up by the company at the end of the year. In 2021, the donations provided support for various charities including “Ein Lächeln für Dich”, “Atemnot”, “Kinderkrebshilfe Münster” as well as “Stiftung Kinderglück”. This donation campaign has been running since 2007, and some € 110,000 has already been donated since OGE was established in 2010. It helps organisations from different areas to continue their work and makes wide-ranging social engagement possible.

Furthermore, in light of the flood disaster in July 2021, OGE made an additional donation of € 20,000 to support four associations in Marienthal, Dernau, Rheinbach and Ahrweiler with the reconstruction work.

Compliance

Compliance has top priority in the VGT Group. Compliance with law, regulations and internal policies is regarded as a matter of course and is part of the corporate culture. The subject of compliance has gained considerably in importance in recent years. The reasons for this are, on the one hand, the ever-greater complexity of the statutory and regulatory framework. On the other hand, compliance subjects are nowadays increasingly the focus of public interest. The reputation and economic success of a company can be considerably damaged by compliance violations. For this reason, it is the Groups's declared aim to make compliance with external and internal rules and regulations a self-evident part of the thinking and actions of all bodies, managers and employees.

The main points are laid down in a binding Code of Conduct and supplementary internal policies and guidelines. In particular, the following topics are described there.

- Anti-corruption / fraud prevention
- Equal treatment in accordance with EnWG
- Anti-trust law
- Data protection
- Insider law
- Information security

The workforce of the VGT Group receives regular information and training on these topics and the resulting requirements for employees, in particular through Intranet tips and web-based training (WBT).

The OGE Compliance Office coordinates major compliance activities of the Group and handles the relevant compliance topics. In addition, the Compliance Office is available to all managers and employees as the central contact and advisor on all compliance questions.

The Code of Conduct that has been rolled out throughout the Group conveys the key principles and rules for lawful and responsible conduct. It is the duty of all employees to live the values and rules that are detailed in this Code of Conduct and in the flanking company policies and to use them as a benchmark for their actions. Managers have a special role model function here.

The Code of Conduct lays down in particular requirements for dealing with business partners, government bodies and other third parties, for handling confidential information and for dealing responsibly with the property and resources of the company and, where necessary, refers to explicit rules in other policies.

A whistleblower hotline has been set up on which information can be given on violations of the rules in the VGT Group, in particular with respect to corruption, fraud, anti-trust law and infringements of the Code of Conduct. The information received by the Compliance Office is examined according to clearly defined responsibilities and processes while maintaining strict confidentiality.

VGT has also committed to taking systematic action against any form of corruption. The aim of the internal anti-corruption policy is to lay down clear rules and responsibilities through which cases of corruption are prevented in good time and to pursue any such cases in a rigorous and consistent manner. Internal training courses have heightened the awareness of all employees to the risks of corruption.

EU Taxonomy

Regulation (EU) 2020/852 of the European Parliament and of the Council (“Taxonomy Regulation”) was proposed under the Commission’s preceding Action Plan on Financing Sustainable Growth of March 2018. The Taxonomy Regulation was published in the Official Journal of the EU on 22 June 2020 and entered into force on 12 July 2020.

A key objective of the Taxonomy Regulation is to enable and expand sustainable investments and thus implement the European Green Deal. To achieve this objective, the Commission called for the creation of an EU classification system for sustainable economic activities, an EU taxonomy. Its purpose is to define which economic activities are environmentally sustainable.

In the following, the Group, as a non-financial parent company, presents the taxonomy-relevant share of Group revenues, capital expenditure (CAPEX) and operating expenditure (OPEX) for the 2021 financial year, which are related to the first two environmental objectives (climate protection and climate change adaptation).

Activities of the Group

In the Group, all taxonomy-relevant economic activities listed in the Delegated Act on Climate Change Mitigation and Adaptation have been examined on the basis of our activities.

The Group’s main economic activity, the field of gas transport logistics, does not fall under the scope of the Delegated Act on Climate Change Mitigation and Adaptation.

In the Group, the assessment of taxonomy-relevant economic activities is limited to the transmission networks for renewable and low-CO_2 gases.

- These activities cover the following work: construction or operation of new transmission pipeline networks for hydrogen or other low-CO_2 gases
- Conversion or change of use of existing gas networks to 100 % hydrogen
- Retrofitting of gas transmission networks enabling the integration of hydrogen and other low-CO_2 gases into the network, including all activities in the gas transmission networks that enable a higher admixture of hydrogen or other low-CO_2 gases in the gas network
- Location and repair of leaks in existing gas pipelines and other network components in order to reduce methane leaks.

Key performance indicators (KPIs) of the Group

KPIs relating to taxonomy-relevant economic activities and non-taxonomy-relevant economic activities must be disclosed for the 2021 financial year. These include the turnover KPI, the CAPEX KPI and the OPEX KPI.

Since, as a gas transport logistics company, the Group’s main economic activities do not fall under the scope of the Climate Delegated Act and the Group did not generate any revenue with its taxonomy-related economic activities in the 2021 financial year, taxonomy-relevant economic activities account for 0.0 % of total revenues generated.

In the 2021 financial year, the Group’s taxonomy-relevant CAPEX totalled € 4.7 million and its taxonomy-relevant OPEX amounted to € 1.7 million. Therefore, taxonomy-relevant CAPEX accounts for 1.4 % of the total investments in the amount of € 327.1 million and the taxonomy-relevant OPEX accounts for 1.5 % of total operating expenses in the amount of € 116.3 million.

Accounting policies

The KPIs are specified in accordance with Annex I of Article 8 of the Delegated Regulation.

Turnover KPI

The proportion of taxonomy-relevant economic activities in total revenues was calculated as the part of the revenue generated from products and services connected with taxonomy-relevant economic activities (numerator) divided by the total revenue (denominator). The denominator of the turnover KPI is based on consolidated revenues. Further details on the accounting policies for revenue are presented in the notes to the consolidated financial statements.

With regard to the numerator, as explained above, no activities eligible under the taxonomy have been identified.

CAPEX KPI

The CAPEX KPI is defined as taxonomy-relevant CAPEX (numerator) divided by total investments (denominator).

The denominator comprises the additions to property, plant and equipment and intangible assets during the financial year under review before depreciation, amortisation and any remeasurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding changes in fair value.

These include additions to property, plant and equipment (IAS 16), to intangible assets (IAS 38) and to rights of use assets (IFRS 16).

Further details on the accounting policies for the Group's investments can be found in the notes to the consolidated financial statements.

The numerator represents the portion of capital expenditure included in the denominator that relates to assets or processes connected with taxonomy-relevant economic activities. This expenditure is clearly classifiable via the investment projects.

OPEX KPI

The OPEX KPI is defined as taxonomy-relevant OPEX (numerator) divided by total operating expenditure (denominator).

The denominator covers direct, non-capitalised costs that relate to research and development, short-term leases, maintenance and repairs, and all other direct expenditures related to the day-to-day servicing of assets of property, plant and equipment by the company or third parties to whom activities are outsourced that are necessary to ensure the continuous and effective functioning of such assets.

The numerator represents the part of operating expenditure included in the denominator that relates to assets or processes that are connected with taxonomy-relevant economic activities, including training and other human resources adaptation needs as well as direct non-capitalised costs in the form of research and development.

These expenses can be clearly classified via the business projects.

Features of the internal control system

The Group has a uniform accounting and reporting policy for the consolidated financial statements. This includes a description of the accounting and measurement methods to be applied in accordance with IFRS. Furthermore, there is a binding balance-sheet closing calendar.

In conjunction with the closing processes, additional qualitative and quantitative information relevant to accounting and the preparation of financial statements is compiled. Furthermore, dedicated quality assurance processes are in place for all relevant departments to discuss and ensure the completeness of relevant information on a regular basis.

The consolidated financial statements of the Group are prepared using SAP consolidation software in a multi-stage process. The ongoing accounting and annual financial statement preparation processes are divided into discrete functional steps. Automated or manual controls are integrated into each step. Defined organisational procedures ensure that all transactions and the preparation of the consolidated financial statements and annual financial statements are recorded on an accrual basis, processed and documented in a complete, timely and accurate manner. In addition, quality is assured using the four-eye principle.

The results of this quality-assured process, which is used for the preparation of quarterly and annual financial statements as well as for planning at regular intervals, are the basis of internal management reports, which are used for (Group) management purposes. Key financial performance indicators applied in this context are transport revenues, EBITDA and net debt-asset ratio.

Report on opportunities, risks and expected developments

Report on opportunities and risks

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

In its business operations, the Group is exposed to a large number of risks connected with its activities. In line with the requirements of the Corporate Sector Control and Transparency Act (KonTraG), the aim of the Group's internal risk management system is to use a management and control system to identify and record risks which might threaten the continued existence of the company and, if necessary, to take appropriate counteraction.

The basis for risk management is the opportunity and risk policy which is binding throughout the Group. Risk reporting is an integral part of the internal control system, thus ensuring the continual identification and evaluation of significant opportunities and risks.

Description of the opportunity and risk management process

The opportunity and risk situation of the Group is assessed and documented every quarter in a standardised process. The Board of Management and Supervisory Board of its most important subsidiary, OGE, are regularly informed as part of this process. The aim of the process is to recognise significant opportunities and risks at an early stage and – wherever possible and necessary – take action to exploit opportunities or mitigate risks.

A risk or opportunity is defined as an event which leads to a deviation from the mid-term planning, which covers a period of 5 years.

Risks are evaluated with regard to probability of occurrence and possible net impact (i. e. maximum impact of the event on profit before tax and/or liquidity) and their cumulative impact over the 5-year period reported to the Board of Management. The reporting threshold per individual case is a cumulative net impact of € 10.0 million over the 5-year period. The net impact is defined as the value of the risk after allowance for precautionary measures in the worst case. Risks with a probability of occurrence of more than

50 % are always included in the mid-term planning. In addition, potential opportunities are also recorded.

Risks in the order of magnitude of € 100.0 million and more in the above-mentioned period are considered to be significant. Risks of this order of magnitude are reported to the Board of Management and Supervisory Board of the most important subsidiary, OGE.

Significant risks

Significant risks are classified according to probability of occurrence and net impact as shown in the following table:

Probability of occurrence in %	low	≤ 5
	moderate	> 5 ≤ 20
	high	> 20
Cumulative net impact in € million over 5 years	low	≥ 100 ≤ 200
	medium	> 200 ≤ 300
	high	> 300

Regulatory framework: The risk situation of the Group, in particular of OGE, is largely governed by the regulatory environment. As a regulated company, OGE's earnings situation and earnings prospects are directly dependent upon decisions made by the regulatory authorities. Important parameters affecting regulated revenues are the approval of the cost base, return on equity, the general sectoral productivity factor and the company-specific efficiency factor. The decisions of the authorities affect the company's revenues, earnings and liquidity situation.

Probability of occurrence: moderate; net impact: high

Technical plant and on-site conditions: Local site conditions change over the course of time (e. g. changed soil conditions due to erosion). As a result, measures to restore the original conditions may be necessary.

Probability of occurrence: low; net impact of the individual risks: low

Investment requirements: Due to the high volume of plant and machinery that the OGE business involves, additional investment requirements may lead to considerable additional funding requirements in the medium term. However, against the background of regulation, opportunities frequently arising from additional transport revenues are to be weighed against these additional investments.

Market-driven price developments, additional measures that become necessary during the performance of a project and changes to the Network Development Plan or legal requirements (e. g. emission legislation) may lead to increases in the volume of investments. In view of global price volatility, there is a higher probability of occurrence with regard to additional investment requirements.

Probability of occurrence: high; net impact: high

External influences such as natural disasters may partly or completely destroy important plant (e. g. compressor stations), which may lead to temporary interruptions or a local outage preventing gas transportation. In addition to temporary losses of earnings, any necessary reconstruction work may require additional financing.

Probability of occurrence: low; net impact: low

General interest rate risk: In principle, there is a risk of an increase in interest rates which would have a negative impact on the current interest expense of VGT. VGT GmbH mainly finances through the issuing of bonds with maturities between 10 and 15 years. As a result, VGT's interest expenses are largely stable. Additional financing requirements may arise, e. g. if bonds need to be refinanced at higher interest rates.

Probability of occurrence: low; net impact: low

Further risks

Information technology:

As part of the Group, OGE uses complex information technology (IT) to operate and control the pipeline network. There are increasing risks of cyber attacks, which could in principle lead to a failure of parts of the IT systems with a consequent temporary adverse effect on business activities. In addition to failure due to intentional, unauthorised modification (external access), there is also, in principle, the possibility of an impairment of functionality due to operating errors or faults in hardware and software components This could affect both marketing systems and network control systems (dispatching). A failure of the network dispatching systems could, in the worst case scenario, lead regionally to a total failure of the gas supply system for several days.

Integrity breaches may also affect the marketing or the network dispatching systems. System errors or system failure may mean that proper handling of dispatching or transport capacity marketing can no longer be guaranteed. This may lead to claims for compensation by shippers.

OGE safeguards against these risks with redundant systems as well as comprehensive quality assurance and access protection systems. OGE is certified according to the BNetzA's IT security catalogue which is binding on all network operators. The legal requirements are met. Effects that give rise to possible third-party claims are adequately covered by insurance. Beyond the requirements of the certification, OGE reviews the threat of risks in the IT environment from time to time with external consultants. The last such review took place in the past financial year.

Transport business operation:

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

Due to the regulatory account system, terminations of long-term capacity bookings only lead to temporary declines in revenues. Resulting revenue shortfalls in comparison to the approved revenue cap are recognised in the so-called regulatory account, bear interest and are balanced out through an adjustment of the calendar-year revenue cap in future financial years. There is therefore no sustained risk from fluctuations in demand. The syndicated credit line also minimises the liquidity risk.

Financial risks

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

Risk management is performed decentrally both by the Finance department of the service provider OGE and by the Investment Controlling department of the shareholders. 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 risks, interest rate risks and credit risks 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.

Foreign currency risks may largely arise from procurement transactions with business partners outside the eurozone. 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.

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 long-term focus of the business model basically means meeting a high proportion of financing requirements at fixed interest rates. In the Management's opinion, the Group therefore has an interest risk from long-term interest-bearing liabilities in addition to the refinancing risk fundamentally existing on expiry of loans. The liabilities with fixed interest rates basically give rise to a risk of higher financing costs when refinancing has to be performed in future.

In the Management's opinion, credit risks in the Group result from cash and cash equivalents, derivative financial instruments and deposits at banks and financial institutions as well as from the utilisation of credit facilities by customers involving outstanding receivables and transactions performed. In the financing area, the Group only works with banks with an independent rating given by the three big rating agencies. For cash investments, the rating must be at least "BBB+" to "A-" (Standard & Poor's, Fitch) or "Baa1" to "A3" (Moody's), while for borrowings, on average the rating must be at least “BBB” (Standard & Poor's, Fitch) or "Baa2" (Moody's) (the focus being on the “unsecured long-term rating” if available). The ratings of all banks as well as other indicators of credit standing (such as current prices of credit default swaps) are continuously monitored.

The Group generates the majority of its revenues from the marketing of transport capacities with a small number of key accounts. Key accounts are 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.

The cash flow forecasts are prepared centrally for every major operating company and combined into a Group forecast. The Management monitors the rolling advance planning of the Group's liquidity reserve to ensure that sufficient liquidity is available to cover operational requirements and that unutilised credit facilities provide enough flexibility at all times. Such forecasts take into account the Group financing plans, compliance with loan agreements, the meeting of internal target balance sheet figures as well as, where applicable, external statutory or official requirements.

Disclosures in accordance with section 315, para. 2 no. 1 HGB

There are foreign exchange risks for the Group from procurement transactions with business partners outside the eurozone. If required, derivative financial instruments are concluded exclusively for hedging purposes. Owing to the very limited volume of transactions in foreign currency, the Group is currently only exposed to an insignificant foreign currency risk.

As of 31 December 2021, interest rate risks due to market interest rate fluctuations of the Euribor from floating-rate loans at the proportionately consolidated Group company, TENP, in the amount of € 12.5 million (nominal amount) are hedged by swap agreements as part of hedging relationships. These interest swaps are micro-hedges, which are given prospective effectiveness through matched maturities and volumes.

Opportunities

The main opportunities are through additional increases in efficiency compared with the approved revenue cap. However, due to the regulatory framework these are only of a temporary nature.

Moreover, the regulatory framework may change, providing further opportunities and risks for the Group.

The risk of higher expansion obligations due to changes in the network development plan also presents, on the other hand, an opportunity for higher returns from additional investments.

Overall assessment of opportunity and risk situation

In summary and as in the previous year, the Board of Management sees no risks threatening the continued existence of the company as at the reporting date and for the forecast period and considers the Group's risk-bearing capability to be fully ensured.

Report on expected developments

The report on expected developments contains no negative effects from the developments in Ukraine. The Board of Management is continually monitoring the development of the war in Ukraine and the resulting consequences for supply security and for the energy industry. The material subsidiary OGE is in constant dialogue with the other German and European network operators and the relevant authorities on security of supply in light of the developments in Russia and Ukraine. Together, potential bottlenecks in supply can be quickly identified and any necessary measures immediately agreed and initiated at the transport level.

The supply situation in Europe depends on the continued delivery of large volumes of LNG to the EU and generally on all import routes being used to capacity. According to an analysis conducted by the authorities responsible, isolated regional bottlenecks cannot be ruled out in Europe should Russian imports cease completely. The German gas transmission network operators are, however, working together with their European partners and the relevant authorities to ensure a secure supply situation.

The German gas grid has a fundamentally flexible structure, is integrated in the European grid at many points and can transport gas volumes safely to the consumer via various routes. The transport capacities are designed for the long term so that shippers' obligations to provide secure supplies to their customers can be met. One example of the built-in flexibility is the mode of operation this winter with higher volumes from Norway and the western LNG terminals and, at the same time, reduced volumes from the East.

Given OGE's business model as a regulated gas transmission network operator, the Board of Management does not expect any significant impact on the net assets, financial position and results of operations of the Group. As a result of the revenue cap regulation, any impact on earnings would be largely of a temporary nature and be balanced out again over the course of time via the regulatory account mechanism. Any resulting delays in inflows of liquid funds could, if necessary, be offset by existing and previously unused revolving credit lines. Uncollectible receivables in the event of customer insolvency would be a remaining risk that could neither be reduced nor posted to the regulatory account. However, the risk is limited in its impact, as it can be assumed that either OGE or the customer would terminate the underlying contract at short notice.

Furthermore, the report on expected developments for 2022 does not consider any effects arising from COVID-19. This is based on the experience of the past two financial years, in which COVID-19 did not have any significant impact on the net assets, financial position and results of operations of the Group.

The Board of Management expects EBITDA for 2022 to be significantly below the figure for the previous year. In essence, the much higher cost of fuel energy will lead to a negative impact on earnings in the 2022 financial year. Should market prices for gas remain at the current high level or continue to rise during the course of the year, this could lead to a greater impact on the result than currently forecast. However, in view of the high volatility of prices and volumes, no reliable assessment can be made at present. Fuel energy costs are recognised by the regulator as so-called "volatile costs" and are made up for in the fees charged for future years via the regulatory account mechanism so such an impact on earnings and liquidity would only be temporary.

CAPEX continues to be largely based on measures under the Network Development Plan and extensive replacement investments, although it is forecast to be well below the level of the reporting year.

In the field of occupational safety, the Board of Management's aim is to continue the trend towards lower numbers of work-related accidents and to further develop the safety culture. In order to achieve this, appropriate measures have been either put in place or continued.

viergas

2021

Consolidated Financial Statements

Vier Gas Transport GmbH

Consolidated Balance Sheet

€ million	Note	31 Dec. 2021	31 Dec. 2020
Assets			
Non-current assets			
Intangible assets	4.2	68.4	63.4
Goodwill	4.2	840.3	840.3
Property, plant and equipment	4.3	4,257.9	4,181.0
Financial assets	4.4	130.6	113.8
Companies accounted for using the equity method		*62.7*	*63.1*
Other financial assets		*67.9*	*50.7*
Deferred tax assets	4.10	21.6	40.2
Non-current receivables	4.5	68.5	84.0
Total		**5,387.3**	**5,322.7**
Current assets			
Inventories	4.6	68.8	33.0
Trade receivables (including advance payments made)	4.7	43.3	23.0
Income tax receivables	4.7	9.0	3.7[1]
Other receivables	4.7	89.8	52.1[1]
Liquid funds	4.8	115.6	106.2
Total		**326.5**	**218.0**
Total assets		**5,713.8**	**5,540.7**

€ million	Note	31 Dec. 2021	31 Dec. 2020
Equity and liabilities			
Equity	**4.9**		
Subscribed capital		0.0	0.0
Additional paid-in capital		925.6	925.6
Retained earnings		404.8	315.5
Accumulated other comprehensive income		-0.1	-0.2
Total		**1,330.3**	**1,240.9**
Non-current liabilities			
Provisions for pensions and similar obligations	4.11	92.4	200.8
Other provisions	4.12	92.2	94.9
Financial liabilities	4.13	3,280.9	3,150.5
Other non-current liabilities	4.13	63.1	90.0
Deferred tax liabilities	4.10	530.8	504.9
Total		**4,059.4**	**4,041.1**
Current liabilities			
Other provisions	4.12	82.3	49.6
Financial liabilities	4.13	48.5	117.3
Trade payables	4.13	53.9	18.2
Income tax liabilities	4.13	0.0	0.1
Other liabilities	4.13	139.4	73.5
Total		**324.1**	**258.7**
Total equity and liabilities		**5,713.8**	**5,540.7**

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

The notes are an integral part of these consolidated financial statements.

[1] The prior-year figures were adjusted owing to a reclassification of tax receivables to other receivables.

Consolidated Income Statement

€ million	Note	2021	2020
Revenues	5.1	1,091.2	1,151.1
Changes in inventories		-1.2	1.1
Own work capitalised	5.2	29.3	34.3
Cost of materials	5.4	-367.6	-358.8
Personnel costs	5.5	-187.8	-188.3
Depreciation, amortisation and impairment charges	5.7	-214.6	-185.2
Other operating income	5.3	39.0	24.4
Other operating expenses	5.6	-90.6	-100.0
Income before financial result and taxes		**297.7**	**378.6**
Income from equity investments		6.3	1.8
Income from companies accounted for using the equity method		2.5	0.3
Interest result		-58.2	-67.6
of which interest expense		*-58.9*	*-67.8*
Financial result	**5.8**	**-49.4**	**-65.5**
Earnings before taxes		**248.3**	**313.1**
Taxes		-53.9	-78.5
of which income tax allocation		*-53.1*	*-60.6*
Deferred taxes		-14.3	-45.1
Income taxes	**5.9**	**-68.2**	**-123.6**
Net income		**180.1**	**189.5**
Share in net income attributable to the sole shareholder of the parent company		180.1	189.5

Consolidated Statement of Comprehensive Income

€ million	Note	2021	2020
Net income		**180.1**	**189.5**
Other comprehensive income		**67.5**	**-35.8**
Reclassifiable OCI		0.1	0.0
Cash flow hedges	*4.9*	*0.2*	*0.0*
Deferred taxes	*4.9*	*-0.1*	*0.0*
Not reclassifiable OCI		67.4	-35.8
Remeasurement of defined benefit plans	*4.9*	*97.6*	*-51.9*
Deferred taxes	*4.9*	*-30.2*	*16.1*
Comprehensive income		**247.6**	**153.7**
Share in net income attributable to the sole shareholder of the parent company		247.6	153.7

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

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

€ million	Subscribed capital*	Additional paid-in capital	Retained earnings	Change in accumulated other comprehensive income Cash flow hedges	Total
1 Jan. 2021	**0.0**	**925.6**	**315.5**	**-0.2**	**1,240.9**
Comprehensive income			**247.5**	**0.1**	**247.6**
Net income			180.1		180.1
Other comprehensive income			67.4	0.1	67.5
Remeasurement of defined benefit plans			*67.4*		*67.4*
Change in accumulated other comprehensive income				*0.1*	*0.1*
Profit transferred			**-158.2**		**-158.2**
of which profit transferred in advance			*-85.0*		*-85.0*
31 Dec. 2021	**0.0**	**925.6**	**404.8**	**-0.1**	**1,330.3**

€ million	Subscribed capital*	Additional paid-in capital	Retained earnings	Change in accumulated other comprehensive income Cash flow hedges	Total
1 Jan. 2020	**0.0**	**925.6**	**268.0**	**-0.2**	**1,193.4**
Comprehensive income			**153.7**	**0.0**	**153.7**
Net income			189.5		189.5
Other comprehensive income			-35.8	0.0	-35.8
Remeasurement of defined benefit plans			*-35.8*		*-35.8*
Change in accumulated other comprehensive income				*0.0*	*0.0*
Profit transferred			**-106.2**		**-106.2**
of which profit transferred in advance			*-100.0*		*-100.0*
31 Dec. 2020	**0.0**	**925.6**	**315.5**	**-0.2**	**1,240.9**

*The subscribed capital of VGT is € 25k. It is fully paid in and unchanged over the previous year.

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

The notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

€ million	Note	2021	2020
Cash provided by operating activities		**452.0**	**445.2**
Net income		180.1	189.5
Depreciation and amortisation/impairment charges	5.7, 5.8	214.6	185.2
Changes in provisions		59.5	39.6
Changes in deferred taxes	5.9	14.3	45.1
Dividends received[2]		9.8	13.6
Changes in plan assets		-34.5	-54.9
Interest received	5.8	0.7	0.2
Other adjustments[3]		60.5	71.9
Changes in operating assets, liabilities and income tax		-52.0	-43.4
Inventories		*-35.7*	*-1.1*
Trade receivables		*-18.6*	*-4.2*
Other operating receivables and tax claims		*-19.9*	*-18.1*
Trade payables		*20.0*	*-7.1*
Other operating liabilities and tax obligations		*2.2*	*-12.9*
Gain/Loss (-) from disposal of assets		-1.0	-1.6
Intangible assets and property, plant and equipment		*-1.0*	*-1.6*
Cash used for investing activities		**-317.5**	**87.5**
Proceeds from the disposal of intangible assets and property, plant and equipment	4.2, 4.3	0.5	2.0
Proceeds from the disposal of other equity investments		0.0	3.1
Purchases of investments in intangible assets and property, plant and equipment	4.2, 4.3	-280.0	-419.9
Purchases of other equity investments and equity-accounted investments	4.4	-21.1	-23.0
Proceeds from / purchases of other financial investments		-16.9	525.3
Proceeds from the disposal of other financial investments		*30.3*	*535.6*
Purchases of other financial investments		*-47.2*	*-10.3*
Cash used for financing activities		**-124.7**	**-957.7**
Interest paid	5.8	-59.4	-80.4
Proceeds from financial liabilities		134.2	79.7
Repayments of financial liabilities		-105.7	-825.9
Dividends paid[4]		-93.8	-131.1
Changes in cash and cash equivalents		**9.8**	**-425.0**
Cash and cash equivalents at beginning of period		**105.4**	**530.4**
Cash and cash equivalents at end of period	**4.8**	**115.2**	**105.4**

Additional information on cash provided by operating activities

€ million	2021	2020
Income tax paid (minus refunds)	-4.3	-10.3

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

Further information on the consolidated cash flow statement is given in section 6.1 of the Notes to the consolidated financial statements.

The notes are an integral part of these consolidated financial statements.

[2] Including in 2021 dividends received from non-consolidated equity investments as well as the distribution from outside shareholders resulting from joint operations amounting to € 0.1 million (previous year: € 0.8 million).
[3] This item mainly includes adjustments from the interest result and from application of the equity method.
[4] The dividends paid consist in particular of the remaining profit transferred for the 2020 financial year in the amount of € 6.2 million and the advance profit transferred in the amount of € 85.0 million to VGS (previous year: profit transferred for the 2019 financial year in the amount of € -31.0 million and advance profit transferred in the amount of € 100.0 million). In addition, distributions to outside shareholders resulting from joint operations in the amount of € 2.6 million are presented (previous year: € 0.1 million).

Notes to the Consolidated Financial Statements of Vier Gas Transport GmbH for the Financial Year from 1 January 2021 to 31 December 2021

1 Basic Information

The registered head office of Vier Gas Transport GmbH (“VGT” or “the Company”) is Kallenbergstraße 5, 45141 Essen. The sole shareholder is Vier Gas Services GmbH & Co. KG (“VGS”), Essen. VGS is therefore the ultimate domestic parent company of the Group and in principle obliged to prepare consolidated financial statements. However, since Vier Gas Holdings S.à r.l. (“VGH”), Luxembourg, publishes consolidated financial statements and a Group management report as the highest European parent company in the Group, in accordance with Section 291 HGB (German Commercial Code) VGS is exempt from preparing consolidated financial statements and a Group management report. VGS is invoking this exemption. VGT is a capital market-oriented corporation within the meaning of Section 264d HGB. As capital market-oriented parent company domiciled in Germany, VGT is obliged to prepare consolidated financial statements pursuant to Section 315e HGB.

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

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.

The business operations of the Group are conducted by Open Grid Europe GmbH (“OGE”), Essen, including its equity investments (“OGE Group”). OGE performs the activities of a gas transmission network operator and is subject to supervision by the Federal Network Agency (BNetzA), the German regulatory authority. Furthermore, OGE provides services for the gas industry.

The financial year is the calendar year.

On 14 March 2022, these consolidated financial statements were approved by the Management for publication.

2 Summary of Significant Accounting Policies

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 (EU), the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), the interpretations of the International Accounting Standards Board (IASB) as well as the commercial provisions to be applied in accordance with Section 315e (1) HGB.

The consolidated financial statements of the VGT Group are generally prepared based on historical cost, with the exception of the financial assets and liabilities (including derivative financial instruments and plan assets) recognised at fair value through other comprehensive income as well as financial assets recognised at fair value through profit or loss.

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 and liabilities are classified as current if they are expected to be realised or are due to be settled or are to be sold within twelve months of the reporting date or within the normal business cycle of the Group.

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

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

2.2 Effects of new accounting standards

Accounting standards and interpretations applied for the first time

All new, amended or revised accounting standards are generally applied from the date when the EU requires mandatory application.

In the 2021 financial year, the Group applied the following new or amended standards and interpretations for the first time:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

These new regulations have no material impact on the Group.

Accounting standards and interpretations published but not yet applied

New, amended or revised standards and interpretations that have been published but whose adoption is not yet mandatory in the financial year and their impact on the consolidated financial statements are explained in the following:

IAS 1 – Presentation of Financial Statements

"Classification of Liabilities as Current or Non-current"

On 23 January 2020, the IASB issued amendments to IAS 1 "Classification of Liabilities as Current or Non-current". These amendments clarify that the classification of a current liability depends on the rights of the entity at the reporting date. If the entity has a substantive right to defer settlement of the liability for at least twelve months after the reporting date, this liability is to be classified as non-current irrespective of when settlement is intended or expected. As a supplement thereto, on 19 November 2021 the IASB issued the exposure draft ED/2021/9 "Non-current Liabilities with Covenants". In this draft it is proposed that the planned amendments to IAS 1 be amended so that loan conditions (covenants) with which an entity must comply within twelve months after the reporting period do not affect classification of a liability as current or non-current. In addition, entities would have to present separately, and disclose information about, non-current liabilities subject to such conditions. It is also proposed that the effective date of the amendments published in January 2020 be deferred by a further financial year. The amendments would therefore only be mandatory for financial years beginning on or after 1 January 2024. These amendments to IAS 1 have not yet been adopted into European law. In the Group the amendments could affect the recognition of revolving credit facilities ("RCFs") utilised as well as the recognition of liabilities relating to the one-sided capital contributions of third-party shareholders. These and other effects on the Group are currently being examined.

"Disclosures on Accounting Policies"

On 12 February 2021, the IASB issued amendments to IAS 1 "Disclosures on Accounting Policies". The amendments require entities to present only the significant accounting policies in the notes in the future. These amendments to IAS 1 have not yet been adopted into European law have not yet been endorsed for use in the European Union. The IASB has specified prospective first-time application for financial years beginning on or after 1 January 2023. The potential impact on the Group is currently being examined.

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

"Definition of Accounting Estimates"

The IASB published amendments to IAS 8 "Definition of Accounting Estimates" on 12 February 2021. The amendments clarify how entities can better distinguish changes in accounting policies from changes in accounting estimates. The amendments to IAS 8 have not yet been adopted into European law. The IASB has specified initial application for financial years beginning on or after 1 January 2023. The potential impact on the Group is currently being examined.

In addition, further standards and interpretations were published which are not expected to have a material impact on the consolidated financial statements.

2.3 Consolidation policies and scope of consolidation

In addition to VGT as parent company, the scope of consolidation includes the following companies:

	31 Dec. 2021	31 Dec. 2020
Number of fully consolidated companies (subsidiaries)	3	3
Number of joint operations	4	4
Number of companies accounted for using the equity method	1	1

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

(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 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.

The fully consolidated subsidiaries are controlled by virtue of the fact that VGT holds the majority of the voting rights either directly or indirectly. In principle, subsidiaries are not consolidated as long as their net assets, financial position and results of operations are immaterial for the consolidated financial statements of VGT. These subsidiaries are accounted for at cost and shown under financial assets.

(b) Joint Arrangements

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 of ownership interest, 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 joint operations and other affiliated companies that are included in the consolidated financial statements of VGT are generally proportionately eliminated with the exception of internal revenues from the joint operations and the corresponding cost of materials of the joint operator. As the parties to the joint operation take its entire output, these items are fully eliminated where the share of ownership interest is the same as the share of the output purchased. In the event of differences between the share of ownership interest and the share of output purchased, which is the case in the VGT Group, only revenues or cost of materials measured proportionately in the amount of the difference between the two percentage shares therefore remain in the consolidated financial statements. When applying this procedure, a transaction between the joint operation parties involved is assumed. If one party to the joint operation takes less output than the percentage share it would be due in relation to its share of ownership interest, according to this approach it is assumed that a sale to the other party of the joint operation has taken place in the amount of the “shortfall quantity” – i.e. the difference between the share of output due to the party of the joint operation based on its ownership interest and the share of output it has actually taken. If a party to the joint operation takes more output than the percentage share it would be due in relation to its share of ownership interest, it is similarly assumed that a purchase from the other party to the joint operation has taken place in the amount of the “excess quantity” – i.e. the difference between the share of output actually taken and the share of output due to the party to the joint operation based on its ownership interest. In this fictive transaction it is also assumed that the purchase price is the same as the price at which the joint operation sells to the parties of the joint operation. As joint operations are included and transactions between the Group and the joint operations generally proportionately eliminated, as described, in line with ownership interest, whilst revenues from the joint operations and the corresponding cost of materials are fully eliminated where the share of ownership interest is the same as the share of the output purchased, receivables and/or liabilities which, from the Group point of view, have not led to revenues or cost of materials may have to be reported in the consolidated financial statements. As transactions between the joint operations and the parties thereto which lead to revenues of the joint operation are generally monthly and immediately cash-effective, such receivables and/or liabilities - where existing at the reporting date - are normally not material compared with the operating receivables or liabilities as a whole reported in the consolidated financial statements.

Despite the fact that joint operations 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 gas 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.

Joint arrangements that 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 are accounted for at cost in the consolidated financial statements. They are reported under financial assets.

(c) Associates

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

Interests in associates are accounted for using the equity method. Interests in associates accounted for using 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. Any goodwill resulting from the acquisition of an associate is included in the carrying amount of the associate.

The only associate accounted for using the equity method is GasLINE Telekommunikationsnetzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG (“GasLINE KG”), Straelen, whose business is the construction, acquisition, rental, maintenance and grant of use particularly of fibre-optic cables and cable ducts for telecommunications purposes. OGE and GasLINE KG provide services for each other. Associates that 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 are accounted for at cost in the consolidated financial statements. They are reported under financial assets.

(d) Significant restrictions

There are regulatory restrictions on the transfer of assets between the companies within the Group. They relate to the following assets of the affiliates OGE and Mittelrheinische Erdgastransportleitungsgesellschaft mbH ("METG"), Essen, within the consolidated balance sheet:

€ million	31 Dec. 2021	31 Dec. 2020
Assets		
Non-current assets		
Intangible assets	48.8	55.3
Property, plant and equipment	2,922.6	2,908.9
Deferred tax assets	11.4	19.1
Non-current receivables	0.4	0.6
Total	**2,983.2**	**2,983.9**
Current assets		
Inventories	40.1	9.0
Trade receivables (incl. advance payments made)	40.4	20.0
Receivables from tax creditors	2.4	2.3
Other receivables	13.3	5.3
Liquid funds	36.0	22.3
Total	**132.2**	**58.9**
Total assets	**3,115.4**	**3,042.8**

We refer to section 4.4 for the carrying amounts of the joint operations within the consolidated balance sheet.

2.4 Acquisition and establishment of companies

In the 2021 financial year, there were no material acquisitions or establishment of companies.

2.5 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 of 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 income and other operating expenses.

2.6 Goodwill

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

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

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

2.7 Intangible assets

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

Intangible assets subject to amortisation are measured at cost of acquisition or production and amortised on a straight-line basis over their respective useful lives. Internally generated intangible assets subject to amortisation are mainly related to software and are amortised over a maximum of ten years. Acquired intangible assets subject to amortisation are largely software and software licences as well as contract-based intangible assets. The useful life of acquired software and software licences is 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.

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.

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.

2.8 Research and development costs

In accordance with IAS 38.57 ff., research and development costs must be allocated to a research phase and a development phase. While expenditure on research is expensed as incurred, development costs must be capitalised as an intangible asset if all of the general criteria for recognition specified in IAS 38, as well as certain other specific prerequisites, have been fulfilled. In the financial year, these criteria were fulfilled for internally generated software, which were capitalised accordingly. The research costs incurred in the 2021 financial year were of an insignificant amount.

2.9 Property, plant and equipment

Property, plant and equipment are initially measured at acquisition or production cost and are generally depreciated over the expected useful lives of the components, 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

The remaining carrying amounts and economic useful lives are reviewed at every reporting date and adjusted where necessary.

Expenses relating to scheduled maintenance work on large-scale plants are recognised like a separate asset in the amount of the cost of the work and depreciated using the straight-line method over the period until the next maintenance work. The costs for the replacement of components are recognised according to the principles of asset acquisition. The carrying amount of the replaced components is derecognised. The costs for maintenance and repair work as part of normal business operations are recognised as an expense.

Private investment grants or subsidies as well as government grants do not reduce the acquisition and production costs of the respective assets; they are instead reported in the balance sheet as deferred income and amortised to income in the same manner as expenses from the depreciation of the subsidised assets.

2.10 Impairment

The impairment test referred to in IAS 36 is carried out for intangible assets and items of property, plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. Goodwill and other intangible assets with an indefinite useful life are subject to an impairment review at least once a year.

In accordance with IAS 36, the carrying amount of an asset 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 statement under "Depreciation and amortisation".

If the reasons for previously recognised impairment losses no longer exist, such impairment losses are reversed by affecting net income for intangible assets - except goodwill - and for items of property, plant and equipment. A reversal shall not cause the carrying amount of an asset subject to amortisation or depreciation to exceed the amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised during the period.

If the recoverable amount for an individual intangible asset or an item of property, plant and equipment cannot be determined, the recoverable amount is determined for the smallest identifiable group of assets (cash-generating unit) to which the individual asset can be assigned.

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

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

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

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

Any additional impairment loss that would otherwise have been allocated to the asset concerned must instead be allocated pro rata to the remaining assets of the unit. Impairment charges on the goodwill reported in the income statement under "Depreciation and amortisation" 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. See section 4.2 for further details on the impairment test.

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of the one entity and a financial liability or equity instrument of another entity. The Group only recognises financial assets and liabilities when it becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets extinguish or are transferred and the Group has transferred substantially all of the risks and rewards of ownership of the asset. A financial liability is derecognised only when it is extinguished, i.e. the obligation specified in the contract is discharged or cancelled or expires.

Financial instruments

At initial recognition, financial instruments are measured at fair value plus, in the case of all financial instruments not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial instrument. In the case of financial instruments subsequently measured at fair value, the associated transaction costs are recognised in profit or loss. Financial instruments are classified according to the measurement categories of IFRS 9.

With regard to the classification of financial assets, a difference is made between equity instruments and debt instruments as well as derivatives.

The Group designates equity instruments not held for trading as measured at fair value through other comprehensive income. All changes in the fair value after deduction of deferred taxes are recognised in other comprehensive income. In the event of sale, cumulative gains or losses recognised in other comprehensive income are not reclassified to profit or loss. Dividends are presented in the income statement within the financial result. In the past financial year, the Group did not hold any equity instruments for trading.

Derivative financial instruments are measured at fair value through profit or loss. All changes in the fair value are recognised at fair value through profit or loss. Special requirements apply to derivative financial instruments that are part of hedge accounting. For further information, we refer to the section on hedge accounting.

The classification of debt instruments is based, on the one hand, on the business model for managing the financial assets (business model condition) and, on the other hand, on the contractual cash flow characteristics of the financial asset (cash flow condition).

A difference is made between the following business models:

- Held to collect contractual cash flows;
- Held to collect contractual cash flows and to sell; and
- Held for trading.

The cash flow condition requires that the cash flows arise solely from payments of principal and interest.

Debt instruments are measured at amortised cost (AmC) when the objective of the business model is to hold the assets in order to collect contractual cash flows and the cash flow condition is met.

Debt instruments are measured at fair value through other comprehensive income (FVtOCI) when they meet the cash flow condition but are held both for collecting contractual cash flows and for selling.

All other debt instruments that are not allocated to the at amortised cost or FVtOCI categories are measured at fair value through profit or loss (FVtPL).

The Management designates the category of the financial assets at initial recognition.

Non-derivative financial liabilities (including trade payables and bonds) within the scope of IFRS 9 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 residual carrying amount is adjusted for accretion of any premium and amortisation of any discount remaining until maturity. The premium/discount is recognised in the financial result over the term.

Derivative financial liabilities that are not part of a hedging relationship und financial liabilities that meet the definition of held for trading are measured at fair value through profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for financial assets of the “at amortised cost” category and for contract assets as defined by IFRS 15 in the amount of the expected losses. The amount of loss recognised and interest revenue are determined on the basis of the classification of the instrument in 3 stages.

All assets are allocated to stage 1 at initial recognition. For these assets, the present value of the expected credit losses that result from all default events that are possible within the next twelve months from the reporting date is recognised as an expense. Interest revenue is recognised on the basis of the gross carrying amounts, i.e. before recognition of the loss allowance.

The measurement of credit risk at initial recognition takes into account the probability of default as well as the default rate of the relevant assets. Probability of default (PD) is assessed using external credit checks.

The ratings take into account macroeconomic and forward-looking input factors.

Stage 2 applies to all assets for which there is a significant increase in the risk of default as at the reporting date compared with at the initial recognition date. The loss allowance is the present value of all expected losses over the remaining life of the asset. The calculation and recognition of interest revenue is the same as for stage 1.

To assess whether the credit risk of an asset has increased significantly since initial recognition, the Group compares the risk of an expected default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition, using in particular the following information:

- an actual or probable significant change in the external credit rating of a financial instrument,
- significant increase in the risk of default of other financial instruments of the same debtor, and
- past due information.

Based on experience, the Group does not presume a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group makes use of the simplified approach for measuring the loss allowance for expected credit losses on trade receivables and contract assets. According to this simplified approach, all assets are allocated to stage 2 irrespective of credit quality. Allocation to stage 1 is not permitted for these assets.

Assets are allocated to stage 3 if, in addition to a significant increase in the risk of default as at the reporting date, there is also objective evidence of impairment. In this case, the loss allowance is also measured on the basis of the present value of the lifetime expected losses. However, interest revenue recognised is adjusted in the following periods in that interest revenue is calculated on the basis of the net carrying amount, i.e. after deduction of the loss allowance.

The Group writes off financial assets in their entirety or a portion thereof if one or more events (a loss event) having an adverse impact on the expected future cash flows has occurred and therefore these financial assets are credit-impaired. Objective evidence of credit impairment may include evidence of financial difficulties of a customer or a group of customers such as default or delinquency in interest or principal payments or the increased probability of insolvency.

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows (excluding future credit losses that have not been incurred) – discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate specified under the contract. If, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was first recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

In the case of debt instruments of the at amortised cost category and in the case of contract assets, the loss allowance is deducted from the relevant asset.

In 2021, there was no objective evidence of impairment of financial assets in the VGT Group with the exception of trade receivables for which individual valuation adjustments had been made.

Hedging relationships

The instruments mainly used are foreign currency transactions as well as interest rate swaps. These are measured at fair value for both at initial recognition and in subsequent periods.

The hedge accounting requirements of IFRS 9 cover in particular the documentation of the hedging relationship between the hedged item and the hedging instrument, the hedging strategy as well as the regular prospective measurement of effectiveness. The critical term match method is used for prospective measurement of effectiveness. The hedge accounting is prospectively considered effective when the critical contractual terms of the hedged item and the hedging instrument match.

If a derivative financial instrument qualifies as a cash flow hedge under IFRS 9, the effective portion of the hedging instrument’s change in fair value is recognised in equity as a component of other comprehensive income. A risk premium is also taken into consideration. A reclassification into income is performed in the period in which the cash flows of the transaction being hedged affect income. The hedging result is reclassified to profit or loss 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 profit or loss to the extent required.

In the context of cash flow hedges, changes in the fair value of derivative instruments that must be recognised in profit or loss are presented as other operating income or expenses. Gains and losses from interest-rate derivatives are netted for each contract and included in the interest result.

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

2.12 Inventories

Of the inventories, raw materials and supplies are generally measured at the lower of weighted 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 write-downs.

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

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

2.13 Receivables and other assets

Receivables and other assets are initially measured at fair value, which generally approximates transaction price. 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.

2.14 Liquid funds

Liquid funds include cheques, cash on hand and bank balances with an original maturity of less than twelve months. Liquid funds with an original maturity of less than three months are considered to be cash and cash equivalents, provided they are not restricted and are not subject to significant risks of fluctuation in value. Further information can be found in section 4.8.

2.15 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. Qualifying assets are assets which necessarily take more than twelve months to get ready for their intended use or sale. 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 1.8 % was applied (previous year: 1.8 %). Other borrowing costs are expensed.

2.16 Income taxes

Tax expense for the period consists of current and deferred taxes. Taxes are recognised in the income statement unless they relate to items which have been directly recognised within equity or other comprehensive income. In the latter case, the taxes are also recognised within equity or other comprehensive income.

The current tax expense is calculated using the tax regulations applicable on the reporting date (or soon to apply) of the countries in which the Company and its subsidiaries operate and generate taxable income. The Management regularly reviews tax declarations, above all with regard to issues subject to interpretation, and, when appropriate, establishes provisions based on the amounts which it expects will have to be paid to the tax authorities.

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 pre-tax profit/loss nor taxable profit (so-called initial differences). Deferred tax liabilities are also not recognised when they result from the first-time recognition of goodwill. IAS 12 further requires that deferred tax assets be recognised for unused tax loss carryforwards 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 temporary differences, unused tax loss carryforwards and unused tax credits 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 associates 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 enacted or substantially enacted changes in tax rates and tax law is generally recognised in income. Equity is adjusted for deferred taxes that had previously been recognised directly in equity. The adjustment is generally made in the period in which the legislation mandating the change is substantively enacted.

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

Deferred tax receivables and liabilities are netted against each other when a legally enforceable right to netting exists and when the deferred tax receivables and liabilities relate to income taxes levied by the same tax authority for either the same taxable entity or different taxable entities which intend to settle on a net basis.

2.17 Employee benefits

(a) Pension obligations

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 benefit plan is a plan which is not a defined contribution plan.

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

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

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

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

In accordance with IAS 19 “Employee Benefits”, 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. This method takes into account not only the pension obligations known on the reporting date and acquired vested rights but also economic trend assumptions which are chosen according to realistic expectations. The assessment is based on the 2018 G mortality tables of Prof. Dr Klaus Heubeck which serve as a biometric basis for calculation.

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 expected return on plan assets is determined on the basis of the discount rate used to measure pension obligations.

The remeasurement component, which is based on experience adjustments and changes in the actuarial assumptions, is 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; net interest cost/income resulting from the net pension obligation is 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 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 volunteer to terminate the employment contract in exchange for severance benefits. The Group recognises severance benefits when it can be proved that it is obliged to terminate the employment of current employees according to a detailed formal plan which cannot be reversed, or if it can be proven that it is obliged to make severance payments after voluntary termination of employment by employees. Benefits which are due more than twelve months after the reporting date are discounted to their present value.

(d) Other long term benefits

The provisions for long-service anniversary benefits and part-time phased-retirement obligations were calculated in line with actuarial principles, taking into account a reasonable discount rate, reasonable salary increases and - if applicable to the relevant obligation – reasonable pension increases and staff turnover rate. Measurement was performed on the basis of the 2018 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 under part-time phased-retirement obligations and long-term working-time accounts are offset against the respective provisions.

(e) Short term benefits

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

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

2.18 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 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.

2.19 Revenue from contracts with customers

Revenue from the Transport business

The Group's business operations consist largely of the regulated transport activities of the gas transmission system operations. Revenue from the transport contracts with customers is generally recognised at the time the performance obligation towards the customer is fulfilled. The performance obligation is considered to have been satisfied when the gas transport has been performed and the customer therefore has control over the gas. When the performance obligation has been satisfied, the transaction price allocated thereto is recognised as revenue.

Revenue from the Other Services business

In addition to the Transport business, the Group generates revenue from services in the unregulated gas industry segment. These services comprise technical and commercial activities.

The Group has long-term, time-based service contracts, under which the customer receives a benefit from the individual performance steps at the time of performance. These service contracts are largely negotiated at fixed prices. The revenue is recognised in line with performance of the contract and the services are billed according to the contractually agreed payment schedule.

In addition to providing services, the Group also performs long-term gas industry construction projects for customers. These contracts consist both of a fixed price and cost-plus-fee agreements. Due to the fact that the Group has no alternative use for the asset created and has a contractually enforceable right to payment for performance completed to date, these construction contracts are measured over time. The respective contracts do not contain any separately identifiable performance obligations which would make it possible to identify a performance obligation per contract. Therefore, allocation of the transaction price is not possible. The revenue from these gas industry projects is recognised according to progress towards satisfaction of the performance obligations. This is determined using the input-based cost-to-cost method and is the proportion of contract costs incurred for work performed up to the reporting date relative to the estimated total contract costs. Using the cost-to-cost method gives the truest picture of revenue realisation for the fulfilment of a performance obligation over time as the costs and therefore the percentage of completion can be reliably determined.

Revenue recognition / accounting

Revenue from contracts with customers is recognised net of sales taxes and less any rebates and discounts given as well as returns, and after elimination of intragroup transactions.

Contracts with customers are recognised in the balance sheet under other receivables or liabilities as contract assets or contract liabilities as well as under trade receivables. In the contract assets line item, the entitlement to a consideration from a contract with a customer for goods and services already transferred to the customer is presented net of any advance payments already received – or the unconditional entitlement thereto. If the advance payments received – or the unconditional entitlement thereto – exceed the entitlement to a consideration for goods and services already transferred to the customer, the resulting balance is recognised in the contract liabilities line item. A receivable is recognised when the entitlement to a consideration only depends on the passage of time. Impairments of contract assets and receivables are measured and recognised in accordance with IFRS 9.

As IFRS 15 contains no specific requirements, expected losses from onerous contracts are not netted against the asset recognised, but treated in accordance with IAS 37.5(g). This results in the presentation of a provision for expected losses in the amount of the unavoidable costs.

In the case of contracts with a significant financing component, the Group adjusts the promised amounts of the compensation for the interest effect. If the time between the transfer of the good or service to the customer and payment by the customer is less than one year, no financing component in accordance with IFRS 15.63 is recognised. At present, the Group has no contracts with a significant financing component.

Generally, receivables from contracts with customers are billed in accordance with the contract terms with a payment period of up to 30 days.

Apart from the binding statutory warranty, the Group has no return, refund or guarantee obligations. According to IFRS 15.B31(a), statutory requirements do not constitute a separate performance obligation.

Capitalised costs to fulfil or obtain a contract have not been recognised. No additional costs to obtain contracts have been incurred that can be allocated directly to a performance obligation. Any costs incurred that would also have been incurred if a contract had not been concluded are recognised as expense.

2.20 Leases

Leases are accounted for when a contract exists that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lessee

In accordance with the provisions of IFRS 16, the Group accounts for leases as a lessee using the right-of-use approach. At the inception date leases are generally recognised in the balance sheet at their present value as an asset for the right-of-use and as a liability for the payment obligation entered into. The lease liability is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. To determine the incremental borrowing rate, reference interest rates for a period of up to 15 years were derived from indicative financing rates and market rates for VGT corporate bonds. The lease payments are separated into a principal and an interest portion using the effective interest method. The recognised right-of-use asset is measured at amortised cost. The right-of-use assets are depreciated on a straight-line basis over the term of the lease.

The Group has not extended the scope of application of IFRS 16 to intangible assets. Likewise, short-term leases and leases of low-value assets are not accounted for on the basis of the right-of-use approach. Instead, these leases are recognised as an expense in the income statement over the term of the lease. In the Group, low-value leased items are all leased items whose value when new does not exceed € 5,000. All leases that have a remaining lease term of less than 12 months are classified in the Group as short-term leases and accounted for accordingly.

In principle, for contracts that contain a lease component and one or more additional lease or non-lease components, the consideration in the contract is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregated stand-alone price of the non-lease components. If a separation of non-lease and lease components is not possible, these components are accounted for as one single lease component. In the Group there are no variable lease payments that have not been included in the measurement of the lease liability.

The term of the recognised leases corresponds to the non-cancellable period of a lease together with the period covered by an option to extend the lease where that option is reasonably certain to be exercised and the period covered by an option to terminate the lease where that option is reasonably certain not to be exercised. Accordingly, the Group recognises the extension and termination options in the lease liabilities for leases with a fixed lease term. Contracts with an indefinite lease term are measured on the basis of the Group's five-year mid-term plan. Current knowledge is taken into account when determining the term of leases with extension or termination options.

Lessor

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. In the case of an operating lease, the Group reports the leased item as an asset at amortised cost under property, plant and equipment. The lease payments received in the financial year are recognised as income. The Group acts as lessor under operating leases to an insignificant extent. Subleases within the framework of operating leases were only concluded with subsidiaries not included in the Group to an insignificant extent.

No Group company is a lessor under a finance lease in accordance with IFRS 16.

2.21 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.

2.22 Estimates and assumptions as well as judgements 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.

2.23 Changes in accounting policy

In the 2021 financial year, there were no material changes in accounting policy.

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 and interest 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 OGE, and by the Investment Controlling department of the shareholders. The Corporate 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 risks, interest risks and credit risks 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.

In the Group, hedge accounting in accordance with IFRS 9 is used for interest rate derivatives to hedge non-current liabilities as well as for currency derivatives.

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

(a) Market risk

(i) Foreign currency risk

Foreign currency risk may largely arise from procurement transactions with business partners outside the euro zone. When such non-euro-based procurement transactions of a significant volume are conducted, foreign currency forwards and currency swaps are used to hedge the foreign currency risk. Owing to the very limited volume of transactions in foreign currency, the Group is currently only exposed to an insignificant foreign currency risk. There were no significant hedged procurement transactions in the 2021 financial year.

(ii) Interest rate risk

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 long-term focus of the business model generally means meeting a high proportion of financing requirements at fixed interest rates in the planning period by the securing of fixed-rate loans or by the use of interest rate swaps if floating-rate loans are taken out.

As of 31 December 2021, the hedged transactions in place are included in interest cash flow hedges with maturities of up to three years. The cash flows from hedged transactions secured in cash flow hedge accounting occur in the period from 2022 to 2024 and affect the income statement at the same time.

The hedging of variable interest rates resulted in the following average fixed interest rates, broken down by maturity:

Maturity	31 Dec. 2021	31 Dec. 2020
Less than 1 year	n/a	0.6 %
1 to 5 years	1.5 %	1.5 %
More than 5 years	n/a	n/a

This results in the following effects on the net assets, financial position and results of operations:

€ million	31 Dec. 2021	31 Dec. 2020
Carrying amount of hedging instruments (liability)	-0.1	-0.3
Nominal value of hedging instruments	6.4	21.7
Change in fair value of the hedging instruments	0.2	0.1
Change in value of the underlying hedged items for recognition of ineffectiveness	0.2	0.1

The resulting negative market values of the hedging instruments as at the reporting date are presented under other non-current liabilities.

The accumulated other comprehensive income changed in the financial year as follows:

€ million	2021	2020
Start of the financial year	**-0.2**	**-0.2**
Hedging losses	0.2	-0.1
Recycling recognised in interest result	0.0	0.1
Deferred taxes	-0.1	0.0
End of the financial year	**-0.1**	**-0.2**

There was no ineffectiveness in the financial year.

(iii) Sensitivity analysis

The sensitivity analysis for the relevant risk variables in accordance with IFRS 7 examines what effects the change in the relevant values as at the reporting date would have on the other operating income and expenses and the other comprehensive income for hedging transactions before allowance for deferred taxes.

The interest analysis assumes a shift in the interest rate curve at the reporting date by -/+ 100 basis points (bp) in each case.

The sensitivity analyses of the interest-rate swaps are as follows:

€ million	31 Dec. 2021	31 Dec. 2020
Equity sensitivity		
Interest curve -1 %	-0.3	-0.5
Interest curve +1 %	0.3	0.5
Income statement sensitivity		
Interest curve -1 %	0.0	0.0
Interest curve +1 %	0.0	0.0

(b) Credit risk

Credit risk is managed at Group level. Credit risk results mainly from receivables from banks and other financial institutions from bank deposits and derivative financial instruments as well as receivables from wholesale and retail customers.

Only banks with an independent rating given by the three big rating agencies qualify to work with the Group in the financial area. For cash financial investments, a rating of at least “BBB+” to “A-” (Standard & Poor’s, Fitch) or “Baa1” to “A3” (Moody’s) is required while for borrowing an average rating of at least “BBB” (Standard & Poor’s, Fitch) or “Baa2” (Moody’s) is necessary, the focus being on the “unsecured long-term rating” if available. The ratings of all banks as well as other indicators of credit standing (such as current prices of credit default swaps) are continuously monitored.

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

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

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

In the past there have been no significant payment defaults. The Management is also not expecting any defaults in future as a result of non-performance by 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. Credit risks are monitored and controlled using uniform credit risk management procedures in place throughout the Group which identify, measure and control the credit risks. The maximum risk of default is equal to the carrying amounts of the financial assets.

In accordance with IFRS 9, the Group establishes loss allowances for expected credit losses on material financial assets. The measurement of the credit risk takes into account the probability of default and the default rate of the financial assets to be measured. Probability of default is assessed using external credit checks.

The following table shows the connection between credit rating and the probability of default (PD) determined:

Rating class	Description	PD in %
I	Very good to good credit rating	up to 0.3
II	Good to satisfactory credit rating	0.3 – 0.7
III	Adequate credit rating	0.7 – 1.5
IV	Increased risk	1.5 – 3.0
V	High risk	3.0 – 8.0
VI	Very high risk	from 8.0
VII	Default	100.0

A significant change in the risk of default is assumed when the credit rating has fallen by at least 2 classes.

The ratings take into account macroeconomic and forward-looking input factors. In the financial year, there were no changes in the method or significant assumptions used for estimating expected credit losses.

Trade receivables and contract assets

In accordance with IFRS 9.5.5.15, the Group uses the simplified approach to measure the allowance for expected credit losses on trade receivables and on contract assets. The loss allowances are always measured at an amount equal to the lifetime expected credit losses.

The gross carrying amounts as of 31 December 2021 break down as follows:

Rating class	Trade receivables	Contract assets	Total gross carrying amounts
I	37.0	5.7	**42.7**
II	4.0	2.8	**6.8**
III	1.9	0.5	**2.4**
IV	0.0	0.2	**0.2**
V	0.0	0.2	**0.2**
VI	0.0	0.0	**0.0**
VII	4.8	0.0	**4.8**
Total	**47.7**	**9.4**	**57.1**

The gross carrying amounts as of 31 December 2020:

Rating class	Trade receivables	Contract assets	Total gross carrying amounts
I	16.3	5.3	**21.6**
II	2.6	1.9	**4.5**
III	1.0	0.0	**1.0**
IV	0.0	3.0	**3.0**
V	2.8	1.5	**4.3**
VI	0.0	0.0	**0.0**
VII	3.4	0.0	**3.4**
Total	**26.1**	**11.7**	**37.8**

Loss allowances on trade receivables and contract assets changed in the financial year as follows:

€ million	2021	2020
Start of the financial year	**3.3**	**2.9**
Changes affecting profit or loss	1.2	0.4
Utilisation	0.0	0.0
End of the financial year	**4.5**	**3.3**

The change in the loss allowance is due mainly to the increase in the gross carrying amount.

Other financial assets of the AmC category

The other financial assets measured at amortised cost relate in particular to receivables from other joint operators.

All other financial assets have a low risk of default. Therefore, the loss allowance is determined on the basis of the expected defaults resulting from possible default events within the next twelve months of the reporting date. A low risk of default is assumed when there is a low probability of default and the borrower has a strong capacity to meet its contractual cash flow obligations in the near term.

At the reporting date, loss allowances for other financial assets of the “at amortised cost” category were of an insignificant amount.

(c) Liquidity risk

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

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. The Group continues to minimise the liquidity risk by regular liquidity planning on the basis of which short and medium-term financial requirements are determined

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

€ million	31 Dec. 2021	31 Dec. 2020
Non-derivative financial instruments		
Due within 1 year	-57.4	-127.8
Due in 1 to 5 years	-1,665.6	-1,642.1
Due in more than 5 years	-1,620.9	-1,564.2
Derivative financial instruments		
Due within 1 year	-0.1	-0.1
Due in 1 to 5 years	-0.2	-0.2
Due in more than 5 years	0.0	0.0

For financial liabilities with floating interest rates, the floating-interest rates on the reporting 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 therefore to be seen in conjunction with the associated underlying transactions.

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

3.2 Capital management

The Group's capital structure is regularly measured and monitored. The primary aim is to steer the financing conditions of the Group by securing an investment grade rating. In line with the relevant KPIs of the leading bank and rating analysts, the Group calculates the debt-asset ratio in accordance with IFRS as the ratio of net debt to assets. Net debt comprises all financial liabilities and provisions for pensions less liquid funds and interest-bearing financial receivables. Non-current assets result from the values of intangible assets and property, plant and equipment recognised as of the reporting date.

The debt-asset ratio for the Group is as follows:

€ million	31 Dec. 2021	31 Dec. 2020
Financial liabilities	-3,329.4	-3,267.8
Provisions for pensions	-92.4	-200.8
Deferred tax assets on provisions for pensions[5]	127.6	144.7
Financial receivables	38.0	6.0
Liquid funds	115.6	106.2
Net debt Group	**-3,140.6**	**-3,211.7**
Property, plant and equipment	4,257.9	4,181.0
Intangible assets	68.4	63.4
Debt-asset ratio	**72.6 %**	**75.7 %**

4 Information on the Consolidated Balance Sheet

4.1 Additional disclosures on financial instruments

Carrying amounts, fair values and measurement categories by class

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 values of these financial instruments.

All financial instruments recognised at fair value are divided into three categories defined in accordance with IFRS 13, as follows:

- Level 1 – quoted prices in active markets
- Level 2 – valuation techniques (inputs that are observable on the market)
- Level 3 – valuation techniques (inputs that are unobservable on the market)

In the period from 1 January 2021 to 31 December 2021, there were no reclassifications between level 1 and level 2, nor were there any reclassifications to or out of level 3. Furthermore, there was no change in purpose for the financial assets that would have caused a change to the classification of an asset.

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

[5] Before netting of deferred tax assets in the balance sheet.

The carrying amounts of the financial instruments, their classification into IFRS 9 measurement categories, their fair values and their measurement sources by level are presented in the following table as of 31 December 2021:

€ million	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IFRS 9 measure-ment category[6]	Fair value	Fair value (IFRS 13) of which level 1	of which level 2	of which level 3
Equity investments	**65.3**	**0.0**	**FVtOCI**	**0.0**			
Long-term loans granted	**2.6**	**2.6**	**AmC**	**n/a**			
Trade receivables (including advance payments made)	**43.3**	**43.3**	**AmC**	**n/a**			
Other receivables	**158.3**	**143.0**		**n/a**			
Receivables from joint operations	75.1	75.1	AmC	n/a			
Financial receivables	38.0	38.0	AmC	n/a			
Other receivables	45.2	29.9	AmC	n/a			
Liquid funds	**115.6**	**115.6**	**AmC**	**n/a**			
Total assets	**385.1**	**304.5**		**n/a**			
Financial liabilities	**3,329.4**	**3,329.4**		**3,466.3**	**3,108.6**	**357.7**	
Bonds	2,983.6	2,983.6	AmC	3,108.6	3,108.6		
Liabilities to banks	214.4	214.4	AmC	221.9		221.9	
Other financial liabilities	131.4	131.4	AmC	135.8		135.8	
Trade payables	**53.9**	**53.9**	**AmC**	**n/a**			
Derivatives with hedging relationships	**0.1**	**0.1**	**n/a**	**0.1**		**0.1**	
Other operating liabilities	**202.4**	**69.0**	**AmC**	**n/a**			
Total liabilities	**3,585.8**	**3,452.4**		**3,466.4**	**3,108.6**	**357.8**	

Carrying amounts as of 31 December 2020:

€ million	Carrying amounts	Total carrying amounts within the scope of IFRS 7	IFRS 9 measure-ment category[6]	Fair value	Fair value (IFRS 13) of which level 1	of which level 2	of which level 3
Equity investments	**48.1**	**0.0**	**FVtOCI**	**0.0**			
Long-term loans granted	**2.6**	**2.6**	**AmC**	**n/a**			
Trade receivables (including advance payments made)	**23.0**	**23.0**	**AmC**	**n/a**			
Other receivables	**136.1**	**117.3**		**n/a**			
Receivables from joint operations	83.3	83.3	AmC	n/a			
Financial receivables	6.0	6.0	AmC	n/a			
Other receivables[7]	46.8	28.0	AmC	n/a			
Liquid funds	**106.2**	**106.2**	**AmC**	**n/a**			
Total assets	**316.0**	**249.1**		**n/a**			
Financial liabilities	**3,267.8**	**3,267.8**		**3,543.0**	**3,246.6**	**296.4**	
Bonds	2,981.2	2,981.2	AmC	3,246.6	3,246.6		
Liabilities to banks	158.3	158.3	AmC	161.7		161.7	
Other financial liabilities	128.3	128.3	AmC	134.7		134.7	
Trade payables	**18.2**	**18.2**	**AmC**	**n/a**			
Derivatives with hedging relationships	**0.3**	**0.3**	**n/a**	**0.3**		**0.3**	
Other operating liabilities	**163.2**	**91.3**	**AmC**	**n/a**			
Total liabilities	**3,449.5**	**3,377.6**		**3,543.3**	**3,246.6**	**296.7**	

[6] FVtOCI: Fair value through OCI; FVtPL: Fair value through profit or loss; AmC: Financial assets and liabilities measured at amortised cost; n/a: the derivatives with hedging relationships cannot be assigned to any IFRS 9 category.

[7] The prior-year figures have been adjusted owing to a reclassification of tax receivables to other receivables.

The carrying amounts of liquid funds and trade receivables are considered realistic estimates of their fair values because of their short maturity.

The financial liabilities measured at fair value through other comprehensive income relate to derivative financial instruments that are included in hedge accounting. These financial instruments comprise derivative interest rate hedging contracts. The fair values of interest rate hedging contracts were calculated on the basis of discounted, expected cash flows. The market interest rates for the remaining terms of the financial instruments were used.

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

The fair value of debt instruments that are not actively traded, such as loans received, long-term loans granted and financial liabilities, is determined by discounting future cash flows. Any necessary discounting is performed using current market interest rates over the remaining terms of the financial instruments.

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.

Net result by measurement category

The net result of the financial instruments by measurement category in accordance with IFRS 9 is as follows:

€ million	2021	2020
Financial assets at amortised cost	**-1.2**	**-0.3**
Interest income included in interest result	0.0	0.1
Change in impairment of financial assets and losses on receivables	-1.2	-0.4
Financial assets FVtPL	**0.0**	**-0.6**
Financial liabilities at amortised cost	**-61.9**	-68.3
Interest expense included in interest result	-61.9	-68.3
Total	**-63.1**	**-69.2**

Measurement of derivative financial instruments

Derivative financial instruments are measured by determining fair value. The fair value of derivative financial instruments is sensitive to movements in underlying market rates. The Group determines and monitors the fair value of derivative financial instruments at regular intervals. Fair values for each derivative financial instrument are determined as being equal to the price at which one party can sell the rights and/or obligations to an independent third party. The fair values of derivative financial instruments are calculated using common market valuation methods with reference to market data available as at the measurement date including a credit value adjustment in the case of positive market values and a debit value adjustment in the case of negative market values. All derivative financial instruments are measured individually.

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

4.2 Goodwill and intangible assets

The acquisition of OGE in 2012 and the addition of new shares in the joint operation NETRA GmbH Norddeutsche Erdgas Transversale & Co. Kommanditgesellschaft ("NETRA"), Schneiderkrug, in 2019 resulted in goodwill which was unchanged from the previous year in the amount of € 840.3 million 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.

For the impairment test as of 31 December 2021, the recoverable amount was determined, as in the previous year, by taking the fair value less costs to sell on the basis of the forecast of future cash flows ("fair value less costs to sell view"). This method is in line with level 3 of the measurement hierarchy in accordance with IFRS 13.

The cash flow forecasts used for the valuation are based on the medium-term planning of the Group, which represents the net assets, financial position and results of operations in the past, and projected into the future on the basis of assumptions. In this context, significant assumptions are regulatory revenues reflecting the current regulatory regime, the planning of operating costs and the investment planning that is mainly characterised by investments under the network development plan. The key parameters of the regulatory framework as well as the network development plan are information that is publicly available. 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. In light of national and European climate objectives, in particular the national objective of climate neutrality by 2045, the Group is examining in various cooperation initiatives and projects the possibilities for adapting the natural gas transport network to climate-neutral operation and expanding the core business to include the transport of hydrogen and other climate-neutral gases. Such an alternative use of the pipeline network is assumed for the cash flow assumptions beyond the detailed forecast period. The inflation rate assumed in the medium-term planning is based on publicly available market data and is 2.0 % in the terminal value (previous year: 2.0 %); the sustained growth rate was conservatively derived from this inflation rate and assumed to be 0.5 % (previous year:1.5 %) The interest rate used for discounting cash flows (WACC after tax) is calculated using market data and at the measurement date was 3.0 % (previous year: 2.6 %).

In the 2021 financial year, goodwill and intangible assets changed as follows:

€ million	Goodwill	Internally generated industrial property rights and similar rights and assets	Purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets	Advance payments	Total
Acquisition and production costs					
1 Jan. 2021	**840.3**	**12.3**	**220.5**	**4.5**	**1,077.6**
Additions	0.0	0.1	26.2	5.5	31.8
Disposals	0.0	-0.9	-7.7	0.0	-8.6
Reclassifications	0.0	0.0	2.3	-2.3	0.0
31 Dec. 2021	**840.3**	**11.5**	**241.3**	**7.7**	**1,100.8**
Accumulated amortisation					
1 Jan. 2021	**0.0**	**-4.8**	**-169.1**	**0.0**	**-173.9**
Additions	0.0	-2.0	-18.7	0.0	-20.7
Disposals	0.0	0.8	1.7	0.0	2.5
31 Dec. 2021	**0.0**	**-6.0**	**-186.1**	**0.0**	**-192.1**
Net carrying amount as of 31 Dec. 2020	840.3	7.5	51.4	4.5	903.7
Net carrying amount as of 31 Dec. 2021	**840.3**	**5.5**	**55.2**	**7.7**	**908.7**

There were no impairment losses or reversals of impairments.

As of the reporting date, the carrying amount of intangible assets with indefinite useful lives is € 25.9 million (previous year: € 16.9 million). Of this figure, limited personal easements account for € 17.7 million (previous year: € 9.8 million) and emission rights for € 8.2 million (previous year: € 7.1 million).

In the 2020 financial year, goodwill and intangible assets changed as follows:

€ million	Goodwill	Internally generated industrial property rights and similar rights and assets	Purchased concessions, industrial property rights and similar rights and assets and licences to such rights and assets	Advance payments	Total
Acquisition and production costs					
1 Jan. 2020	**840.3**	**6.4**	**206.9**	**14.2**	**1,067.8**
Additions	0.0	0.6	13.9	3.1	17.6
Disposals	0.0	0.0	-7.8	0.0	-7.8
Reclassifications	0.0	5.3	7.5	-12.8	0.0
31 Dec. 2020	**840.3**	**12.3**	**220.5**	**4.5**	**1,077.6**
Accumulated amortisation					
1 Jan. 2020	**0.0**	**-3.5**	**-156.2**	**0.0**	**-159.7**
Additions	0.0	-1.3	-14.2	0.0	-15.5
Disposals	0.0	0.0	1.3	0.0	1.3
31 Dec. 2020	**0.0**	**-4.8**	**-169.1**	**0.0**	**-173.9**
Net carrying amount as of 31 Dec. 2019	840.3	2.9	50.7	14.2	908.1
Net carrying amount as of 31 Dec. 2020	**840.3**	**7.5**	**51.4**	**4.5**	**903.7**

4.3 Property, plant and equipment

In the 2021 financial year, property, plant and equipment changed as follows:

€ million	Land, leasehold rights and buildings including buildings on third-party land	Pipeline system	Technical plant, equipment and machinery	Other equipment, fixtures, furniture and office equipment	Right-of-use assets	Advance payments and construction in progress	Total
Acquisition and production costs							
1 Jan. 2021	**312.1**	**2,620.5**	**1,531.2**	**90.1**	**27.3**	**699.5**	**5,280.7**
Additions	12.6	55.8	63.4	5.3	4.8	131.3	273.2
Disposals	-0.3	-2.7	-6.9	-1.4	-1.8	0.0	-13.1
Reclassifications	52.0	358.0	178.4	3.4	0.0	-591.8	0.0
31 Dec. 2021	**376.4**	**3,031.6**	**1,766.1**	**97.4**	**30.3**	**239.0**	**5,540.8**
Accumulated amortisation							
1 Jan. 2021	**-53.7**	**-598.6**	**-395.9**	**-44.1**	**-7.4**	**0.0**	**-1,099.7**
Additions	-11.9	-88.4	-79.3	-9.8	-4.5	0.0	-193.9
Disposals	0.1	1.3	6.0	1.5	1.8	0.0	10.7
31 Dec. 2021	**-65.5**	**-685.7**	**-469.2**	**-52.4**	**-10.1**	**0.0**	**-1,282.9**
Net carrying amount as of 31 Dec. 2020	258.4	2,021.9	1,135.3	46.0	19.9	699.5	4,181.0
Net carrying amount as of 31 Dec. 2021	**310.9**	**2,345.9**	**1,296.9**	**45.0**	**20.2**	**239.0**	**4,257.9**

Borrowing costs in accordance with IAS 23 in the amount of € 6.0 million were capitalised in 2021 (previous year: € 10.4 million).

As in the previous year, no impairment losses on property, plant and equipment were recognised in 2021.

In the 2020 financial year, property, plant and equipment changed as follows:

€ million	Land, leasehold rights and buildings including buildings on third-party land	Pipeline system	Technical plant, equipment and machinery	Other equipment, fixtures, furniture and office equipment	Right-of-use assets	Advance payments and construction in progress	Total
Acquisition and production costs							
1 Jan. 2020	**292.2**	**2,584.1**	**1,414.5**	**73.5**	**24.0**	**483.9**	**4,872.2**
Additions	10.4	28.4	51.4	11.8	3.9	305.2	411.1
Disposals	-0.1	-0.7	-0.4	-0.8	-0.6	0.0	-2.6
Reclassifications	9.6	8.7	65.7	5.6	0.0	-89.6	0.0
31 Dec. 2020	**312.1**	**2,620.5**	**1,531.2**	**90.1**	**27.3**	**699.5**	**5,280.7**
Accumulated amortisation							
1 Jan. 2020	**-43.7**	**-518.3**	**-329.9**	**-36.7**	**-3.7**	**0.0**	**-932.3**
Additions	-10.1	-80.8	-66.3	-8.2	-4.3	0.0	-169.7
Disposals	0.1	0.5	0.3	0.8	0.6	0.0	2.3
31 Dec. 2020	**-53.7**	**-598.6**	**-395.9**	**-44.1**	**-7.4**	**0.0**	**-1,099.7**
Net carrying amount as of 31 Dec. 2019	248.5	2,065.8	1,084.6	36.8	20.3	483.9	3,939.9
Net carrying amount as of 31 Dec. 2020	**258.4**	**2,021.9**	**1,135.3**	**46.0**	**19.9**	**699.5**	**4,181.0**

4.4 Financial assets

€ million	31 Dec. 2021	31 Dec. 2020
Companies accounted for using the equity method	62.7	63.1
Equity investments	65.3	48.1
Long-term loans granted	2.6	2.6
Total	**130.6**	**113.8**

The list of shareholdings is given in section 7.

The main equity investments are Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG ("NETG"), Dortmund, amounting to € 52.6 million (previous year: € 35.5 million) PLEdoc GmbH ("PLEdoc"), Essen, amounting to € 4.2 million (previous year: € 4.2 million) and Vier Gas Participations GmbH, Essen, amounting to € 3.5 million (previous year: € 3.5 million).

As in the previous year, no impairment losses on financial assets were recorded in 2021.

Shareholdings in companies accounted for using the equity method

As at the reporting date, GasLINE KG as an associate is the only company accounted for using the equity method.

The following two tables provide information on the summarised balance sheet and profit/loss data of GasLINE KG:

Balance sheet data € million	31 Dec. 2021	31 Dec. 2020
Dividends received	6.8	9.0
Non-current assets*	385.2	371.4
Current assets*	21.8	23.2
thereof liquid funds	*0.1*	*0.6*
Non-current liabilities*	150.6	135.5
thereof non-current financial liabilities	*80.0*	*65.0*
Current liabilities*	44.3	43.6
thereof current financial liabilities	*3.3*	*8.2*
Pro-rata equity	**62.0**	**63.0**
Other effects	0.7	0.1
Carrying amount of company accounted for using the equity method	**62.7**	**63.1**

* Figures refer to the total shareholders share (100%).

Profit/loss data € million	2021	2020
Revenues*	99.7	89.3
Depreciation and amortisation*	16.6	16.6
Interest income / expense*	-1.7	-1.7
Income tax expense*	2.9	2.7
OCI*	0.0	0.0
Income statement result*	**28.4**	**24.5**
Total comprehensive income*	**28.4**	**24.5**

* Figures refer to the total shareholders share (100%).

Shareholdings in joint operations

The companies MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG (“MEGAL”), Essen, Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG (“TENP”), Essen, NETRA and Zeelink GmbH & Co. KG (“Zeelink”), Essen, are, as joint operations, included in the Group on a pro-rata basis.

As of 31 December 2021, the consolidated balance sheet includes the following carrying amounts of the joint operations:

€ million	MEGAL	TENP	NETRA	Zeelink
Non-current assets				
Intangible assets	0.0	0.0	0.0	13.0
Property, plant and equipment	404.3	226.6	124.0	522.5
Deferred tax assets	2.6	1.5	0.1	0.2
Current assets				
Trade receivables (including advance payments made)	3.3	0.0	0.0	0.0
Income tax receivables	0.0	0.2	0.5	0.0
Other receivables	0.2	0.3	13.2	4.1
Liquid funds	4.5	26.4	6.6	4.7
Non-current liabilities				
Provisions for pensions and similar obligations	0.2	0.3	0.1	0.0
Financial liabilities	239.7	41.1	0.0	0.0
Other non-current liabilities	0.0	51.9	0.3	0.0
Deferred tax liabilities	28.4	20.0	15.4	2.3
Current liabilities				
Financial liabilities	0.3	0.1	0.0	0.0
Trade payables	3.4	2.8	1.6	5.5
Other liabilities	0.8	1.1	0.0	0.5

Carrying amounts of the joint operations in the consolidated balance sheet as of 31 December 2020:

€ million	MEGAL	TENP	NETRA	Zeelink
Non-current assets				
Intangible assets	0.1	0.0	0.0	0.5
Property, plant and equipment	393.2	224.8	130.3	465.9
Deferred tax assets	2.9	0.3	0.1	0.0
Current assets				
Trade receivables (including advance payments made)	0.0	0.0	0.2	0.0
Income tax receivables[8]	0.2	0.0	1.1	0.0
Other receivables[8]	1.4	0.1	0.2	5.1
Liquid funds	0.3	21.3	15.3	0.7
Non-current liabilities				
Provisions for pensions and similar obligations	0.2	0.3	0.1	0.0
Other provisions	0.0	0.0	0.0	0.0
Financial liabilities	112.2	41.1	0.0	0.0
Other non-current liabilities	26.2	52.0	0.4	0.2
Deferred tax liabilities	28.1	17.2	16.3	14.5
Current liabilities				
Other provisions	0.0	0.0	0.0	0.0
Financial liabilities	71.8	0.0	0.0	0.0
Trade payables	2.1	0.4	0.0	1.2
Other liabilities	2.0	0.8	0.0	0.1

[8] The prior-year figures have been adjusted owing to a reclassification of tax receivables to other receivables.

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

4.5 Non-current receivables and assets

Non-current receivables include receivables in the amount of € 66.4 million (previous year: € 81.1 million) from the two proportionately consolidated pipeline companies MEGAL and TENP from accounting for the one-sided capital contribution. The financial statements of these pipeline companies reflected this by recognising the capital contributions as borrowings in accordance with IAS 32.

4.6 Inventories

Inventories break down as follows:

€ million	31 Dec. 2021	31 Dec. 2020
Raw materials and supplies	18.4	17.6
Work in progress	2.8	4.0
Gas inventories	47.6	11.4
Total	**68.8**	**33.0**

4.7 Trade receivables and other current receivables

Current receivables break down as follows:

€ million	31 Dec. 2021	31 Dec. 2020
Trade receivables	43.3	22.8
Contract assets	9.4	11.7
Income tax receivables[9]	9.0	3.7
Other current operating receivables[9]	42.4	34.6
Trade receivables and other current operating receivables	**104.1**	**72.8**
Financial receivables	38.0	6.0
Total	**142.1**	**78.8**

With the exception of the contract assets, all receivables contained in this line item have a remaining term of less than one year. The contract assets item contains the right to consideration from contracts with customers that have a remaining term of more than one year. There were no unscheduled events that would have had a material effect on the balance of contract assets.

Other current operating receivables comprise mainly receivables from market area conversion and biogas levies in the amount of € 12.6 million (previous year: € 14.2 million), tax refund receivables from tax creditors in the amount of € 8.0 million (previous year: € 7.7 million[9]), as well as receivables from taxes chargeable to VGS in the amount of € 1.7 million (previous year: € 1.7 million).

The current financial receivables include a shareholders' loan granted by OGE to Trading Hub Europe GmbH in the amount of € 25.0 million (previous year: € 0.0 million).

4.8 Liquid funds

Liquid funds are all balances at banks which are mainly invested as current account balances, overnight money and one-month money. As of the reporting date liquid funds total € 115.6 million (previous year: € 106.2 million), of which € 0.4 million (previous year: € 0.8 million) are restricted due to guarantee deposits.

Liquid funds can be reconciled to cash and cash equivalents in accordance with IAS 7 as follows:

€ million	31 Dec. 2021	31 Dec. 2020
Liquid funds	115.6	106.2
Restricted cash and cash equivalents	-0.4	-0.8
Cash and cash equivalents	**115.2**	**105.4**

4.9 Equity

Subscribed capital

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

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

Additional paid in capital

As in the previous year, additional paid-in capital amounts to € 925.6 million.

Retained earnings

Retained earnings total € 404.8 million (previous year: € 315.5 million). The change results from the consolidated net income for the year of € 180.1 million (previous year: € 189.5 million) and the remeasurement of defined benefit plans amounting to € 97.6 million (previous year: € -51.9 million) as well as the deferred taxes thereon of € -30.2 million (previous year: € 16.1 million). Furthermore, in the reporting year the profit in the amount of € 158.2 million (previous year: € 106.2 million) was transferred, € 85.0 million of this figure (previous year: € 100.0 million) being transferred in advance.

Other comprehensive income

The accumulated OCI totals € -0.1 million (previous year: € -0.2 million). The change results from the measurement of derivatives and the deferred taxes thereon.

[9] The prior-year figures have been adjusted owing to a reclassification of tax receivables to other receivables.

4.10 Deferred taxes

The following table shows the deferred tax assets and deferred tax liabilities as of the reporting date:

€ million	Deferred tax assets 2021	Deferred tax assets 2020	Deferred tax liabilities 2021	Deferred tax liabilities 2020
Intangible assets	6.9	7.0	11.8	6.2
Goodwill	5.6	6.7	0.0	0.0
Property, plant and equipment	3.4	3.5	578.8	573.4
Financial assets	0.0	0.1	6.7	6.4
Other assets	27.4	62.3	4.2	12.3
Special reserve items	0.0	0.0	5.2	5.2
Provisions	127.6	144.8	75.2	60.8
Liabilities	12.1	11.4	18.5	41.3
Loss carryforward	8.2	5.1	n/a	n/a
Deferred taxes before netting	**191.2**	**240.9**	**700.4**	**705.6**
Netting	-169.6	-200.7	-169.6	-200.7
Deferred taxes after netting	**21.6**	**40.2**	**530.8**	**504.9**
thereof current	*11.4*	*29.6*	*4.1*	*6.9*
thereof non-current	*10.2*	*10.6*	*526.7*	*498.0*

In 2021, current deferred tax assets of € -17.8 million (previous year: € -33.0 million) and non-current deferred tax assets of € -151.8 million (previous year: € -167.7 million) were netted against deferred tax liabilities.

The Group has trade tax loss carryforwards of € 51.7 million (previous year: € 32.7 million). Deferred tax assets of € 8.2 million (previous year: € 5.1 million) were recognised on these loss carryforwards.

Of the deferred tax assets shown, € -30.3 million (previous year: € 16.1 million) were recognised within equity in the reporting period.

These deferred taxes are attributable in their entirety to the remeasurement of defined benefit plans recognised in comprehensive income as well as to the measurement of derivatives (cash flow hedges).

€ million	31 Dec. 2021 before tax	31 Dec. 2021 income tax	31 Dec. 2021 after tax
Changes from the remeasurement of defined benefit plans	97.6	-30.2	67.4
Cash flow hedges	0.2	-0.1	0.1
Other comprehensive income	97.8	-30.3	67.5

€ million	31 Dec. 2020 before tax	31 Dec. 2020 income tax	31 Dec. 2020 after tax
Changes from the remeasurement of defined benefit plans	-51.9	16.1	-35.8
Cash flow hedges	0.0	0.0	0.0
Other comprehensive income	-51.9	16.1	-35.8

No deferred taxes were recognised on temporary differences of € 16.0 million (previous year: € 10.9 million), connected with shares in subsidiaries.

4.11 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 dependant benefits. All pension commitments exist solely in Germany.

In the VGT-Group, there are currently five different pension plans in the form of direct commitments, of which one pension plan for new employees is still open, and one pension plan in the form of an insurance-based pension vehicle.

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 contain pension commitments. Apart from the statutory rules customarily applying in Germany, the pension plans are not subject to any legal or regulatory rules.

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

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

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

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

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

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

Responsibility for managing the pension commitments, in particular with regard to investment plans and contribution plans, rests with each management.

Individual contractual pension benefit commitments

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

Defined benefit plans

Defined benefit plan commitments 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 meet retirement plan commitments, they are offset on the balance sheet against the present value of the obligations.

Extent of obligations for pension commitments

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

€ million	2021	2020
Present value at start of financial year	**708.9**	**625.8**
Service cost	24.7	21.7
Past service cost	0.6	2.9
Interest cost	4.2	6.2
Payments from plan settlements	-0.1	-0.1
Remeasurement of defined benefit plans	-61.4	59.6
Pension benefits paid	-8.2	-7.2
Present value at end of financial year	**668.7**	**708.9**

Past service cost is solely the result of new early retirement agreements and contains not only the social security compensation but also the effects on general pension obligations.

Plan settlements in the reporting period mainly relate to transfers of obligations at the commercial balance sheet carrying amount resulting from transfers of employees.

The remeasurement of defined benefit plans in the financial year is due to gains from changes in the financial assumptions (€ 73.4 million; previous year: losses € 58.1 million) and losses from experience adjustments € 12.0 million; previous year: losses € 1.5 million).

The weighted average duration of the obligation is 21.7 years (previous year: 22.6 years) as of the reporting date.

In the following 10 years, the following pay-outs for pension benefits are expected:

€ million	31 Dec. 2021	31 Dec. 2020
Expected pay-outs for pension benefits		
Due within 1 year	10.8	9.3
Due within 1 to 2 years	12.3	10.7
Due within 2 to 5 years	45.6	41.6
Due in more than 5 years	102.1	94.4

Actuarial assumptions

The following parameters were used for measurement:

	31 Dec. 2021	31 Dec. 2020
Discount rate	1.10 %	0.60 %
Expected salary increase rate	2.50 %	2.50 %
Expected pension increase rate	2.00 % or in line with promised guaranteed increase	2.00 % or in line with promised guaranteed increase
Biometric data	Prof. Dr Klaus Heubeck 2018 G mortality tables	Prof. Dr Klaus Heubeck 2018 G mortality tables

Sensitivity analysis

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

31 Dec. 2021	+0.25 %p or +10 %	-0.25 %p or -10 %
Discount rate	-4.91 %	+5.29 %
Future salary increase rate	+0.92 %	-0.90 %
Future pension increase rate	+2.97 %	-2.81 %
Mortality	-2.92 %	+3.30 %

31 Dec. 2020	+0.25 %p or +10 %	-0.25 %p or -10 %
Discount rate	-5.24 %	+5.66 %
Future salary increase rate	+1.07 %	-1.04 %
Future pension increase rate	+3.10 %	-2.94 %
Mortality	-3.12 %	+3.54 %

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

Apart from the normal risks to which the pension commitments expose the Group, such as longevity or volatility of the assets, the Group is not exposed to any unusual or company-specific risks in connection with the pension commitments.

Fair value of plan assets

The fair value of the plan assets changed as follows:

€ million	2021	2020
Start of financial year	**508.2**	**447.1**
Interest income from plan assets	3.0	4.5
Remeasurement of defined benefit plans	36.1	7.8
Payments into plan assets	29.0	48.8
End of financial year	**576.3**	**508.2**

To minimise the effects of the loss of individual investments or the failure of individual investments to provide the expected return, the Group spreads asset investments widely. The Group intends to ensure that plan assets fully cover the pension obligations under commercial law at every reporting date.

Should the development of plan assets fall short of the development of the obligations, payments into the plan assets are made.

As of the reporting date, the trustee has invested the plan assets in the following asset classes:

%	31 Dec. 2021	31 Dec. 2020
Quoted prices in an active market		
Bonds	42.8	44.4
Equity funds	15.9	15.1
Total	**58.7**	**59.5**
No quoted prices in an active market		
Bonds	10.8	9.5
Equity funds	9.7	8.4
Real estate funds	10.8	10.9
Cash and money market instruments	10.0	11.7
Total	**41.3**	**40.5**
Total plan assets	**100.0**	**100.0**

The target allocation of the asset classes is as follows:

%	2021	2020
Bonds	60.0	60.0
Equity funds	25.0	25.0
Real estate funds	15.0	15.0
Total	**100.0**	**100.0**

The expected return on plan assets for the subsequent year amounts to € 6.3 million. The expected payments into plan assets for the subsequent year amount to € 30.0 million.

Presentation of provisions for pensions

Provisions for pensions changed as follows:

€ million	2021	2020
Start of financial year	**200.8**	**178.7**
Service cost	24.7	21.7
Past service cost	0.6	2.9
Net interest expense	1.2	1.7
Transfers/payments from plan settlements	-0.1	-0.1
Remeasurement effects	-97.6	51.9
Pension benefits paid	-8.2	-7.2
Payments into plan assets	-29.0	-48.8
End of financial year	**92.4**	**200.8**

Pension cost

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

€ million	2021	2020
Current cost (incl. plan settlement gain/loss)	24.7	21.7
Past service cost	0.6	2.9
Interest cost	4.2	6.2
Interest income from plan assets	-3.0	-4.5
Total	**26.5**	**26.3**

The remeasurement of defined benefit plans is accrued and recognised in full. It is reported outside the income statement as part of the other comprehensive income within the consolidated statement of comprehensive income.

The remeasurements of defined benefit plans recognised in equity and corresponding plan assets are shown in the following table:

€ million	31 Dec. 2021	31 Dec. 2020
Accumulated remeasurement recognised in equity at start of financial year	**-228.4**	**-176.5**
Remeasurement of the current financial year recognised in equity	97.6	-51.9
Accumulated remeasurement recognised in equity at end of financial year	**-130.8**	**-228.4**

4.12 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 are structured as follows:

Other provisions € million	31 Dec. 2021	thereof current	31 Dec. 2020	thereof current
Provisions – pipeline sector	113.1	54.9	78.7	20.3
Provisions – personnel sector	57.1	23.5	59.0	22.8
Provisions – production sector	3.3	3.3	5.7	5.7
Miscellaneous other provisions	1.0	0.6	1.1	0.8
Total	**174.5**	**82.3**	**144.5**	**49.6**

VGT expects the complete amount of current provisions € 82.3 million to be utilised within the year.

Provisions – pipeline sector

As part of the acquisition of OGE, in 2012 contingent liabilities were identified, measured at fair value, accounted for as provisions and adjusted for changes in accordance with IFRS 3.56. These include provisions for restoration obligations for the decommissioned pipeline network in the amount of € 58.2 million (previous year: € 58.4 million) which are recognised under provisions for the pipeline sector and for which, according to current estimates, utilisation can mainly be expected from 2031 onwards.

Provisions – personnel sector

Provisions for personnel obligations contain mainly provisions for bonus payments, early retirement obligations, obligations for gas allowance payments and for long-service anniversary payments as well as other personnel costs.

€ 17.8 million (previous year: € 19.9 million) of the non-current provisions are expected to be utilised after 5 years. The remaining non-current provisions are expected to be utilised within the next 5 years.

Provisions – production sector

Provisions for obligations from the production sector include expected charges for emission rights in the amount of € 3.3 million (previous year: € 5.7 million).

Miscellaneous other provisions

Miscellaneous other provisions exist in the amount of € 1.0 million (previous year: € 1.1 million).

The following table shows the change in other provisions:

€ million	Provisions – pipeline sector	Provisions – personnel sector	provisions – production sector	Miscellaneous other provisions	Total
1 Jan. 2021	**78.7**	**59.0**	**5.7**	**1.1**	**144.5**
Additions	43.2	32.5	3.3	1.6	80.6
Disposals	0.0	-1.0	0.0	-1.4	-2.4
Unwinding of discounting	0.0	2.1	0.0	0.1	2.2
Change in plan assets	0.0	-5.5	0.0	0.0	-5.5
Utilisation	-8.8	-30.0	-5.7	-0.4	-44.9
31 Dec. 2021	**113.1**	**57.1**	**3.3**	**1.0**	**174.5**

4.13 Liabilities

The following table provides a breakdown of the liabilities:

€ million	31 Dec. 2021 Current	31 Dec. 2021 Non-current	31 Dec. 2020 Current	31 Dec. 2020 Non-current
Bonds	0.0	2,983.6	0.0	2,981.2
Liabilities to banks	0.2	214.2	71.6	86.7
Liabilities to proportionately consolidated companies	13.0	0.0	7.8	0.0
Lease liabilities	3.6	16.8	3.8	16.3
Other financial liabilities	31.7	66.3	34.1	66.3
Financial liabilities	**48.5**	**3,280.9**	**117.3**	**3,150.5**
Trade payables	53.9	0.2	18.2	2.0
Investment grants / construction cost grants	0.0	10.8	0.0	9.8
Liabilities to proportionately consolidated companies	2.3	0.0	0.2	0.0
Liabilities to affiliated companies	75.4	0.0	16.8	0.0
Income tax liabilities	0.0	0.0	0.1	0.0
Accruals	17.6	0.0	12.2	0.0
Liabilities from derivative financial instruments	0.0	0.1	0.0	0.3
Contract liabilities	19.3	0.0	21.3	0.0
Other operating liabilities	24.8	52.0	23.0	77.9
Trade payables and other operating liabilities	**193.3**	**63.1**	**91.8**	**90.0**
Total	**241.8**	**3,344.0**	**209.1**	**3,240.5**

There were no unscheduled events that would have had a material effect on the balance of contract liabilities.

Unchanged from the previous year, the Group had five bond tranches with a total volume of € 3,000.0 million at the reporting date.

The RCF in the amount of € 600.0 million in the 2017 financial year remains unchanged to 2024. The RCF had not been drawn as of the reporting date. A Euro Commercial Paper Programme for a total volume of € 500.0 million is available to provide supplementary cover for short-term liquidity requirements. As of the reporting date, there were no Euro Commercial Paper issues outstanding.

Given the terms of the bonds maturing in 2023, 2025, 2028, 2029 and 2034 as well as the RCF maturing in 2024 and the Euro Commercial Paper Programme as a further source of short-term financing, VGT has, overall, a balanced liquidity profile with a wide maturity spread.

As in the previous year, other financial liabilities include a Schuldschein loan agreement in the amount of € 50.7 million and registered bonds in the amount of € 15.6 million.

The non-current other operating liabilities include liabilities arising from the proportionately consolidated pipeline company TENP (unchanged from the previous year: € 51.8 million) from the accounting of one-sided capital contributions, which are to be classified as liabilities in accordance with IAS 32. The liabilities arising from the proportionately consolidated pipeline company MEGAL were repaid in full in the financial year (previous year: € 26.0 million).

The current other operating liabilities mainly result from obligations to Uniper Global Commodities SE ("Uniper"), Düsseldorf, from a subsequent adjustment to the purchase price of OGE in the amount of € 7.7 million (previous year: € 7.3 million). There are also deferred income items amounting to € 4.0 million (previous year: € 5.3 million) as well as liabilities from other taxes amounting to € 6.2 million (previous year: € 6.3 million).

5 Information on the Consolidated Income Statement

5.1 Revenues

Revenue from contracts with customers

In the following table, the revenues generated are split into revenues from contracts with customers and revenues from leases and then broken down into the divisions Transport business and Other Services business:

2021 € million	Transport business	Other Services business	Total
Revenue from contracts with customers	962.4	127.7	**1,090.1**
Revenue from leases	0.0	1.1	**1.1**
Total revenues	**962.4**	**128.8**	**1,091.2**

2020 € million	Transport business	Other Services business	Total
Revenue from contracts with customers	1,012.6	137.4	**1,150.0**
Revenue from leases	0.0	1.1	**1.1**
Total revenues	**1,012.6**	**138.5**	**1,151.1**

Generally, revenues from the Transport business are recognised at a point in time and revenues from the Other Service business are recognised over time. Revenues from the Transport business are subject to regulation by the BNetzA and revenues from the Other Services business are basically generated in the unregulated gas industry segment.

The classification into Transport business and Other Services business is in line with the entity-wide disclosures as part of the segment reporting.

All contract liabilities that were contained in the balance of contract liabilities at the beginning of the financial year led to revenues in the reporting period.

The revenues from contracts with customers recognised within revenues basically result from performance obligations that were satisfied in the reporting period.

The total value of the performance obligations from contracts with customers that had not yet been satisfied at the reporting date amounts to € 176.2 million (previous year: € 119.1 million). These obligations are expected to be satisfied as follows:

Performance obligations not yet satisfied € million	2021	2020
Probable satisfaction in ≤ 1 year	122.4	94.6
Probable satisfaction > 1 year	53.8	24.5
Total	**176.2**	**119.1**

5.2 Own work capitalised

Own work capitalised amounts to € 29.3 million (previous year: € 34.3 million) and results primarily from engineering services in the network sector and in connection with new construction projects.

5.3 Other operating income

Other operating income mainly includes income from compensation from pipeline construction projects in the amount of € 19.2 million (previous year: € 2.2 million), income from market conversion and biogas levies in the amount of € 12.6 million (previous year: € 14.2 million) and income from the disposal of non-current assets in the amount of € 1.5 million (previous year: € 3.1 million). Income in the amount of € 2.8 million (previous year: € 2.0 million) from purchase price adjustments due to agreed tax clauses is also recognised in other operating income.

Realised exchange rate gains and income from foreign currency translation on the reporting date were of an insignificant amount (< € 50k).

5.4 Cost of materials

€ million	2021	2020
Expenses for raw materials and supplies	268.7	242.4
Expenses for purchased goods	98.9	116.4
Total	**367.6**	**358.8**

Expenses for raw materials and supplies mainly comprise expenses for fuel energy and usage fees. This item also includes expenses for market area conversion and biogas levies, which are largely passed on to the customers and collected in revenues of the transport business. The expenses for purchased goods mainly relate to maintenance costs as well as other services purchased in connection with the services business.

5.5 Personnel costs

Personnel costs contain the following components:

€ million	2021	2020
Wages and salaries	140.6	140.4
Social security contributions	22.7	21.6
Pension costs and other employee benefits	24.5	26.3
Total	**187.8**	**188.3**

Expenses for social security contributions include contributions to statutory retirement systems in the amount of € 10.4 million (previous year: € 10.1 million).

Of the pension costs and other employment benefits totalling € 24.5 million, € 0.2 million (previous year: € 1.0 million) relate to defined contribution plans.

In the reporting period, the Group employed an average of 1,601 employees (previous year: 1,580), of which 341 were industrial workers (previous year: 340), 1,162 were salaried employees (previous year: 1,146), 69 were apprentices (previous year: 68), 25 were placement students (previous year: 21) and 4 were managing directors (previous year: 5). The figure includes 3 employees (previous year: 3) from proportionately consolidated Group companies.

The personnel figures were determined on an average basis from the end figure of each quarter. Employees from proportionately consolidated companies were included in full.

5.6 Other operating expenses

The other operating expenses break down as follows:

€ million	2021	2020
IT costs	32.8	35.9
Market area conversion and biogas levies	17.4	19.0
Miscellaneous other operating expenses	40.4	45.1
Total	**90.6**	**100.0**

Miscellaneous other operating expenses include in particular expenses for social insurance contributions, insurance premiums, services rendered by third parties as well as external audit and consulting costs.

5.7 Depreciation, amortisation and impairment charges

€ million	2021	2020
Amortisation of intangible assets	20.7	15.5
Depreciation of property, plant and equipment	193.9	169.7
Total	**214.6**	**185.2**

As in the previous year no impairment was recognised in the 2021 financial year.

5.8 Financial result

€ million	2021	2020
Income/loss (-) from equity investments	**6.3**	**1.8**
Income from companies accounted for using the equity method	**2.5**	**0.3**
Interest income	**0.7**	**0.2**
Interest expenses	**-58.9**	**-67.8**
Interest share of the addition to provisions	-2.9	-3.5
Tax-related interest expenses	0.0	-6.1
Other interest expenses	-56.0	-58.2
Financial result	**-49.4**	**-65.5**

Dividend income is recognised when the right to receive payment is established. Interest income is recognised as the interest accrues using the effective interest method.

The interest share of the addition to provisions is mainly the interest cost from pension provisions (€ 4.2 million) - after deduction of the expected return on plan assets (€ 3.8 million) – as well as the unwinding of discounting of the other non-current personnel provisions totalling € 2.5 million.

Other interest expenses are largely interest on debt in connection with the bonds (€ 55.6 million; previous year: € 62.4 million).

An interest expense of € 2.4 million (previous year: € 2.6 million) resulted from the effective interest rate of the bonds.

The other interest expenses are reduced by the capitalised interest on debt amounting to € 6.0 million (previous year: € 10.4 million).

5.9 Income taxes

A profit-and-loss transfer agreement has existed since 1 January 2013 with OGE as the controlled company and VGT as the controlling company which provides the reason for the establishment of a fiscal entity for income tax purposes between VGT and OGE. Since then, following the conclusion of a further profit-and-loss transfer agreement, a further fiscal entity for income tax purposes has also existed with VGT as the controlled company and VGS as the controlling company.

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

The domination and profit-and-loss transfer agreements between OGE as the intermediate controlling company and its subsidiaries METG, OGR, PLEdoc, Open Grid Service GmbH (“OGS”), Essen, Line WORX GmbH, Essen, and NEL Beteiligungs GmbH (“NELB”), Essen, continue in existence. No agreements on income tax allocation were made between OGE and its controlled companies.

The income taxes break down as follows:

€ million	2021	2020
Income taxes for current financial year	3.4	4.1
Income tax allocations	53.1	60.6
Income taxes for prior financial years	-2.6	13.8
Deferred taxes for current financial year	14.5	36.0
Deferred taxes for prior financial years	-0.2	9.1
Income taxes	**68.2**	**123.6**

The pro-rata trade tax of proportionately consolidated partnerships is shown as an effective tax expense for the current year. The taxes for previous years are current and deferred taxes from partnerships and from the OGE fiscal entity for income tax purposes.

The deferred tax effects are due to the change in temporary differences.

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

		2021		2020	
		€ million	%	€ million	%
	Profit before tax in accordance with IFRS	**248.3**		**313.1**	
	Group income tax rate		31.0		31.0
	Expected income tax expense	**77.0**		**97.1**	
1.	Permanent effects	-9.4	-3.8	0.7	0.2
2.	Difference due to the trade tax assessment base	3.1	1.2	2.6	0.8
3.	Taxes not relating to the period	-2.8	-1.1	22.9	7.3
4.	Effect from measurement using the equity method	-0.2	-0.1	0.0	0.0
5.	Change in deferred taxes on loss carryforwards	0.0	0.0	0.0	0.0
6.	Other	0.5	0.2	0.4	0.1
	Effective tax expense / rate	**68.2**	**27.4**	**123.7**	**39.4**

The difference between the calculated tax expense and the current tax expense is mainly due to tax-free income from plan assets. Additions in relation to trade tax and reversal effects from tax audits also had an impact.

6 Other Information

6.1 Information on the Consolidated Cash Flow Statement

Cash provided by operating activities amounted to € 452.0 million (previous year: € 445.2 million) and is therefore in line with the prior-year figure.

Cash flow from investing activities changed in the financial year by € -405.0 million to € -317.5 million. The change results mainly from the fact that time deposits and fund units were withdrawn in the 2020 financial year. Of the total additions to property, plant and equipment and intangible assets in the amount of € 305.1 million in the 2021 financial year, € 30.3 million were non-cash. In addition, the prior-year non-cash investments resulted in cash outflows in the amount of € 5.2 million.

In the financial year, cash used for financing activities totalled € -124.7 million (previous year: € -957.7 million). The refinancing of the project company MEGAL resulted in cash inflows of € 127.5 million and cash outflows of € 71.4 million.

The following shows the changes in liabilities from financing activities in the financial year:

Financial liabilities € million	Current	Non-current	Total
Start of the 2020 financial year	**872.1**	**3,143.5**	**4,015.6**
Cash-effective changes	-896.4	76.5	-819.9
Non-cash changes	141.6	-69.5	72.1
End of the 2020 financial year	**117.3**	**3,150.5**	**3,267.8**
Cash-effective changes	-132.8	127.5	-5.3
Non-cash changes	64.0	2.9	66.9
End of the 2021 financial year	**48.5**	**3,280.9**	**3,329.4**

In addition, cash-effective changes from non-current other liabilities in the amount of € -26.0 million are reported in the cash flow from financing activities of the 2021 financial year.

The non-cash changes result almost exclusively from accrued interest and from reclassifications for maturity reasons and are classified under “other changes” in accordance with IAS 7.44B (e).

Cash and cash equivalents for the purposes of the cash flow statement totalling € 115.2 million (previous year: € 105.4 million) comprise exclusively balances at banks.

See section 4.4 for information on the liquid funds of the joint operations.

6.2 Contingencies

All financings in the VGT Group (in the form of bonds or bank loans) are granted to the borrowing Group companies without the provision of collateral security. As of 31 December 2021, the total amount of bank guarantees in favour of third parties was € 3.9 million (previous year: € 4.3 million).

6.3 Other financial obligations

The other financial obligations which cannot be seen from the balance sheet amount to € 64.1 million per annum (previous year: € 58.1 million) as of the reporting date and arise from long-term contracts for the grant of use of the pipeline network.

The following purchase commitments existed as of the reporting date:

€ million	31 Dec. 2021	31 Dec. 2020
Purchase commitment for investments in intangible assets	0.7	1.2
Purchase commitment for investments in property, plant and equipment	141.7	291.6
Purchase commitment for maintenance work (incl. inventory materials)	250.1	213.8
Total purchase commitment	**392.5**	**506.6**

6.4 Leases

The Group as Lessee

The Group recognises capitalised right-of-use assets in particular for land and buildings and for vehicles. The following table shows the right-of-use assets recognised in the balance sheet by class as of 31 December 2021:

€ million	31 Dec. 2021	31 Dec. 2020
Land and buildings	16.1	15.6
Vehicles	4.0	4.2
Other equipment, fixtures, furniture and office equipment	0.1	0.1
Total	**20.2**	**19.9**

See section 4.3 for the change in the right-of-use assets.

The Group's existing lease liabilities result in the following undiscounted future lease payments:

€ million	31 Dec. 2021	31 Dec. 2020
Due within 1 year	3.0	3.6
Due in 1 to 5 years	7.3	10.6
Due in more than 5 years	11.3	10.3

As of the reporting date, there were no future obligations arising from leases that had already been entered into but had not yet commenced on the reporting date.

The Group recognised leases in the income statement as follows:

€ million	2021	2020
Depreciation of right-of-use assets	4.5	4.3
thereof land and buildings	*2.0*	*2.0*
thereof vehicles	*2.4*	*2.3*
thereof other equipment, fixtures, furniture and office equipment	*0.0*	*0.0*
Expenses relating to short-term leases	0.3	0.2
Expenses relating to leases of low-value assets which are not short-term leases	1.1	0.8
Interest expenses on lease liabilities	0.1	0.2

In the financial year, cash outflows resulted not only from cash payments in the amount of € 5.6 million (previous year: € 4.5 million) for the interest and principal portions of lease liabilities recognised in the balance sheet but also from cash payments for short-term leases not recognised in the balance sheet and for leases of low-value assets of € 1.4 million (previous year: € 1.0 million). The payments for the interest portion and the principal portion are included in cash flow from financing activities.

6.5 Segment reporting

In accordance with IFRS 8, the segments are defined 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 implementation of the concept of an Independent Transmission Operator (ITO) prohibits intervention of higher levels in the business operations 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 revenues 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 nor independent of revenues, the 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”.

Entity-wide disclosures

External revenues break down as follows:

€ million	2021	2020
Transport business	962.4	1,012.6
Other Services business	128.8	138.5
Total	**1,091.2**	**1,151.1**

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 € 169.0 million with one customer in 2021 (previous year: € 169.3 million). That is more than 10 % of total revenues.

6.6 Business transactions with related parties

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

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

On the basis of the profit-and-loss transfer agreement concluded with VGS on 1 January 2013, VGT is to transfer its profits of € 158.2 million (previous year: € 106.2 million) and to pay € 53.2 million (previous year: € 60.6 million) to VGS under the income tax allocation agreement with VGS. An advance payment of € 136.0 million (previous year: € 150.0 million) was already made to VGS on the basis of these two agreements. On the reporting date, the total remaining amount of € 75.4 million (previous year: € 16.8 million) after deduction of tax receivables chargeable to VGS is recorded in current operating liabilities to affiliated companies.

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

Associates and joint arrangements

The list of shareholdings is given in section 7. Material business relations only exist with NETG, DEUDAN - Deutsch/Dänische Erdgastransport-Gesellschaft mbH & Co. Kommanditgesellschaft, Handewitt, GasLINE KG, NetConnect Germany GmbH & Co. KG, Ratingen and Trading Hub Europe GmbH, Ratingen. The individual business transactions were as follows:

€ million	2021	2020
Receivables	32.8	7.0
Liabilities	7.9	1.9
Revenues	25.1	27.4
Cost of materials	15.3	11.4

The revenues generated relate mainly to technical and commercial services contracted at a flat rate in the amount of € 14.8 million (previous year: € 15.0 million) and to services provided as part of the project business and individual measures in the amount of € 10.3 million (previous year: € 12.3 million). At € 11.1 million (previous year: € 9.9 million), fees for usage contracts for the pipeline network account for most of the cost of materials.

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. With one exception, 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 similar pipeline and monitoring activities for a large number of companies and the costs are not allocated to the individual companies, it is not possible to attribute the individual remunerations to their VGT management work.

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

€ million	2021	2020
Salaries and other current benefits	2.1	2.4
Post-termination benefits	0.3	0.4
Other benefits due in the long term	0.8	1.0
Total remuneration	**3.2**	**3.8**

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

6.7 Events after the balance sheet date

The Board of Management is continually monitoring the development of the war in Ukraine and the resulting consequences for supply security and for the energy industry. The material subsidiary OGE is in constant dialogue with the other German and European network operators and the relevant authorities on security of supply in light of the developments in Russia and Ukraine. Together, potential bottlenecks in supply can be quickly identified and any necessary measures immediately agreed and initiated at the transport level.

The supply situation in Europe depends on the continued delivery of large volumes of LNG to the EU and generally on all import routes being used to capacity. According to an analysis conducted by the authorities responsible, isolated regional bottlenecks cannot be ruled out in Europe should Russian imports cease completely. The German gas transmission network operators are, however, working together with their European partners and the relevant authorities to ensure a secure supply situation.

The German gas grid has a fundamentally flexible structure, is integrated in the European grid at many points and can transport gas volumes safely to the consumer via various routes. The transport capacities are designed for the long term so that shippers' obligations to provide secure supplies to their customers can be met. One example of the built-in flexibility is the mode of operation this winter with higher volumes from Norway and the western LNG terminals and, at the same time, reduced volumes from the East.

Given OGE's business model as a regulated gas transmission network operator, the Board of Management does not expect any significant impact on the net assets, financial position and results of operations of the Group. As a result of the revenue cap regulation, any impact on earnings would be largely of a temporary nature and be balanced out again over the course of time via the regulatory account mechanism. Any resulting delays in inflows of liquid funds could, if necessary, be offset by existing and previously unused revolving credit lines. Uncollectible receivables in the event of customer insolvency would be a remaining risk that could neither be reduced nor posted to the regulatory account. However, the risk is limited in its impact, as it can be assumed that either OGE or the customer would terminate the underlying contract at short notice.

With regard to possible effects of the current COVID-19 situation on the Group, we refer to the "Report on expected developments" section of the Group Management Report.

6.8 Independent auditors' fees

The auditors of the VGT consolidated financial statements are PricewaterhouseCoopers GmbH WPG, Essen. The fees for financial statement audits include in particular fees for statutory auditing of the consolidated financial statements and the annual financial statements of the Group companies of VGT. Other assurance services include in particular assurance services from contractual obligations that are not financial statement audits and are not used in connection with the audit. The fees for other services mainly comprise fees for project-related advisory services.

€ million	2021	2020
Financial statement audits	0.4	0.4
Other assurance services	0.0	0.1
Other services	0.2	0.2
Total	**0.6**	**0.7**

6.9 Management

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

Stephan Kamphues
Chairman of the VGT Board of Management, until 30 June 2021

Christine U. Wilinski
Managing Director, from 1 June 2021

Hilko Cornelius Schomerus
Managing Director, Macquarie Infrastructure & Real Assets
Frankfurt am Main

Laurent Fortino
Senior Investment Manager, Infrastructure Division, ADIA
Abu Dhabi/United Arab Emirates

Lincoln Hillier Webb
Executive Vice President, Infrastructure & Renewable Resources, British Columbia Investment Management Corp.
Victoria, British Columbia/Canada

Alexander Bögle
Senior Investment Manager, Private Equity & Infrastructure, MEAG MUNICH ERGO Asset Management GmbH
Munich

Cord von Lewinski
Managing Director, Macquarie Infrastructure & Real Assets
Frankfurt am Main

Richard W. Dinneny
Senior Portfolio Manager, Infrastructure & Renewable Resources, British Columbia Investment Management Corp.
Victoria, British Columbia/Canada, until 29 January 2021

Timothy Keeling
Senior Principal, Infrastructure & Renewable Resources, British Columbia Investment Management Corp.
Victoria, British Columbia/Canada, from 30 January 2021

Guy Lambert
Head of Utilities, Infrastructure Division, ADIA
Abu Dhabi/United Arab Emirates

With the exception of Stephan Kamphues and Christine U. Wilinski, the managing directors are not employees of the Company.

7 List of Shareholdings as of 31 December 2021

Name	Seat	Trade register number	Share in %	Equity in € k(1)	Net income in € k(1)
Consolidated					
Open Grid Europe GmbH	Essen	HRB 17487	100.00	2,285,548	203,230
Mittelrheinische Erdgastransportleitungsgesellschaft mbH	Essen	HRB 24567	100.00	64,150	53,681
Line WORX GmbH	Essen	HRB 23536	100.00	84,725	6,853
Proportionately consolidated					
MEGAL Mittel-Europäische-Gasleitungsgesellschaft mbH & Co. KG	Essen	HRA 8536	51.00	79,046	17,494
NETRA GmbH Norddeutsche Erdgas Transversale & Co. Kommanditgesellschaft	Schneider-krug	HRA 150471	55.94	64,701	14,982
Trans Europa Naturgas Pipeline Gesellschaft mbH & Co. KG	Essen	HRA 8548	51.00	217,696	2,948
Zeelink GmbH & Co. KG	Essen	HRA 10610	75.00	717,875	3,372
Equity-accounted					
GasLINE Telekommunikationsnetzgesellschaft deutscher Gas-versorgungsunternehmen mbH & Co. Kommanditgesellschaft	Straelen	HRA 1805	29.24	110,274	28,376
Non-consolidated companies due to immaterial importance					
DEUDAN-Deutsch/Dänische Erdgastransport-Gesellschaft mbH & Co. Kommanditgesellschaft (3)	Handewitt	HRA 3848 FL	24.99	5,626	1,111
DEUDAN-Deutsch/Dänische Erdgastransport-Gesellschaft mbH (2) (3)	Handewitt	HRB 3531 FL	24.99	85	2
e-loops GmbH (2) (4)	Essen	HRB 28610	100.00	625	-113
evety GmbH (2) (3)	Essen	HRB 31097	40.00	1,591	-409
GasLINE Telekommunikationsnetz-Geschäftsführungsgesellschaft deutscher Gasversorgungsunternehmen mbH (5)	Straelen	HRB 4812	29.24	74	2
H2UB GmbH (7)	Essen	HRB 32216	40.00	-	-
LIWACOM Informationstechnik GmbH (2) (5)	Essen	HRB 7829	33.33	597	192
MEGAL Verwaltungs-GmbH (3)	Essen	HRB 18697	51.00	55	2
NEL Beteiligungs GmbH (4)	Essen	HRB 23527	100.00	25	-1
NETRA GmbH-Norddeutsche Erdgas Transversale (2) (3)	Schneider-krug	HRB 150783	50.00	117	2
Nordrheinische Erdgastransportleitungsgesellschaft mbH & Co. KG (3)	Dortmund	HRA 17834	50.00	96,866	7,865
Nordrheinische Erdgastransportleitungs-Verwaltungs-GmbH (3)	Dortmund	HRB 26278	50.00	42	1
Open Grid Regional GmbH (4)	Essen	HRB 19964	100.00	500	-1
Open Grid Service GmbH (4)	Essen	HRB 22210	100.00	454	159
PLEdoc GmbH (4)	Essen	HRB 9864	100.00	797	1,130
PRISMA European Capacity Platform GmbH (2) (6)	Leipzig	HRB 21361	1.33	1,589	268
Route4Gas B.V. (2) (5)	Amsterdam	CCI 71994408	23.05	-3,665	-2,580
Trading Hub Europe GmbH (6) (7)	Ratingen	HRB 120856 B	9.09	-	-
Trans Europa Naturgas Pipeline Verwaltungs-GmbH (3)	Essen	HRB 18708	50.00	52	2
Vier Gas Participations GmbH (4)	Essen	HRB 30907	100.00	3,342	-62
Zeelink-Verwaltungs-GmbH (3)	Essen	HRB 27607	75.00	34	2

(1) Equity and net income are based on country-specific accounting policies
(2) Equity and net income refer to the previous year
(3) Joint arrangement (not consolidated pro rata/measured using the equity method)
(4) Non-consolidated affiliated company
(5) Associate (not measured using the equity method)
(6) Other equity investments
(7) Company established or acquired in the financial year. No data currently available.

Essen, 14 March 2022

Vier Gas Transport GmbH

The Management

Christine U. Wilinski

Hilko Cornelius Schomerus

Laurent Fortino

Lincoln Hillier Webb

Alexander Bögle

Cord von Lewinski

Timothy Keeling

Guy Lambert

INDEPENDENT AUDITOR'S REPORT

To Vier Gas Transport GmbH, Essen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Vier Gas Transport GmbH, Essen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Vier Gas Transport GmbH for the financial year from January 1 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of the non-financial group statement pursuant to § [Article] 315b Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code].

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1 to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the non-financial group statement referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU

Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matter:

Recoverability of goodwill

① Goodwill amounting in total to € 840.3 million (14.7% of total assets) is reported under the "Goodwill" balance sheet item in the consolidated financial statements of Vier Gas Transport GmbH, Essen. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the cash-generating unit to which the relevant goodwill is allocated. The carrying amount of the cash-generating unit, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally calculated on the basis of fair value less costs of disposal. The present value of the future cash flows from the cash-generating unit normally serves as the basis of valuation. The present values are calculated using discounted cash flow models. For this purpose, the budget projections of the Group prepared by the executive directors form the starting point which are extrapolated based on assumptions about long-term regulatory developments. The discount rate used is the weighted average cost of capital for the cashgenerating unit.

The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the cash-generating unit, the discount rate used, the rate of growth and other assumptions about the long-term margin development and the development of the relevant regulatory factors, and is therefore subject to considerable uncertainty. Against this background and due to the highly complex nature of the measurement, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the method used for performing the impairment test and evaluated the calculation of the weighted average cost of capital, among other things. Furthermore, we satisfied ourselves as to the appropriateness of the future cash flows used in the measurement in particular by comparing this data with the budget projections and assessing the data on the basis of sector-specific and regulatory market expectations, and in the process of doing so, making use of the executive directors' explanations regarding key value drivers. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and verified the calculation model. We performed sensitivity analyses in order to reflect the uncertainty inherent in the projections. Taking into account the information available, we determined that the carrying amounts of the cash-generating unit, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. Taking into consideration the information available, in our view the measurement parameters and assumptions used by the executive directors were properly derived for conducting impairment tests.

③ The Company's disclosures on impairment testing and on the "Goodwill" balance sheet item are contained in sections 2.6 and 4.2 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the non-financial group statement pursuant to § 315b Abs. 1 HGB as an unaudited part of the group management report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Audit Committee for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The audit committee is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the shareholders' meeting on March 25, 2021. We were engaged by the management on June 30, 2021. We have been the group auditor of Vier Gas Transport GmbH, Essen, without interruption since the financial year 2012.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Michael Preiß.

Essen, March 15, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Michael Preiß)
Wirtschaftsprüfer
(German Public Auditor)

(sgd. ppa. Ronald Koch)
Wirtschaftsprüfer
(German Public Auditor)