

# Group Management Report and Consolidated financial statements for the fiscal year 2021

Eurogrid GmbH  
Berlin



# Group Management Report of Eurogrid GmbH

## Background of the Group

### Purpose of the Company

The Eurogrid GmbH Group (hereinafter referred to as the “Group”) consists of Eurogrid GmbH (“Eurogrid”) as well as 50Hertz Transmission GmbH (“50Hertz Transmission”) and 50Hertz Offshore GmbH (“50Hertz Offshore”; together with “50Hertz Transmission” also referred to as “50Hertz”) as affiliated companies of Eurogrid and additionally from investments of 50Hertz Transmission. Among others, there is an investment in Elia Grid International NV/SA, which is accounted for as an associated company using the equity method. The three associated companies have their registered offices in Berlin, while Elia Grid International NV/SA, in which 50Hertz Transmission has a direct shareholding, has its registered office in Brussels.

The Eurogrid group management report includes a non-financial group statement in a separate section. The standards of the Global Reporting Initiative (GRI) were applied in this part of the management report.

### Cooperation within the Elia Group

Elia Group NV/SA (Elia Group), as the listed holding company and ultimate management company, holds all shares in Elia Transmission Belgium NV/SA (Elia TSO) as well as in Eurogrid International NV/SA (Eurogrid International) and thus indirectly in Eurogrid and 50Hertz Transmission and in Elia Grid International NV/SA. Elia TSO is the Belgian transmission system operator (TSO).

Under the name Elia Group, Elia TSO and 50Hertz work together intensively as two strong European TSOs as well as all other Group companies. The cooperation is also strengthened organisationally within the Group, through the establishment of joint Group functions, especially for IT, purchasing, strategy, Group Controlling and EU Affairs. About their financing activities and their refinancing on the capital market, the two national parts of the Group act independently of each other, partly due to the regulatory framework; there are no cross-border financing relationships.

## **Eurogrid**

Elia Group holds 100 percent of the shares in Eurogrid International, which in turn holds 80 percent of the shares in Eurogrid. 80 percent of the shares in Eurogrid. Kew holds the remaining 20 percent of Eurogrid indirectly through its wholly owned subsidiary Selent Netzbetreiber GmbH (Selent), based in Frankfurt am Main.

Eurogrid holds 100 percent of the shares in 50Hertz Transmission, which in turn holds 100 percent of the shares in 50Hertz Offshore. Profit and loss transfer agreements exist between the companies along the participation chain. 50Hertz Transmission also has other shareholdings, such as in Elia Grid International SA, in the European Energy Exchange AG (EEX), in the Joint Allocation Office S.A. (JAO), in the TEG and in the TEG. (JAO), in TSCNET Services GmbH (TSCNET) and in Coreso SA (Coreso).

Both Eurogrid and its subsidiaries 50Hertz Transmission and 50Hertz Offshore are included in the consolidated financial statements of Elia Group as affiliated companies. Due to its capital market orientation, the Elia Group's consolidated financial statements do not have any exempting effect. Eurogrid therefore prepares its own consolidated financial statements.

The business purpose of Eurogrid is to acquire, hold and operate investment activities, mainly the investment in 50Hertz Transmission. In the financial year, Eurogrid essentially arranged and secured financing for 50Hertz's construction and operating activities.

As part of the uniform financial management, there is a cash pooling agreement that includes the current business accounts of Eurogrid, 50Hertz Transmission and 50Hertz Offshore. The EEG account managed by 50Hertz Transmission is managed separately.

## **50Hertz Transmission and 50Hertz Offshore**

As a TSO, 50Hertz Transmission operates the extra-high voltage grid in the north and east of Germany over a circuit length of approx. 10. 325km. In this context, the company is also responsible for maintenance and expansion in line with demand, as well as for maintaining the balance of generation and consumption within the entire electricity supply system of the control area. The business activities of 50Hertz Offshore include the planning, construction, and provision of lines for electric power as well as the associated facilities and equipment for connecting offshore wind energy plants or offshore wind farms (OWPs), which are primarily constructed in the Baltic Sea. 50Hertz Offshore serves the transparent presentation of German offshore activities within the regulated framework with regards to planning, production, and provision of grid connections and as a basis for the processing of the offshore grid levy by 50Hertz Transmission.

The company does not employ its own staff but uses the staff of the direct parent company.

50Hertz Transmission carries out billing in accordance with the statutory requirements of the Renewable Energy Sources Act (EEG), the Combined Heat and Power Act (KWKG) and certain levies under the Energy Industry Act (New) and the Electricity Grid Charges Ordinance (StromNEV). These transactions do not affect the TSO's earnings; however, their effects on liquidity have a significant impact on the Group's balance sheet.

## Management system

The supervision of the German Group activities is the responsibility of the Supervisory Board of Eurogrid.

The operational management of the Group is carried out by the management of 50Hertz Transmission as the leading company in the Group.

The central performance indicators for Group management include both financial and non-financial elements; they are based on the Group's objectives (competitive and sustainable result, high efficiency and acceleration, digital transformation and value-based corporate culture, demand-driven network expansion, sustainable and secure network including occupational safety) and are recorded and analysed on an ongoing basis using a key performance indicator system that includes various dimensions. The financial performance indicators are the after-tax result according to IFRS, an absolute figure reflecting the efficiency value of 50Hertz for the operating onshore costs (OPEX value onshore), which essentially include personnel costs and non-energy-related expenses, and the investment behavior for the transmission grid. In addition to financial performance indicators (amount of capital expenditure per year), the investment behavior for the transmission grid is also controlled via non-financial indicators such as the achievement of specific milestones and the quality of project execution. Furthermore, non-financial performance indicators are considered, among other things, in the area of health and occupational safety (the number of occupational accidents, the grading according to accident severity and the health rate) and, as a technical indicator, network availability. The evaluation of various performance indicators also includes contributions from the achievement of Group targets of the Elia Group.

The Group's financial position is assessed and managed through rolling liquidity planning, considering the status of the investment settlement in particular.

Eurogrid has a Funding and Dividend Policy that sets out the key points of a separate funding strategy for the Group. This policy requires in particular an accumulative payout ratio of up to 70 percent of the net earning to ensure sufficient internal funding within the Eurogrid group. The aim is to secure a stable rating initially for the duration of the third regulatory period via a sustainable financing structure.

## **Economic and Industry-specific environment**

### **Business Strategy**

As a group with a high level of social responsibility for the success of the energy transition, the political framework conditions in Germany and Europe are extremely important for the activities of its subsidiaries as regulated companies in a natural monopoly. 50Hertz is therefore in intensive dialogue with political decision-makers, authorities, industry representatives and civil society associations. In particular, the political decisions regarding the phase-out of various conventional forms of energy generation and the simultaneous special promotion of the generation of renewable energies have for years presented the company responsible for the electrical system with constant challenges, which 50Hertz addresses actively and innovatively. Accordingly, the Group's strategic goal is to ensure that 100 percent of the total annual electricity consumption in the 50Hertz grid area can be covered by renewable energies by 2032. In addition, 50Hertz supports the industry in its efforts towards rapid decarbonization accompanied by additional electrification requirements.

The energy transition requires the safe and efficient integration of large amounts of renewable electricity into the grid and the overall electrical system. To cope with this complexity, 50Hertz is increasingly making use of digital technologies.

### **Economic and political environment**

The consequences of the Corona pandemic were also clearly noticeable in 2021. Nevertheless, according to the Federal Statistical Office, the recovery of the German economy was shown by the positive development of the gross domestic product over the course of the year. This development was also reflected in the BDEW Annual Report 2021: compared to the previous year (566.7 kWh), gross electricity generation already increased slightly again in the first half of 2021 and amounted to 582.2 kWh at the end of 2021. However, the level of 2019, i.e., before the Corona pandemic, of 601.9 kWh has not yet been reached again.

Energy transition and climate change are taking on an increasingly central role in the political and social debate. In addition to ambitious climate neutrality plans of individual nations, societal pressure on states and companies to address climate change more quickly and decisively is also increasing.

Even before the parliamentary summer break - and in direct response to the Federal Constitutional Court ruling on the Climate Protection Act - the amendment to the Federal Climate Protection Act was passed. The target year of net greenhouse gas neutrality was brought forward from 2050 to 2045 and the greenhouse gas reduction targets were set at 65 percent by 2030 and

88 percent by 2040. In the process, the majority of the additional emission reductions by 2030 are allocated to the energy sector. The traffic light coalition of SPD, Bündnis 90/Die Grünen and FDP, formed after the last Bundestag elections, will have to deal with the concretization and formulation of the necessary implementation measures to achieve the targets. In the coalition agreement, the parties have attached great importance to energy and climate policy. With the intended bringing forward of the end of coal-fired power generation and a massive acceleration of the expansion of renewable energies, new demands will also be placed on 50Hertz. In concrete terms, this means that the grid expansion must be implemented even more quickly than previously planned, and opportunities must be created to connect producers of large amounts of electricity from renewable energies to the 50Hertz grid even more quickly and easily. In order to expand the transmission grid accordingly and to continue to guarantee system security, the acceleration of planning and approval procedures in particular is even more crucial than before. The development of a new electricity market design, which will become necessary in the course of the expansion of renewable energies, will also be essential. As a trustee in the EEG system, the termination of the financing of EEG costs via the EEG levy on 31 December 2022, as decided by the parties, will also be relevant for 50Hertz.

With the European Climate Change Act, which came into force on 29 July 2021, the goal of a climate-neutral economy and society in Europe by 2050, which was anchored in the "Green Deal", is now made binding. The law also sets the interim target for reducing greenhouse gas emissions by at least 55 percent by 2030 compared to 1990 levels. In this context, the expansion of renewable energies on land and at sea as well as a significant increase in installed offshore wind power capacity will continue to be pursued. The EU Commission's strategy is based primarily on large-scale joint projects by various member states. A clear legal framework adapted rules for the internal electricity market and environmental protection as well as amended state aid guidelines are to make this development possible.

As another political milestone, the European Commission presented its "Fit for 55" package on 14 July 2021. The "Fit for 55" package consists of a series of interconnected legislative proposals aimed at achieving the agreed targets by 2030 and beyond. For example, a higher share of renewable energies, addressed among others by the adaptation of the Renewable Energies Directive, as well as higher energy efficiency (adaptation of the Energy Efficiency Directive) are to contribute to the achievement of the 55 percent target.

50Hertz also closely followed the negotiations between the Council and Parliament on the revision of the guidelines for trans-European energy infrastructure (TEN-E), which were concluded in December 2021. Based on the TEN-E regulation, infrastructure projects that contribute to the achievement of the EU's energy policy goals and the further integration of the EU's internal energy market are identified and specifically promoted as so-called Projects of Common Interest (PCI).

As in the past, 50Hertz will continue to closely follow future legislative and regulatory projects as well as political developments at federal and state policy level and - within the Elia Group - at European level. 50Hertz has made a constructive contribution to energy policy consultations through various statements.

## **Regulatory framework of the energy industry**

### **European law**

On 2 September 2021, the European Court of Justice (ECJ) handed down its decision in the infringement proceedings on the transposition of the 3rd internal market package into German law in conformity with European law. The ECJ granted the request of the European Commission, which had complained of insufficient transposition, on all points. In particular, the finding that the Federal Network Agency (BNetzA) did not have the sufficient independence required under European law will lead to significant changes in German energy and regulatory law. The court based its opinion on the lack of exclusive competence of the Federal Network Agency due to the legal ordinances of the Federal Government issued on the basis of § 24 para. 1 no. 1 EnWG, e.g. ARegV, StromNEV, GasNEV, StromNZV, GasNZV. A corresponding adaptation of German law will therefore (at least) extend to these legal acts. No deadline has been set for this. Until an adjustment is made, the previous legal framework will continue to be applied.

Another infringement procedure was directed against the Federal Republic of Germany because of allegations of improper implementation of the Flora-Fauna-Habitat Directive. The proceedings concern several thousand protected area ordinances throughout Germany. The outcome of the proceedings is relevant for approval procedures of 50Hertz and may pose a legal risk.

In another decision, the ECJ upheld the strict individual-based protection regime of the Birds Directive (Birds Directive) also with regard to so-called "common species". The ECJ has not fulfilled the hopes of the wind energy sector and power line builders in particular for an easing of permit practice. Even in the case of common species, it must still be carefully examined whether there is a significantly increased risk for the specific individual.

In addition, the implementation of the "Clean Energy for all Europeans Package" (CEP) legislative package 2021 was the defining European legal topic in the energy sector. While the Regulation on the Internal Electricity Market had already been directly applicable in all Member States since 2020, the new Internal Electricity Market Directive was only transposed into national law in July 2021. The implementation primarily affected the EnWG as well as several legal ordinances such as the ARegV and the StromNEV.

**National law**

At national level, the legal framework for 50Hertz was primarily shaped by rulings by the highest court and the entry into force of various planning and environmental regulations.

As of 25. February 2021, the amendment to the Federal Requirement Plan Act was passed. With this decision, the legislator confirmed and legally anchored various grid expansion projects of 50Hertz.

The “Netzausbaubeschleunigungsgesetz” [Grid Expansion Acceleration Act] (NABEG), which came into force on 13 May 2019, contains new requirements for the management of grid congestion that had to be implemented by grid operators by 1 October 2021. The regulations on feed-in management of renewable energy plants (RE plants) and combined heat and power plants (CHP plants) in the “Erneuerbare-Energien-Gesetz” [Renewable Energy Sources Act] (EEG) and the “Kraft-Wärme-Kopplungs-Gesetz” [combined Heat and Power Act] (KWKG) will be repealed on this date and a uniform redispatch regime (Redispatch 2.0) will be introduced in accordance with sections 13, 13a, 14 of the “Energiewirtschaftsgesetz” [Energy Industry Act] (EnWG). In concrete terms, this means that in future RE plants and CHP plants from 100 kW and plants that can be remotely controlled by a grid operator at any time will also be included in the redispatch. Despite the long preparation time, the industry did not succeed in fully implementing the legal requirements. In this respect, with the approval of the BNetzA, a transitional variant was created, which initially leaves the balance sheet management of redispatch with the balancing group manager on the basis of the previous system and provides for financial compensation for this. The transitional variant now practiced is to be terminated by the end of May 2022 at the latest.

The Higher Regional Court of Nuremberg has ruled in interim legal protection proceedings that the general order issued by the “Bundsmann für Sicherheit in der Informationstechnik” [Federal Office for Information Security] (BSI) is likely to be unlawful. The general order of the BSI triggers the obligation of the basic metering point operators to equip metering points for electricity consumption and generation with intelligent metering systems; this obligation also applies to competitive metering point operators. This is also followed by an installation stop for other metering systems.

In a judgement of November 2020, the “Bundesverwaltungsgericht” (BVerwG) [German Federal Administrative Court] strengthened the rights of private plaintiffs to sue in the case of relative procedural errors, thus reversing its previous case law.



Previously, the court had found that individual plaintiffs could only rely on a publication error if it deprived them of the opportunity to participate as provided by law. However, the BVerwG referred the question to the ECJ whether this was compatible with Union law. The ECJ answered in the affirmative, provided that the error remained without influence on the substantive decision. As a result, the BVerwG now revised its earlier case law. The present decision (once again) increases the importance of procedural requirements to be complied with for both project developers and approval authorities.

In another ruling, however, the BVerwG confirmed its previous case law that individuals are not entitled to complain about violations of nature conservation regulations if they are not themselves affected. With this ruling, the Federal Administrative Court once again clarified that individuals do not have the same rights as nature conservation associations: only the latter can invoke the violation of nature conservation law; individuals, on the other hand, cannot, even with reference to their property rights. In its decision of 4 December 2020, the BVerwG clarified the requirements for the concretisation of toleration orders that network operators can issue against third parties in order to carry out necessary preliminary work for line construction projects. In doing so, the court affirmed the rights of the network operators in that the requirements can be limited to a reasonable extent.

In summary proceedings directly against the BNetzA's federal sectoral planning decision in Section C of the SuedOstLink (SOL) project, the BVerwG has already rejected applications received on the grounds of inadmissibility. The legislator has excluded direct actions against the federal sectoral planning; it was disputed whether this exclusion violates EU law, international law or constitutional law. In view of the clear reasoning, the decision is a complete success for 50Hertz. On the one hand, the requested planning stop for the SOL procedure is no longer a risk. On the other hand, it is to be expected that the court will also reject the other complaints of other plaintiffs against SOL federal sectoral planning and in other sections in the same way. In addition, the legal certainty for other NABEG projects will also increase.

In another case concerning the SOL project, the BVerwG rejected an urgent application against the issuance of a change ban pursuant to Section 16 NABEG in favour of the project developers 50Hertz and TenneT TSO GmbH (TenneT), who were invited to participate in the proceedings. The court ruled that the change ban issued by the BNetzA was lawful. It was not necessary to separately determine an urgent need and all other requirements for the issuance of the change ban were also fulfilled. This first decision on the newly introduced block on changes for federal sectoral planning is of fundamental importance and leads to increased procedural certainty.

In a total of three lawsuits against the planning approval decision on the “Nordring Berlin” [Berlin Northern Ring] of 30 September 2019, the BVerwG combined the lawsuits of a municipality, an environmental association and two private plaintiffs and dismissed them at first and last instance in its ruling of 27 July 2021. The court thus fully confirmed its legal opinion already expressed in two previous urgent decisions. The planning approval decision is thus final, and the construction work could be continued as planned.

In August 2020, 50Hertz received the supplementary planning decision for the construction of the Uckermark line. The application for interim legal protection filed by an environmental association against this construction right was now finally rejected in 2021 for construction lots 4 and 5 of the project. The BVerwG has thus finally confirmed the interim decision made in 2020. The underlying legal action is still pending before the BVerwG.

The long-standing proceedings on the procedural regulation of the costs and revenues from the procurement and remuneration of redispatch measures were pacified in the 2021 financial year through an agreement between the parties concerned. As a result, the BNetzA issued a new determination based on the criteria for appropriate remuneration of power plant operators for redispatch measures, as requested by the Higher Regional Court of Düsseldorf, and the parties to the proceedings declared the legal proceedings to be settled.

## **Grid development plans**

The preparation of the seventh German Network Development Plan (NEP) 2035 (2021) for the onshore and offshore electricity grid refers to the determination of demand for the target years 2035 and 2040 (scenario framework).

The approval of scenario framework 2035, which was granted by the Federal Network Agency on 26 June 2020, considered the energy policy goals of the Federal Government at the time, which envisaged an increase in the share of renewable energies in gross electricity consumption to 65 percent. Compared to the previous 2030 scenario framework, the assumed installed capacities of renewable energies have therefore risen sharply.

In their draft NEP, the TSOs propose further Alternating Current (AC/AC) and Direct Current (DC/DC) measures that go beyond the measures already approved in the Federal Requirements Plan and the BNetzA confirmation of the NEP 2030 (2019). Of particular relevance for 50Hertz are the projects DC31 (2 GW DC connection from the Heide search area to the Klein Rogahn search area), NOR-12-2 (2 GW offshore grid connection system), OST-2-4 (1 GW offshore grid connection system), P531 (reinforcement of the Berlin grid connection), P221 (“Hansa PowerBridge II”; new interconnector between Germany and Sweden with a capacity of 700 MW) as well as various reactive power compensation measures bundled in the P360 project.

The NEP was confirmed by the BNetzA on 14 January 2022. For 50Hertz, this shows that all projects already identified in the Federal Requirements Plan Act continue to be classified as necessary and urgent for the energy industry. This includes in particular the SuedOstLink extension DC20 between Isar and the "Klein Rogahn/Stralendorf/Warsow/Holthusen/Schossin" search area, which is referred to below as the Klein Rogahn search area. The new aforementioned projects P531 and P221 were also positively assessed. The confirmation of the NEP 2035 also results in an extension of offshore activities to the North Sea for 50Hertz for the first time. The confirmation confirmed the new concept jointly proposed by TenneT and 50Hertz for the further connection of offshore wind energy from the North Sea, consisting of the three DC grid connection systems or lines NOR-12-2, NOR-x-3 and DC31 as well as a total of four 2-GW converters.

With regard to the Baltic Sea, the offshore grid connection system OST-1-4 with an installed generation capacity of 300 MW was confirmed without reservation. The planned completion date was set for the 3rd quarter of 2026. The new offshore grid connection system OST-2-4 to connect the areas EO2 and EO2-West defined in the ROP EEZ 2021 was confirmed for the first time with reservations. The project is to be realized in DC technology with an expected 1,000 MW of installed generation capacity by 2030. In addition, the grid connection system OST-T-1 for connecting the national test field was confirmed with reservations. The reservations relate to specifications in OST-2-4 on the areas and generation capacities and in OST-T-1 on the spatial design of the test site. The reservations are to be lifted with the update of the 2020 land development plan (FEP). The BSH began the procedure for the partial update of the FEP 2020 on 17 September 2021 and published a corresponding draft. The partial update serves to define the spatial design of the test field in order to lift the reservation of the NEP. 50Hertz submitted a statement on the draft on 15 November 2021. The procedure at the BSH has not yet been completed.

Furthermore, on 17 December 2021, the BSH initiated the procedure for updating the FEP 2020 and also published a preliminary draft in this regard. With the entry into force of the ROP EEZ 2021, a spatial basis for the further expansion of offshore wind energy in the EEZ is now available. On 20 January 2022, the TSOs sent a joint written statement on the preliminary draft of the area development plan to the BNetzA and the BSH pursuant to Section 6 (2) sentence 3 of the Offshore Wind Energy Act, which was presented to the authorities and the public and discussed at the BSH hearing on the preliminary draft on 26 January 2022. In the further update process, the BSH will prepare a draft FEP by mid-2022, considering the comments submitted, and consult the public.

With regard to the reactive power compensation systems (P360), "budgets" of 5.1 Gvar of static inductive reactive power (compensation coils), 1.3 Gvar of static capacitive reactive power (MSCDN), 1.2 Gvar of slowly controllable reactive power and  $\pm 4.6$  Gvar of dynamic reactive

power (STATCOM) were confirmed for the 50Hertz control area. For frequency stabilisation, a total of 8.5 GWs of instantaneous reserve is also confirmed, to be provided in the form of STATCOM with short-term energy storage or rotating phase shifters with flywheel.

## **Business development**

### **Strategic objective "From 60 to 100 by 2032"**

With its strategic goal "From 60 to 100 by 2032", 50Hertz is sending out a signal in terms of energy and climate policy, but also in terms of industrial policy: 100 percent coverage of electricity consumption by renewable energies in the 50Hertz grid area as early as 2032. This will of course be done while respecting the imperatives of non-discriminatory and transparent grid connection and grid access in the regulatory environment. For a growing number of companies, it is becoming increasingly important to locate and develop in regions where a high share of renewable energies is available in the electricity grid. 50Hertz supports renewable energy providers in a faster implementation of their projects and industry in their efforts to decarbonize their processes. 50Hertz has been a leader in the integration of renewables for many years: in 2019, the share of renewables in electricity consumption in the 50Hertz grid area was 60 percent (as a starting point for the "From 60 to 100 by 2032" strategy), in 2020 it was approximately 62 percent and in 2021 it was percent56,1. This temporary decline is due in particular to a strongly below-average wind yield, which could not be compensated for by additional REG plants or more PV feed-in. Thus, the electricity market data for 2021 currently published by the Federal Network Agency show a significant decline in generation from renewable energies for 2021. The share of electricity generated from renewable energies in the grid load was 42.8 percent in 2021 (2020: 48.0 percent).

50Hertz actively contributes to accelerating the energy transition by supporting consumers in decarbonizing their industries and producers in feeding their electricity from renewable sources into the grid. Together with partners, 50Hertz is tapping location potential on land and at sea, using all the technical possibilities to transport even more electricity and exploiting the potential of digitalization for secure and efficient system control, the development of the electricity market, the operation of its plants, the handling of its infrastructure projects and for the development of additional flexibility potential. In this way, 50Hertz can make an effective contribution to combating climate change and strengthening sustainable industrial locations.

This strategy establishes the 50Hertz grid area as a "green power plant" of the energy transition in the sense of 50Hertz's overall social mission and as a partner for industry on the path to decarbonization as well as for new industries that create sustainable jobs.

## Onshore grid expansion

In the onshore area, 50Hertz worked in particular on the further implementation of the mast reinforcement programmed in the control area, the phase-shifting transformers at the Hamburg - East site and several infrastructure measures in the capital (several substations and the Berlin cable diagonal project). On the Parchim South - Perleberg (Mecklenburg-Western Pomerania section) and Bertikow - Pasewalk lines, construction could begin after receiving the planning approval decisions. Construction continued on two lots of the Uckermark line/south and progress was made on the measures for weather-dependent overhead line operation and for increasing the current carrying capacity. Furthermore, the conversion of the communications technology to modern IP technology was almost completed. The new replacement construction to increase the current carrying capacity on the Wolmirstedt - Stendal/West lines was completed. Legal certainty was achieved with regard to the continuation of construction on the Berlin Nordring project.

The planning approval procedure for the SOL high-voltage direct current line is being advanced and the main components of the direct current system have been contracted. In addition, numerous significant line expansion projects such as Stendal/West - Güstrow, Röhrsdorf - Weida - Remptendorf, Pulgar - Vieselbach, grid connection Südharz, Helmstedt - Wolmirstedt and Vieselbach - Mecklar are in the approval phase.

## Interconnector projects

The Kriegers Flak Combined Grid Solution project was put into regular operation in 2021.

After the approval documents for the Hansa PowerBridge interconnector project were submitted to the Ministry of Energy of Mecklenburg-Western Pomerania, the Federal Maritime and Hydrographic Agency and the State Agency for Agriculture and the Environment of Western Pomerania in 2020, the approval procedures continued to progress positively in 2021. With the publication of the prequalification requirements, the procurement procedures for the stations (converter and cable section station) by Svenska kraftnät and for the cable manufacture and installation by 50Hertz were started jointly.

In continuation of the successful cooperation with the Danish TSO Energinet, a cooperation agreement was concluded in November 2021 for the development of Bornholm Energy Island, a future offshore node in the Baltic Sea. In a first step, Energinet and 50Hertz intend to build a hybrid interconnector by 2030, connecting the Danish main island of Zealand to the 50Hertz control area via Bornholm, integrating offshore wind farms in the waters off Bornholm. This interconnector will use direct current technology and will be expanded in later steps to include connections to other countries, such as possibly Sweden, Poland or the Baltic States.

## Offshore grid expansion

In the offshore sector, the planning approval for the grid connection of offshore wind farms of the Westlich Adlergrund 2 (Ostwind 2) cluster has also been granted for the previously missing segments in the territorial sea. Two of the three cable systems could be laid in the seabed. The expected completion date for grid connection OST-1-4 has been published. Essential work on the route reconnaissance was carried out and the tenders for the main components were published.

## Network user charges

50Hertz's network charges for calendar year 2022 were published 2021 on 10 December. They are determined in cooperation with the other transmission system operators. The grid fees are calculated considering the Grid Fee Modernization Act, which provides for a gradual standardization of the transmission grid fees. In 2022, the transmission grid fees will consist of a company-specific grid fee share (20 percent) and a national grid fee share (80 percent). Compared to the previous year, the average grid charges of 50Hertz will increase by approximately 3 percent.

## Financing

Eurogrid is responsible for the procurement of funds for 50Hertz's business operations and for financing the approved investment program within the German group.

The objectives of financial management include securing the solvency of the Group companies at all times and minimizing the potentially negative effects of developments on the financial markets. In the medium and long term, the financing capability of the extensive investment activities and a good credit rating are to be secured. Continuous monitoring serves to achieve these goals.

Eurogrid issued a corporate bond in April of financial year 2021 under the €5 billion Debt Issuance Program adopted in May 2015. This corporate bond with a nominal amount of €500 million has a maturity of 12 years. These funds were provided internally for 50Hertz's business operations and to finance the investment program. Under the debt issuance program, Eurogrid has so far raised a total of € 3.590 million.

Due to the development of the EEG account balance since the beginning of 2021, the additional credit lines agreed with three different banks in 2020 to finance the EEG account could be terminated in the course of the year.

In February 2021, a new syndicated revolving credit facility was concluded with eight banks for an amount of € 750 million. It has an initial term of 4 years, which can be extended by another 2

years. Due to the conclusion of this new credit line, the previous revolving credit facility of € 750 million, which runs until March 2022, was subsequently cancelled.

In September 2021, reports on the Eurogrid Group were published by the rating agencies Standard & Poor's and Moody's, confirming the ratings of BBB+ and Baa1 respectively with a stable outlook.

## **Regulatory issues**

As part of the amendment to the ARegV on 31 July 2021, the regulatory treatment of distribution system operators and transmission system operators will be aligned. For this purpose, transmission system operators will in future also be subject to the system of capital cost equalization for financing investments in the network, which replaces the previous system of investment measures (expansion and restructuring investments) and replacement investments. The capital cost equalization provides for an annual consideration of the capital costs of new investments regardless of the type of investment (expansion, restructuring or replacement). This capital cost mark-up is offset by an annual flat-rate capital cost mark-down, which reflects the decline in existing fixed assets. For the transition, the ARegV amendment provides for extensive transitional regulations.

In addition to the described change in the financing regime, the ARegV amendment introduces an incentive regime on congestion management costs. This is intended to incentivize investments in the network that lead to a reduction in congestion management costs (i.e., redispatch costs). The incentive model will be applied collectively to the four German TSOs and provides for an annual reference value derived from the costs of previous years by means of a trend function. The incentive regime will take full effect from the fourth regulatory period, i.e., from 2024. In 2022 and 2023 it will be applied transitionally as a pure bonus model.

The BNetzA significantly reduced the equity interest rates in its determination for the fourth regulatory period (2024 to 2028) on 12 October. For electricity, the interest rate was set at percent 5,07 (before taxes). This means a reduction of more than 25 percent compared to the currently valid interest rate of 6.91 percent (before taxes).

The regulatory account balance for the year 2018 was approved by the BNetzA in a decision dated 28 July 2021. The decision met the company's expectations and contributed significantly to further planning and legal certainty.

Since the beginning of the third regulatory period in 2019, numerous procedural regulations have been further developed in the form of Voluntary Commitments (FSV) pursuant to Section 11 (2) ARegV. The FSV Redispatch was adapted and redefined by the BNetzA on 19 May 2021.

In the course of the phase-out of hard coal-fired power generation, the BNetzA established an effective procedural regulation for the costs and revenues for maintaining operational readiness in accordance with Section 52 (2) KVBG on 5 May 2021. Accordingly, these costs are also costs that cannot be influenced in the long term.

By 31 December 2021, 50Hertz had received approvals<sup>92</sup> for an investment volume of approx. € 9,6 billion for the 103 active applications for approval of onshore investment measures submitted since 2008. The investments for offshore grid connections are refinanced separately via the offshore grid levy.

## **Energy Management**

### **Balancing group management**

50Hertz settles all balancing groups in its balancing zone on a monthly basis. At the end of 2021, these were 2.274 balancing groups of 691 traders, electricity distributors, generators and network operators operating in the control area.

On the basis of a package of measures from the BNetzA to strengthen balancing group loyalty, 50Hertz (as well as the other TSOs) worked on a monitoring system in 2021, which will enable imbalances in balancing group management to be identified promptly in the future and countermeasures to be taken. The tool will be available in 2022.

### **System services**

50Hertz procures system services to balance the system, among other things. On 3 November 2020, a fundamental change in market design was implemented with the introduction of the control reserve market, in which the procurement of control reserve was decoupled from the provision of control reserve. The implementation of this market in Europe is a requirement of the Guideline Electricity Balancing, in which the EU Commission defined the rules for system balancing in Europe and which is now being implemented step by step. The innovation makes it possible to change supply quantities and energy prices until shortly before real time. In addition, suppliers who are not awarded a premium on the balancing market can also submit energy price bids (e.g., suppliers of balancing energy from renewable energies).

The granularity of the regular labor market will be further increased in 2022 (96 auctions with a lead time of 25 minutes compared to the current 6 auctions with a lead time of 60 minutes). In addition, the first national regular labor markets will be coupled internationally in 2022. The necessary further development of the IT systems took place to a large extent in 2021.



The costs for the procurement of the standard benefit of 50Hertz have increased from € 31.1 million (2020) to approximately € 115.2 million (2021).

For more efficient use and simultaneous avoidance of congestion-related shutdowns of renewable generation plants, a new procedural regulation for financing and cost recovery of power-to-heat plants was established through the voluntary commitment "Use instead of shutdown" on the basis of Section 13 (6a) EnWG. In 2021, the first two plants were commissioned by third parties in Parchim (2 MW) and Stralsund (5 MW) to reduce the disconnection of renewable energies in grid congestion management. At the Wedel site, a further power-to-heat plant with a capacity of 80 MW is to be built by third parties by the end of 2022.

### **EEG settlement**

The volume of EEG electricity within the 50Hertz grid area decreased by almost 6 percent in 2021 compared to the previous year, in particular due to a lower supply from wind energy and solar energy as well as a lower feed-in from biomass. At the same time, the share of directly marketed capacity fell in 2021, as the plants that had been removed from direct marketing were removed. As a result, only 11 percent of the EEG electricity in the 50Hertz control area was distributed by the TSOs.

In particular due to the strong increase in market prices, the balances of the TSO EEG accounts recorded a massive surplus in 2021. As of 30 September 2021 - the cut-off date for the assessment of the EEG surcharge - there was a nationwide account balance of €4.5 billion, which was considered in the calculation of the EEG surcharge for 2022. The levy for 2021 of 6.5 ct/kWh was co-financed throughout Germany by a federal subsidy of €10.8 billion. As of 31 December 2021, the EEG account balance at 50Hertz Transmission amounted to €2,110 million.

The EEG surcharge for the year 2022 published by the four German TSOs on 15 October 2022 is 3.723 percent below the surcharge for 2021. This calculation is based on a federal subsidy of €3.25 billion. Without this federal subsidy, the EEG levy for 2022 would be 4.657 ct/kWh.

### **Other energy-related levies**

In addition to handling the EEG process, the TSOs also handle the levies under the KWKG, the AbLaV, Section 19 (2) StromNEV and the offshore network levy. With regard to the nationwide revenue, these are allocated on the basis of the so-called CHP key (so-called CHP-based levies). The Corona-related declines in end-consumer sales did not affect the collection of CHP-based levies during the year, as these are collected on a forecast basis. The results of the annual

settlements for 2020 showed a decline of around 5 percent compared to the forecast values, both nationwide and in the 50Hertz balancing zone.

### **Grid operation and system management**

50Hertz ensures secure grid operation and the availability of the electricity grid in the entire control area. In addition to the ongoing management of the entire transmission grid, considering new construction and maintenance projects, the grid operator regularly intervenes in electricity generation to ensure that system stability is maintained. This concerns both interventions to maintain the current-carrying capacity of operating resources and measures to maintain the voltage bands. In particular, the challenges for voltage maintenance increased in 2021. This is mainly due to the increasing reactive power demand of the grid. Reactive power is necessary for voltage maintenance, which is why reactive power and voltage maintenance are closely linked. In addition to an increasing demand for reactive power, we are simultaneously experiencing a shortage of reactive power sources. This is due, among other things, to the decreasing availability of power plants for the provision of reactive power (displacement from the market by renewable energies) as well as the highly volatile feed-in of renewable energies, which on the one hand influence the reactive power demand, but also the provision of reactive power by RE plants is dependent on their active power feed-in.

In addition, the use of the 50Hertz grid for cross-border electricity trading was again significantly increased in 2021. In particular, the expansion of the European electricity market coupling in June 2021, including the transmission capacity of the interconnectors to Poland and the Czech Republic, had a positive effect. In addition to 50Hertz, other TSOs and power exchanges from Germany, Austria, Poland, the Czech Republic, Slovakia and Hungary were involved in the successful implementation of the so-called Interim Coupling Project.

Three wind peaks were particularly noteworthy for the 50Hertz control area in 2021. On 13 March 2021, a new all-time high of 16 556,3MWh of wind energy was fed into the grid. On 21 October 2021, this was surpassed once again with 16,727.5 MWh. The third strong wind event on 1 December 2021 reached a feed-in peak of 16,698.1 MWh. Congestion management measures had to be taken for all three peaks. On 13 March 2021, 1.365 MWh of feed-in management was applied to plants in the DSO grid. A wind share of the grid load of 116.25 percent (190 percent RE share) was achieved. On 21 October 2021, a total of 18,705.5 MWh of conventional power plants, directly connected wind farms and plants were metered in at the DSOs. The wind share of the grid load on 21 October 2021 was 125.6 percent (129 percent RE share). For 1 December 2021, a total of 51,853 MWh of congestion management measures were necessary. The wind share of the grid load was 121.3 percent. On all three days, system security was guaranteed despite the high wind levels.

On 29 March 2021, the grid connection of the Baltic 1 and Baltic 2 offshore wind farms was disrupted again. The application of the internal repair concept and the use of existing service contracts and spare parts stockpiling enabled the disruption to be rectified quickly and the cable systems to be put back into operation.

Based on the amendment of the § 13 EnWG (national law) on November 1, 2021, 50Hertz replaced the transitional solution of the Federal Network Agency for Redispatch 2.0 with the control process with feeders directly connected to the transmission grid. 50Hertz was thus the first German TSO to introduce balanced redispatch with RE plants.

### **Energy to cover grid losses**

In 2021, grid losses amounted to 2.3 terawatt hours (TWh). 50Hertz covers its own demand for grid loss energy within the framework of a risk-averse procurement strategy based on the existing regulations of an FSV.

To minimize risk, approx. 2.1 TWh have already been procured for the year 2022 in the reference period 1 July 2020 to 30 June 2021. For the year 2023, 1.1 TWh were already purchased in 2021.

### **Employees**

The number of employees in the Group increased from 1,243 in the previous year to 1,351 as of 31 December 2021, an increase of 8.69 percent.

The number of trainees/dual students is 30. A total of employees 10 are completing a trainee program with stations in different areas of 50Hertz as well as at European TSOs and non-governmental organizations.

This year, employees had the opportunity to subscribe to up to 12 discounted Elia Group shares to share in the success of the last financial year. The offer was taken up by 66.64 per cent of those eligible.

### **Occupational health and safety**

The goal is to make the conditions at the workplace or in the work environment safe and healthy and to prevent occupational accidents and work-related illnesses.

Occupational safety is understood and developed as a continuous improvement process. 50Hertz has set itself the goal of consistently implementing a high standard of occupational safety. The effectiveness of the occupational health and safety management system in accordance with DIN ISO 45001:2018 was again confirmed in the reporting year in a monitoring audit in November by

an external auditor without any deviations. The auditor also confirmed that 50Hertz had implemented very good infection control measures during the Corona pandemic. The company's infection control measures were also adapted to the pandemic situation in 2021. In addition to the continuously applicable distance and hygiene regulations in the company as well as the offer of mobile working from home since the beginning of 2021 there has been the possibility for employees to carry out rapid antigen tests at least twice a week. In addition, vaccination offers were organized at an early stage for staff relevant to system management. Since the middle of the year, the vaccination offers could be made to all employees.

During the reporting period, 5 occupational accidents occurred with a total of 21 lost working days. All accidents were without serious injuries. The number of occupational accidents with lost working days at contracted external companies increased compared to the previous year and amounted in 2021 to 30 accidents, of which one accident involved serious injuries.

The exchange with the contracting companies was further intensified. In the middle of the year, the management of the overhead line construction companies working for 50Hertz were invited to the "Dialog Arbeitssicherheit" to discuss accidents and their possible causes (dealing with subcontractors, safety culture, measures to raise awareness) and to derive joint measures.

### **Research and development**

The integration of renewable energies and the necessary development of the electrical system continue to be reflected in several research and development projects and studies at 50Hertz. In the areas of energy markets, system security and new technologies, a total of €3,1 million (previous year: € million1,8) was spent on research and development projects in 2021. In addition, we have established the Scientific Advisory & Project Board with 21 renowned institutes and universities, in which we discuss challenges and innovative solutions for a climate-neutral future in an interdisciplinary manner and work on them in concrete research and development projects with 50Hertz.

## Net assets, financial position, and results of operations of the Group

Instead of the minus sign, a bracket is placed around the amounts in the tables. In the figures, rounding differences remain irrelevant.

### Results of operations

The figures for fiscal year 2021, as in the prior year, relate to the respective calendar year for all group companies.

#### Income Statement

(in million €)	2021	2020
<i>revenues</i>	7,860.4	11,050.8
<i>Cost-matching income</i>	(6,238.6)	(9,686.1)
<b>Revenue from grid business and other revenue</b>	<b>1,621.8</b>	<b>1,364.7</b>
Other income	95.1	90.1
<i>Cost of materials and purchased services</i>	(7,250.3)	(10,421.0)
<i>Income-matching cost</i>	6,238.6	9,686.1
<b>Cost of materials and services purchased from the network business</b>	<b>(1,011.7)</b>	<b>(734.9)</b>
Personnel expenses	(151.4)	(131.5)
Amortization, depreciation, and impairment	(260.3)	(245.2)
Other expenses	(20.6)	(3.1)
Result from investments accounted for using the equity method	0.1	0.1
Financial result	(34.8)	(62.6)
Income taxes	(72.8)	(84.9)
<b>Group annual result</b>	<b>165.4</b>	<b>192.7</b>

In addition to the result from the core business, the "grid business" segment, the Group's income and expenses are significantly characterized by the settlement of the Renewable Energy Sources Act (EEG) and other levies without effect on income ("non-profit business"). The income and expenses from the non-profit business are included in the items "Income-matching cost" and "Cost-matching income".

The TSOs market the renewable electricity fed in by downstream grid operators and generators directly connected to the transmission grid, insofar as this is not subject to direct marketing, on an electricity exchange. In addition to these marketing revenues, the TSOs levy a charge on all

trading and distribution companies active in the control area, which is intended to cover the difference between the costs of reception and the revenues from the marketing of the electricity generated from renewable sources. Revenues of € 5,715.9 million (previous year: € 8,586.0 million) were generated from the settlement of the EEG, revenues of € 257.2 million (previous year: € 209.5 million) from the settlement of the KWKG, which is levied in accordance with the requirements of the equalization of burdens under the KWKG, and revenues of € 259.5 million (previous year: € 237.4 million) from the settlement of the levy under Section 19 (2) StromNEV. Income of € 6.0 million (previous year: € 7.7 million) was generated from the allocation mechanism pursuant to Section 18 (1) AbLaV ["Verordnung zu abschaltbaren Lasten": Regulation of agreements on interruptible loads]

Income and expenses from the individual allocation mechanisms do not affect 50Hertz's overall result. In the 2021 financial year, revenue of € 2,004.7 million (previous year: € 645.5 million) was generated from the billing of services to third parties, which was offset by material expenses in the same amount.

In the financial year, a total business volume of € 6,238.6 million (previous year: € 9 686,1 million) is attributable to the settlement of matters not affecting net income.

The core segment "grid business" with sales revenues from the network business gives the following picture:

(in million €)	2021	2020
<b>Revenue from contracts with customers</b>	<b>1,621.8</b>	<b>1,364.7</b>
Revenue from incentive regulation	963.7	813.5
Revenue from offshore regulation	294.7	300.0
Electricity revenue	354.9	246.8
Revenue from building cost subsidies	1.4	1.5
Other revenue	7.1	2.9
<b>Revenues</b>	<b>1,621.8</b>	<b>1,364.7</b>

The revenues from incentive regulation in the financial year 2021 include non-period effects from regulatory items in the amount of € 51.9 million (previous year: € 11.2 million).

In addition, the Group generates other income of € 95.1 million (previous year: € 90,1 million), which mainly includes other own work capitalized.

Cost of materials and purchased services include expenses for electricity purchases and purchased services. The cost of materials (excluding electricity costs) increased by € 36.4 million due to very high (third-party) maintenance expenses. The increase in electricity costs (+ € 250.1 million compared to the previous year) is mainly due to the increase in redispatch costs (+ € 140.7 million) and expenses for balancing power (+€ 84.1 million). The reduced costs for feed-in management (- € 22.3 million) had the opposite effect.

Personnel expenses amount to € 151,4 million (previous year € 131,5 million). The increase is due to the continued expansion of the workforce.

Depreciation and amortization accounted for € 260,3 million (previous year € 245.2 million). The development of depreciation corresponds to the steady progress of investment activities.

The change in provisions and other expenses accounted for € -20.6 million (previous year € -3.1 million). Among other things, this was due to increased expenses in connection with asset disposals.

The OPEX value onshore reached a value of € 265 million in the financial year (previous year: € 198 million). This value reflects a calculated figure from personnel-related and other, non-energy-related expenditures, which is made up of various items. The planned value of € 249 million within the target corridor of € 237 to 262 million was not reached in the financial year because, among other things, personnel costs of € +10.5 million were significantly higher and incurred earlier compared to budget due to accelerated recruitment measures.

The result from investments accounted for using the equity method is fully attributable to Elia Grid International NV/SA.

The financial result amounts to € -34.8 million (previous year: € -62.6 million). It includes financial income (€ 2.1 million; previous year € 4.1 million) and financial expenses (€ -36.9 million; previous year € -66.7 million). The decrease in financial expenses results from the lower interest rates of the last bond issues.

Earnings before taxes reached € 238,2 millions (previous year € 277.6 million). After deduction of taxes on income (€ 72.8 million, previous year € 84.9 million), the consolidated result was € 165.4 million (previous year € 192,7 million). The IFRS after-tax result exceeded the planned value of € 146 million, and lies within the target corridor of € 117 - 175 million. This result is mainly characterized by significantly higher expenses for purchased services, depreciation, and personnel, which are, however, also offset by higher grid fees and some one-off effects from regulatory issues for previous years.

## Net assets and financial position

(in million €)	12/31/2021	12/31/2020
<b>assets</b>		
Non-current Assets	6,423.3	5,776.0
Current Assets	4,125.0	1,991.6
	<b>10,548.3</b>	<b>7,767.6</b>
<b>Equity and liabilities</b>		
Equity	1,931.7	1,634.3
Non-current liabilities	4,334.6	3,645.6
Current Liabilities	3,837.1	1,984.4
Regulatory items (net)	444.9	503.3
	<b>10,548,3</b>	<b>7,767,6</b>

Non-current assets mainly include property, plant and equipment including assets under construction and are covered by equity to the extent of 30.1 percent (previous year: 28,3 percent). The Group achieved an investment volume of € 851 million (previous year: € 716 million) and thus met the expectations set for the financial year in the form of the target corridor of € 820 to € 920 million.

The current assets primarily comprise trade receivables, other receivables and cash and cash equivalents.

Non-current liabilities mainly result from liabilities to bondholders and current liabilities mainly include trade payables.

Within the current assets and liabilities, the high billing volumes from the grid business, which is largely neutral in terms of earnings, are reflected. The development of the balance sheet items is highly dependent on the regulatory framework conditions and compensation effects as well as - to a limited extent - the energy costs of the control area. The dynamic developments and volatile prices in the electricity market led to sometimes considerable effects on the various cost and revenue items and the amounts to be rolled over from now on.

For the first time, the Group now accounts for derivative financial instruments which result from the countervalue of the contractually contracted portfolio of futures traded on EEX by applying hedge accounting. The valuation effect from the market valuation of these derivative financial instruments (€ 355.6 million) is recognised in equity (OCI) considering deferred taxes (€ - 105.7 million) until the financial realization for these contracts occurs in subsequent years. Due to the daily revaluation of the futures and the daily financial settlement of the security deposits with the power exchange, there are in some cases considerable liquidity effects for the Group as a result of incoming or outgoing payments by the EEX clearing office, depending on the dynamics of the



power price development.

Despite a slight decrease in regulatory obligations (-€ 58.4 million), which mainly results from the decision for the 2018 regulatory account, there are still significant offsetting positions, the reversal of which will be reflected in the network charges in subsequent years.

The increase in equity is significantly influenced by the first-time valuation effect from the accounting of derivative financial instruments at +€ 249.9 million. In addition, the previous year's result (reduced by the distribution in 2021) has a slightly increasing effect on the year-end balance.

### Consolidated statement of cash flows

(In million €)	2021	2020
Cash flow from operating activities	3,720.7	(796.3)
Cash flow from investing activities	(831.4)	(730.1)
Cash flow from financing activities	(328.7)	1,029.8
<b>Cash changes in cash and cash equivalents</b>	<b>2,560.6</b>	<b>(496.6)</b>
<b>Cash funds at the end of the period</b>	<b>2,857.2</b>	<b>296.6</b>

The cash flow from operating activities reflects the extent of the liquidity fluctuations of the Group and results primarily from the settlement of the business not affecting net income. Particularly noteworthy in this context are the incoming payments in connection with the EEG federal subsidy of € 2.2 billion as well as the payments received from the EEX clearing office in connection with the deposited collateral for contracted futures.

The cash flow from investing activities essentially reflects the additions to property, plant, and equipment.

The cash flow from financing activities mainly includes the profit distribution to the shareholders of € 120.0 million and the redemption of approximately € 700 million as well as proceeds from the issuance of another bond (498 € million).

In addition to the reported cash and cash equivalents, Eurogrid has undrawn credit facilities with several credit institutions amounting to € 900.0 million.

## Forecast, opportunity, and risk report

### Forecast report

The Group will continue to invest in the development of the transmission grid, especially to be able to absorb the growing share of electricity safely and efficiently from renewable energies and transport it towards the centers of consumption. In the process, the number of measures is increasing due to current legal requirements and implementation is subject to greater time pressure.

The investment volume, which has already increased significantly, will initially stabilize, but the group expects a further significant increase in investments in subsequent years as a result of numerous grid expansion projects. This will also lead to additional financing needs in future financial years, which will be met, among other things, by issuing further corporate bonds - possibly again in green bond format.

Liquidity for the EEG process is managed separately. Here, the liquidity situation for the EEG business continues to be characterized by fluctuations due to the numerous influencing factors in generation, feed-in and marketing. Since 2020, the nationwide EEG revenue has been supported by payments from the federal budget. The liquidity reserve from the EEG levy will be reduced from 10 percent to 5 percent in 2022. In the medium term, investment activities require the further development of Eurogrid's financing instruments and continued active cash management. Financing on the capital market is ensured through the stable rating of Eurogrid, which provides its subsidiaries with financial resources.

The Group is constantly making efforts to ensure efficiency in processes and cost structures to dampen the cost increase in grid operations caused by the energy transition. Despite this, there has been a continuous increase in operating expenses. This is driven by the increasing investment volume as well as new regulations and requirements for system operation. In addition to external expenses, the need for resources is increasing. The costs for system services, redispatch measures and grid loss energy are significantly influenced by the development of electricity prices, weather conditions and grid topology.

The financial performance indicators show the following development:

All in €m	2020	2021	2022
<b>Investment volume (actual)</b>	<b>716</b>	<b>851</b>	
<i>target corridor (plan)</i>	687	820 - 920	820 - 920
<b>OPEX value onshore (actual)</b>	<b>198</b>	<b>265</b>	
<i>target corridor (plan)</i>	220	237-262	253-280
<b>IFRS after-tax result (actual)</b>	<b>193</b>	<b>165</b>	
<i>target corridor (plan)</i>	161	117 - 175	150 - 180

In the following business year, the regulatory standard return can probably be achieved under the premises listed below. The forecast for 2022 is mainly based on the following assumptions:

- Stability of the regulatory framework according to the current legal situation,
- Maintain a solid investment grade,
- moderate energy cost development and
- Normal course of business for 50Hertz without extraordinary weather conditions and without major technical disruptions.

For the non-financial performance indicators, high quality standards continue to be set and ongoing efforts are made for sustainable improvements. About the quality of network availability, the Group makes continuous efforts to maintain a high level of quality and a low incident rate. The assessment of network availability includes both the absolute number of network events in relation to the system circuit length and the ratio of avoidable network events to all network events. The non-financial performance indicators show the following development:

Evaluation of network availability	2020	2021	2022
Grid events in relation to 100km system circuit length (actual)	1.06	1.17	
<i>target corridor (plan)</i>	1.0 - 1.2	1.0 - 1.2	1.0 - 1.2
Ratio of avoidable network events to all network events (actual)	3.7 percent	5.7 percent	
<i>target corridor (plan)</i>	10 percent - 15 percent	10 percent - 15 percent	10 percent - 15 percent

Assessment of occupational health and safety	2020	2021	Schedule 2022
<b>accident rate</b>			
<b>Occupational accidents among employees (actual)</b>	11	11	-
<i>target corridor (plan)</i>	-	<10	-
<b>Accidents at work with external company employees (actual)</b>	22	36	-
<i>target corridor (plan)</i>	-	<20	-
<b>Moderately severe and severe accidents at work among employees (actual)</b>		1	
<i>target corridor (plan)</i>	-		<10
<b>Moderately severe and severe accidents at work for external company employees (actual)</b>			
<i>target corridor (plan)</i>	-		<10
<b>Electrical accidents at work (actual)</b>	1	1	
<i>target corridor (plan)</i>	0	0	0
<b>health rate</b>			
Quota of planned working days minus the number of days lost due to illness in relation to the planned working days (actual)	97.3 percent	97.3 percent	
<i>target value (plan)</i>	96.1 percent	96.5 percent	96.7 percent

Through offers and measures of occupational health and safety, continuous efforts are made to keep the accident frequency low and the health rate at a high level. From the 2022 business year onwards, a gradation according to the severity of accidents will be used (actual values for the 2021 business year are given for information purposes). With the goal of absolute accident prevention among employees and service providers, the target values set are very ambitious and, together with comprehensive reporting on every accident, serve to raise awareness and prevent accidents. For the 2021 business year, the projected targets were not achieved. The health rate, which is the ratio of target working days minus lost days in relation to target working days, continues to be tracked.

Overall, the Group expects a positive business development with a solidly financed balance sheet structure for the year 2022.

## Risk management system

The goals of risk management are the fundamental avoidance of risks that endanger the existence of the Group, the reduction of existing risk positions and the optimization of the risk-opportunity profile. Risks are identified, recorded, evaluated, and monitored in a standardized manner using the existing risk guideline. The assessment of potential damage and probability of occurrence is based on scenarios. Continuous monitoring of the risk situation is carried out, especially for the early detection of potential risks that could jeopardize the company's existence, and support is provided for the selection and implementation of countermeasures. The focus of

the further development of the risk management system is the systematic preparation and central tracking of action plans to deal with significant corporate risk.

Relevant individual risks and the overall risk situation are regularly reported to the Executive Board, the Supervisory Board, and the shareholders. In the event of significant changes, the responsible decision-makers are informed on an ad hoc basis. The functionality and effectiveness of the risk management system are subject to regular reviews.

## **Opportunities and risks**

Due to the regulatory framework, the Group's risk-opportunity ratio is fundamentally unbalanced, with the risks from developments subject to uncertainty predominating. The Group's main opportunity is to strengthen its regulated asset base and realize organic growth, thereby increasing profitability, while maintaining efficiency and ensuring that investments in the transmission grid and grid connections are made on time and in line with requirements. Further opportunities lie in actively shaping the changes and new requirements resulting from the energy transition with 50Hertz as an independent TSO in the European environment and in being a reliable and high-performance partner for the customers supplied in the grid area. The European positioning is to be further strengthened through joint activities of the Elia Group. In this way, the regulatory framework conditions for the further development of the company are to be shaped positively and the economic burdens are to be limited. The Group's opportunities thus lie in its operating segment "Network Provision". There are implicitly no significant opportunities in the segment "Profit-neutral business", which largely comprises the profit-neutral processing of the EEG and other levies in accordance with the legal requirements.

## **Opportunities and risks from political, regulatory and legislative matters**

The Group's business activities are largely determined by regulation and the existing legal framework conditions, which in turn are influenced by the energy policy objectives. Changes in the regulatory and legal framework can have a lasting impact on the Group's earnings and liquidity situation, both positively and negatively.

50Hertz's grid usage fees are subject to regulation by the BNetzA. Decisions by the BNetzA in the current regulatory framework as well as changes to the regulatory framework through amendments to the relevant regulations may have a material positive or negative impact on 50Hertz.

Further changes to the legal framework cannot be ruled out. Although the amendment of the Incentive Regulation Ordinance in July 2021 set the course for 50Hertz's investment activities in particular, which will take effect at the start of the new regulatory period in 2024, the regulatory

framework continues to be the subject of intensive European, national and regional legal discussions, not least because of the ECJ ruling. 50Hertz follows and accompanies European and national legislative processes and is actively involved in the corresponding discussions.

Following the redefinition of the equity capital interest rates for the fourth regulatory period, further parameters have yet to be defined, in particular the general sector productivity factor Gem and the company-specific efficiency value Xind, which is determined by means of a relative reference network analysis as a comparison between the German TSOs. In addition, 50Hertz's permissible revenue cap in the fourth regulatory period will be determined as part of the Federal Network Agency's review of the costs for the base year 2021, which is scheduled to begin in 2022 and continue into 2023. Finally, before the start of the fourth regulatory period, the voluntary commitments will be reviewed and, if necessary, newly agreed. All of these currently outstanding determinations have a significant influence on the liquidity and earnings situation of the Group in the fourth regulatory period and are therefore being intensively prepared and supported by 50Hertz.

Energy policy legislation and guidelines on renewable energies have a strong influence on 50Hertz's liquidity and apportionment-related billing processes. Changes in the relevant legislation or the interpretation of this legislation by the BNetzA can significantly improve or worsen the liquidity situation.

In the course of accounting, planning data and estimates are continuously processed, which are then replaced by the corresponding actual values in subsequent periods as they become available. As a result of these estimation processes, deviations, and consequential effects with a liquidity and/or earnings effect may arise. Furthermore, these planning data may deviate significantly from the actual values because of unforeseeable circumstances or weather conditions or because new standards are applied in connection with the regulatory rollover or because the BNetzA makes new stipulations. Deviations have a direct effect on the result of the year of determination or on the results of the group in subsequent years within the framework of the settlement via the revenue cap.

The rapid development of renewable energies and the fact that grid expansion is not progressing at the same pace may also make it necessary in the future for grid operators to intervene in electricity generation to a greater extent, resulting in correspondingly high-cost burdens. In addition to the growing challenges, the increasing interconnection in the energy system also offers opportunities for the development of new business areas (e.g., at the interfaces to other sectors). 50Hertz wants to make an active contribution to accelerating the energy transition and decarbonization through the massive integration of renewable energies. This strategic role serves as an incentive for 50Hertz to provide the infrastructure more quickly and to develop a sustainable system for a successful ecological and industrial transformation.

An adjustment or further development of the applicable accounting standards may lead to a corresponding change in the presentation of the Group's net assets, financial position and results of operations and may affect key figures in this respect.

### **Opportunities and risks from technology and infrastructure**

50Hertz's assets are widely distributed geographically and can be a potential target for theft, acts of terrorism and sabotage. Furthermore, the assets are exposed to environmental influences, which can lead to sometimes significant damage in special weather conditions or also to faster wear and tear.

As an infrastructure operator for a safe and reliable electricity supply for around 18 million people, 50Hertz is also obliged to be well prepared for crisis situations. To this end, crisis tools have been further developed and regular crisis exercises conducted to train its own skills and uncover potential for improvement.

In the event of voltage fluctuations or interruptions, grid failure or the failure to implement legally prescribed emergency measures, 50Hertz may be held responsible for damages to its customers and/or damages to third parties. In addition, further costs may be incurred, the regulatory enforcement of which is unclear.

The connection and operation of OWPs is a business field with additional technical and organizational challenges, as the legislator has decided to allow wind farms to be built relatively far off the German coasts. Despite careful preparations and analyses, technical problems are often only discovered in the implementation and operation phase and must then be solved immediately. Delays and changes in the planning and construction phase as well as later unplanned changes in the operating phase are therefore possible. If 50Hertz is attributed responsibility for the delay or interruption, the company must essentially compensate the wind farm operator for the financial damage. The expenses associated with the damages can be partially offset by compensation amounts through recourse to the suppliers. According to the New, the risks for the TSO are limited: in the case of culpable, non-intentional delay or disruption of the connection, the TSO only has to bear part of the damages itself. Nevertheless, substantial risks remain with the connecting TSO.

High-voltage cables increasingly represent a considerable value in the company's fixed assets, and the share of onshore direct current cables will also increase significantly in the coming years on a project-related basis. As there is still no comprehensive long-term operating experience with these technologies, there is a risk of design errors that are only discovered when the cable is in operation. As a preventive measure, various tests are carried out before the start of production until commissioning. However, it cannot be completely guaranteed that all, even combined,

causes of faults can be identified. In extreme cases, this can lead to a complete cable system having to be replaced. This would result in high special depreciation, compensation payments, e.g., to offshore wind farm operators, and investment costs. The risk is mitigated, among other things, through close cooperation with suppliers, through extensive functional tests prior to commissioning, through monitoring the cables in operation, through the conclusion of insurance policies and the possibility of rolling over costs via the regulatory framework. Since the adjustment of the regulatory framework in 2019, cost risks no longer necessarily and completely affect the network operator, but recognition risks remain in the event that the BNetzA classifies certain costs as not covered by regulation.

The construction of power lines is often associated with low acceptance among local stakeholders and with lengthy and complex administrative procedures. Delays in line construction are therefore still possible despite intensive efforts by 50Hertz's approval and participation experts. In addition, the high number of parallel procedures harbors the risk of resource bottlenecks at the federal and state authorities concerned. The market for required services (experts, environmental planning and routing offices, engineering offices, mapping experts) is also extremely tight throughout Germany due to the high demand for infrastructure. Timely access to suitable resources and suppliers who can provide services in line with requirements appears to be increasingly important in this context and, in addition to cost effects, can also entail time restrictions. In addition, due to the complexity of the projects, there are other possible causes for delays and additional costs, which can be reduced with professional project management, but not completely eliminated. Delays in grid expansion can lead not only to an increase in operational costs to cope with grid bottlenecks, but also to an increase in critical situations in grid operation, as the new lines are essentially needed to transport the constantly growing variable feed-in of renewable energies in the 50Hertz control area to areas with higher consumption and, in addition, planned shutdowns of conventional power plants near the centers of consumption in the south and west are approaching.

50Hertz uses a highly available grid control system for the secure operation of its transmission grid. The existing grid control system is currently being replaced by a new system in a complex project. As this project is delayed, the old grid control system must be operated beyond the planned duration and the operation must be secured in cooperation with the manufacturers of the subsystems.

In the safe operation of network facilities, maintenance and new construction of network facilities, there have so far only been minor additional expenses or delays due to the Corona pandemic. These mostly resulted from restrictions or delays in the cross-border movement of goods or service providers' personnel. In the event of a worsening or longer-lasting pandemic, negative effects on operations cannot be ruled out.



However, the construction of new plants also creates opportunities through the accelerated completion and commissioning of plants. By taking them over earlier into the finished assets, higher returns are achieved from these plants, which in turn free up capital for further investment activities. Otherwise, opportunities are limited due to the regulatory framework in this area.

As an operator of critical infrastructure, 50Hertz is obliged by the IT Security Act to ensure information security. In this context, the processing, storage, and communication of information must be designed in such a way that the availability, confidentiality and integrity of the information and systems are ensured to a sufficient degree. The regulatory requirements for this are set out in the IT security catalogue for network operators of the BNetzA pursuant to Section 11 (1a) New. According to this requirement, 50Hertz as a network operator is obliged to maintain an information security management system in accordance with ISO 27001 and to have it certified. Through the established security process, IT risks are systematically identified and dealt with. In particular, the security advisories and warnings issued by the BSI are also recorded and evaluated. If necessary, the necessary protective measures are derived and implemented.

### **Risks from health, occupational safety, and personnel-related matters**

The prevention of accidents and work-related illnesses is a top priority at 50Hertz. Occupational health and safety are integrated into the corporate strategy. Despite all preventive measures, accidents on 50Hertz premises or in connection with the construction and use of 50Hertz facilities cannot be completely ruled out. Accidents can result in injuries or, in extreme cases, even the loss of human life or other serious consequences. This could result in reputational damage and lawsuits against 50Hertz, which could lead to significant financial obligations and the diminution of financial and human resources.

Occupational safety at 50Hertz is systematically developed in the course of a continuous improvement process. In addition to creating safe and healthy workplaces, the focus is on strengthening a culture of prevention by integrating occupational safety as a corporate value into the thinking and actions of all employees. The occupational safety management system at 50Hertz has been certified in accordance with DIN ISO 45001:2018 since November 2019. Within this framework, regular internal and external monitoring audits take place, in which the effectiveness of the management system is reviewed, and improvement measures are derived and implemented. In the reporting year, the effectiveness of the occupational health and safety management system was again confirmed by an external auditor in a monitoring audit in November without any deviations.

The high standards of occupational safety also apply to external companies commissioned by 50Hertz. The "instructions for guaranteeing occupational health and safety when contracting

external companies for work in the scope of the transmission grid of 50Hertz Transmission GmbH (OAFN)" and the "Agreement on quality assurance at construction sites" are fixed contractual components of the contract. Within this framework, regular checks are carried out on construction sites for occupational safety and environmental protection as well as for quality assurance.

Any incidents (near misses, occupational accidents, contractor accidents) are systematically evaluated in a standardized process, and measures are derived to eliminate the hazards. Safety instructions are prepared for relevant incidents and communicated to the employees. Quality assurance on construction sites, including inspections (prospective) and the process for evaluating incidents (retrospective), have established themselves as effective instruments for improving occupational safety at contractors.

The occupational health and safety measures have been accompanied by the gib8 campaign since 2018. gib8 is noticed by employees and generates the desired awareness of hazards and the measures to avert them.

## **Risks from markets and financing**

The ongoing Corona pandemic did not have a significant overall impact on the Group's overall performance in the financial year. However, the incipient recovery of the global economy had a significant impact on commodity and especially energy prices. The EEG federal subsidy and steadily rising electricity prices over the course of 2021 led to a significant improvement in the EEG account balance.

Due to the strong market price movements, high fluctuations were observed in some cases in the costs for control and grid loss energy as well as redispatch measures. Effects on earnings were greatly reduced by the respective regulatory models and the netting of opposing effects.

In the area of energy procurement, 50Hertz is subject to the general market risks observable on the electricity market. In order to cover the constant demand for grid loss energy, which is necessary due to the system, 50Hertz uses electricity products and contracts that are customary on the market in order to be able to counter the existing market price risks appropriately. Based on a risk-averse procurement strategy and considering the regulatory framework for cost compensation for grid losses, 50Hertz actively manages its market activities in this regard, taking internal risk considerations into account. When procuring loss energy for its own portfolios, 50Hertz operates on the electricity market exclusively with the aim of covering its own needs. The use of physical and financial contracts on the electricity market entails liquidity risks in addition to general coverage risks, which are countered by internal control measures.

The Group finances itself on the bank and capital markets. Financing needs are determined on the basis of long-term planning and, if necessary, targeted capital market measures are taken as well as the necessary capital market communication to ensure sustainable access to the financial markets. Risks from financing bottlenecks are limited by a long-term secured, previously unused credit line.

A rating downgrade could increase financing costs in the future and restrict access to financing funds. Potential risks in the context of follow-up financing of investments in the future may arise from unforeseeable bottlenecks in the context of public financing in Europe and the high volatilities on the capital markets.

The interest rate risk is countered by means of continuous market observation and targeted capital market communication. Counterparty risks in the investment of time deposits are limited by a cautious, diversifying investment strategy, constant market monitoring and strict compliance with investment guidelines.

Decisions or actions in companies in which 50Hertz only holds minority interests and does not have control over these companies as a result may lead to higher costs, lower revenues, or lower profit margins for these companies.

## **Overall opportunities and risk situation**

The Group's overall opportunities situation is influenced by the regulatory framework, which may support organic growth of the Group. Stable ratings of Eurogrid allow to create an optimal financing structure of the Group.

There was no threat to the Group's continued existence in the 2021 business year, neither from individual risks nor from the aggregated risk position. The ongoing Corona pandemic had no significant impact on the overall performance of the group. Also, for the following year 2022, considering measures taken, no risks threatening the existence of the group are seen.

## **Accounting-related internal control and risk management system**

In order for Eurogrid to operate successfully as a group in its complex business environment, it has created an effective and integrated internal control system that includes all relevant business processes in its entirety. It regulates the identification, recording, assessment, documentation and reporting of risks and is integrated into the strategy, planning and budgeting processes as well as the management and reporting systems of the company.

The internal control system forms an integral part of the risk management system. This system includes reporting for the Supervisory Board of 50Hertz Transmission GmbH, for the Supervisory Board and the Audit Committee of Eurogrid, as well as for the respective management boards, and is aligned in scope and design to the company-specific requirements.

Key elements of the internal control system in relation to the accounting processes are the consistently applied dual control principle, an audit-proof document system and the consistent separation of functions between and within the specialist departments of the Group. The processing of data in the accounting system is organized uniformly for all companies included in the Eurogrid consolidated financial statements and is based on the same processes with regard to account allocation and the processing of invoices and receipts. Furthermore, there is uniform handling of the preparation of the financial statements with regard to the preparation processes and scheduling.

The standard commercial software used for accounting is subject to an annual audit with regard to the regularity of the IT procedures used, including the organizational and procedural environment of the use of the system, considering the requirements for an effective internal control system. An authorization concept has been set up that is adequate for the purpose of ensuring proper accounting and reducing the risk of fraudulent acts. This is applied in full. The business transactions of the Eurogrid Group companies are processed centrally in the accounting/tax department of 50Hertz Transmission.

Consolidation at group level is based on guidelines for accounting and the preparation of financial statements in order to ensure the uniform application of recognition, measurement and reporting of balance sheet and income statement items, in particular considering the material and accrual-based presentation of regulatory matters that is essential for the TSO business. Plausibility checks are carried out between Financial Reporting, Controlling and Regulatory Management for each monthly report. These and the observance of all relevant commercial and tax standards as well as the corresponding energy law requirements and IFRS regulations ensure compliant accounting and reporting in the individual and consolidated financial statements.

Measures to limit accounting-related risks include the clear allocation of responsibilities, graduated release strategies, access authorizations structured according to the principle of segregation of duties, and the application of uniform rules on organization and scheduling as well as on the valuation of business transactions. The effectiveness of the internal control system is reviewed by the internal audit department on an ad hoc basis or on the basis of an audit programmed in consultation with the shareholder bodies. Furthermore, the Supervisory Board of Eurogrid and the Supervisory Board of 50Hertz Transmission continuously monitor the regularity of the management. All bodies base their assessment on regular reports and analyses by the

management of 50Hertz Transmission, on the results of the auditing activities of the internal audit department and on the audits of the financial statements of the Group companies. In addition, the Group companies and their risk areas are recorded and evaluated as part of the risk management system.

## **Consolidated non-financial statement**

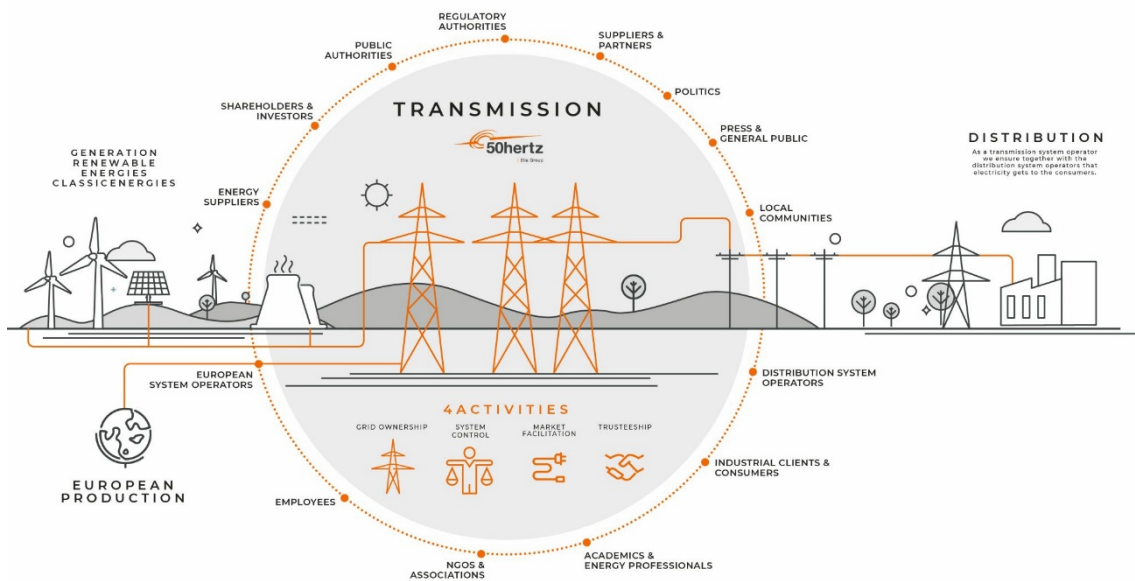
For the fiscal year 2021 Eurogrid GmbH (Eurogrid) is issuing a non-financial group statement for the fifth time for the financial year. Information on the business purpose and the shareholdings can be found in the management report on page x. The group of Eurogrid GmbH (hereinafter referred to as the group) consists of Eurogrid GmbH (Eurogrid) as well as 50Hertz Transmission GmbH (50Hertz Transmission) and 50Hertz Offshore GmbH (50Hertz Offshore; together with 50Hertz Transmission also referred to as 50Hertz) as affiliated companies of Eurogrid and additionally from participations of 50Hertz Transmission. The participation in 50Hertz is material for the non- financial group statement. For the financial year, 50Hertz follows 2021 the standards of the Global Reporting Initiative (GRI) in the Core option for the third time in its sustainability reporting. The last report was published in May 2021.

### **1. General**

#### **1.1 Business Model**

**(GRI 102-1, GRI 102-2, GRI 102-6, GRI 102-7, GRI 102-9)**

50Hertz operates one of the most modern electricity transmission grids in Europe in the north and east of Germany and thus ensures the supply of electricity to around 18 million people around the clock - more than half of which comes from renewable energies on an annual average. At ten locations, 1,388 50Hertz employees act as an interface between energy producers on the one hand and distribution grid operators and large consumers on the other, ensuring that electricity flows around the clock. 50Hertz operates 10,325 kilometer lines and coordinates the electricity market players in the grid area, manages and coordinates balancing groups and brings the electricity from renewable energies that is not directly marketed to the electricity exchange. In order to successfully shape the energy transition and achieve the self-imposed goal of being able to cover 100 percent of electricity consumption in the grid area from renewable energies by 2032, 50Hertz is developing innovative solutions for the system and market integration of volatile renewable energies.



50Hertz operates a "natural monopoly" with the transmission grid in its grid area, i.e., in the area in the north and east of Germany, the company is the sole operator of the extra-high voltage electricity grid in its grid area, as the competitive operation of such a grid does not make economic sense. 50Hertz is therefore subject to regulatory supervision by the national regulatory authority - the Federal Network Agency (BNetzA). The regulatory system decisively shapes the business model. The BNetzA also sets the revenue cap for 50Hertz for the calculation of grid fees. As part of the European Elia Group, 50Hertz believes that interconnectors, especially those connecting offshore wind farms across borders, are necessary to achieve the goals of the European Green Deal. Given the huge electricity demand needed to decarbonize our societies, Europe needs to exploit all potential for renewable electricity generation and, in some cases, generate this electricity far off the coasts of member states. 50Hertz operates the world's first hybrid offshore interconnector Kriegers Flag Combined Grid Solution (CGS). The Combined Grid Solution (CGS) connects two substation platforms in the Baltic Sea both to each other and to the existing shore connections of the offshore wind farms. This allows the CGS to transmit offshore wind power to Denmark or to Germany and additionally to be used for cross-border electricity trading. In addition to our activities as a transmission system operator, we offer various consulting services for international customers through our subsidiary Elia Grid International (EGI), which, among other things, improve the increasing integration of renewable energies in other countries as well.

1.2 Locations (GRI 102-3, GRI 102-4)



### 1.3 Memberships (GRI 102-12, GRI 102-13)

50Hertz is involved in the areas of renewable energies, climate and environmental protection, human rights and the harmonization of the European electricity market in various clubs, associations and initiatives. For example:

memberships	energy	climate	environment	human rights
AVEU Employers' Association of Energy and Utilities Companies eV	✓			✓
BEN - Berlin-Brandenburg Energy Network eV	✓	✓	✓	
BDEW – Federal Association of Energy and Water Management	✓			
Diversity Charter				✓
German Commette of the CIGRE Conseil International des Grands Réseaux Électriques	✓			
Energy Dialogue 2050 eV	✓	✓		
ENTSO-E – European Network of Transmission System Operators for Electricity	✓		✓	
FGW - Association for the promotion of wind energy and other decentralized energies	✓			
RGI – Renewable Grid Initiative	✓		✓	
UN Global Compact			✓	
VDE Electrotechnical Association e. V	✓	✓	✓	✓
Wind Energy Network registered association	✓			
World Energy Council	✓			

## 2 Governance, Risk & Compliance

### 2.1 Values, principles, standards, and codes of conduct

(GRI 102-16, GRI 102-17, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-32, GRI 102-33, GRI 206-1, GRI 307-1)

For 50Hertz, sustainably successful entrepreneurial activity means carrying it out for the benefit of society. This is reflected in the Company's vision "A successful energy transition - for a



sustainable world", as well as in the strategy "From 60 to 100 by 2032 - new energy for a strong economy". 50Hertz has set itself the task of driving forward the energy transition and making a very concrete contribution to enabling a stable electricity supply in the 50Hertz grid area from a balance of 100 percent renewable energies as early as 2032. Three strategic pillars define how 50Hertz, as part of the Elia Group, will efficiently provide the infrastructure required for this, while generating added value for society and strengthening the position of its customers and business partners. On the one hand, 50Hertz is a partner for companies on the path to a decarbonized industry and, on the other, for the expansion of renewable energies. The greatest possible transparency, which is also expressed by this report, forms the basis for this.

50Hertz's commitment to responsible corporate governance is laid down in its sustainability mission statement and in the Elia Group Code of Ethics. This states that the company acts in accordance with the ten principles of the UN Global Compact in the areas of human rights, labor standards, environmental protection and anti-corruption. Employees also have access to comprehensive company documentation that includes all applicable guidelines, directives, work instructions, process manuals and company agreements and is integrated into the company-wide intranet. The Code of Ethics and the guidelines specify what is meant by entrepreneurially correct behavior and make it clear that all employees comply with the law. These principles are also part of organizational regulations that apply throughout the company. In the reporting year, no significant fines were legally imposed on 50Hertz in connection with general business activities or projects in line construction or operation. In order to distinguish administrative offences, the reporting threshold was set at 25,000 euro. As a result of the legal changes that occurred due to the Financial Market Integrity Strengthening Act, the Europe-wide new tender for audit services was initiated and successfully completed. As a result of the tender, BDO AG Wirtschaftsprüfungsgesellschaft was appointed as the new auditor for the 2021 financial year for all German Group companies of the Eurogrid Group.

The continuous expansion of sustainability management is reflected in the annual business plan, which is valid for five years. Within the framework of our sustainability program Act Now, goals indicators and measures are systematically developed, reviewed and thus anchored in the corporate strategy. A company-wide committee (Sustainability Board) at the first (executive) and second management level (division heads) steers this development from the development of roadmaps to reporting under the chairmanship of the Managing Director Finance and the Director of Labor. The Sustainability Board meets twice a year to agree on goals and processes.

The implementation of the individual measures as well as the recording of key figures is the responsibility of the corresponding areas of the company. The core sustainability team meets quarterly. Those responsible for data make key figures available on the central transparency management platform in a comprehensible way throughout the company. Sustainability risks are

discussed and evaluated with the Executive Board in the quarterly updated risk analysis and in an annual risk conference. Furthermore, certified management systems, such as ISO 45001 in the area of health and safety and ISO 27001 in information security management, or internal management systems based on recognized standards, for example in the context of early public participation according to VDI 7000, are used in core areas of sustainability. The existing environmental management system is currently being aligned with ISO 14001. The certification audit is planned for the fourth quarter of 2022.

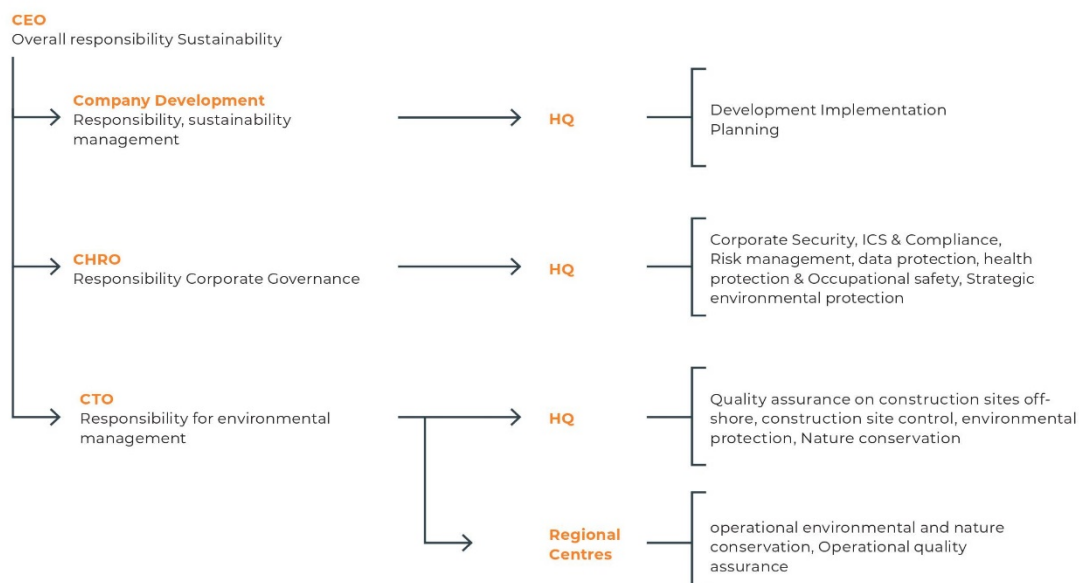
## 2.2 Responsibility (GRI 102-18, GRI 102-19, GRI 102-20)

The operational management of the Eurogrid GmbH Group was delegated to the management of 50Hertz by way of a number of agreements.

The Management Board of 50Hertz consisted of 2021 five members in the financial year: Stefan Kapferer (Chief Executive Officer), Dr. Dirk Biermann (Chief Markets & System Operations Officer), Sylvia Borchering (Chief Human Resources Officer), Dr. Frank Golletz (Chief Technical Officer) and Marco Nix (Chief Financial Officer). Chief Digital Officer Michael von Roeder is a member of the extended Executive Board.

The responsibilities and organization of sustainability management are clearly anchored.

### Responsibility for sustainability management



## 2.3 Legal framework

50Hertz always acts in accordance with applicable law. Business activities are subject to numerous national and European legal regulations. In the reporting year, the following laws in particular should be mentioned, which have an influence on the integration of sustainability into business activities:

The amendment to the Climate Protection Act increases the greenhouse gas reduction target from 55 to at least 65 percent by 2030 and to 88 percent by 2040. The target year of net greenhouse gas neutrality was brought forward from 2050 to 2045. Concrete measures to achieve the target will be ensured in future by individual laws and ordinances. These will also have a significant influence on 50Hertz's business activities.

The Supply Chain Due Diligence Act describes requirements for the due diligence of companies. The aim is to improve the protection of human rights in global supply chains. The supply chain extends from a company's own business operations to its direct and indirect suppliers. Important components of the law are a risk analysis and the corresponding management, as well as a complaints mechanism and transparent reporting. From 2024, the law will apply to companies with more than 1,000 employees. An ordinance was passed in 2021 that recasts or amends the Federal Soil Protection and Contaminated Sites Ordinance, the Landfill Ordinance and the Commercial Waste Ordinance. The Mantelverordnung will apply from 2023.

Further information on other laws and regulations relevant to the business activities can be found in the management report. In particular, in the chapter "Economic and political environment", "Energy law framework", in the sections "European law" and "National law".

## 2.4 Political influence (GRI 102-16, GRI 415-1)

Because legislative activities have a major impact on the business activities of 50Hertz, the company represents its positions transparently and publicly as part of the political process. This is the responsibility of the Communications and Public Affairs department. For example, the position paper "Doing more of the right things faster" was published for the 2021 federal election, which provides an overview of the energy policy course urgently needed from the perspective of a transmission system operator. In a joint roundtable initiative with the industrial union IG BCE, 50Hertz 2021 discussed with a large number of stakeholders from politics, business and science how the phase-out of fossil fuels and the parallel entry into climate-neutral business can succeed. The results of this discussion are summarized in the summary "With new energy for strong industrial jobs". Further information on the roundtable initiative can be found in chapter 6.3 Dialogues with stakeholders (page X). In addition, 50Hertz 2021 launched the initiative "Together Faster Climate Neutral" and developed concrete proposals with other grid operators, energy and industrial companies and published them in December in order to accelerate the

expansion of the electricity grids necessary to transport electricity from renewable energies.

The company's political communication is conducted in a responsible and transparent manner and completely refrains from party donations. Ethical principles for the representation of political interests have been formulated and form the basis of our actions. A detailed orientation guide, which is valid throughout the company and has been agreed with the management, explicitly regulates our conduct in the political environment. It is stated that 50Hertz does not make any donations to politicians or political parties and pays attention to appropriate consideration and balance when sponsoring. Responsibility for donations to party-affiliated foundations and associations is centrally anchored in the Communication and Public Affairs department. Together with specific training programmed, 50Hertz thus ensures that its employees who are active in social and energy policy align their communication and actions with clearly defined principles. In addition, 50Hertz is registered in the EU Transparency Register and is committed to its Code of Conduct. The Lobby Register Act passed on 25 March 2021 will come into force on 1 January 2022. The lobby register is intended to contribute to strengthening public trust in politics and the legitimacy of the decision-making processes in parliament and government. The aim is to create more transparency regarding the influence of interest representatives on this process. As soon as the entry in the German lobby register is officially possible, 50Hertz will deposit all required information there.

## **2.5 Anti-corruption**

**(GRI 205-2, GRI 205-3)**

Guidelines on preventing corruption specify 50Hertz's understanding of correct ethical conduct and that the Company does not tolerate corruption in any shape or form. In addition to further specifications on certain topics, another guideline describes the anonymous reporting channel via an external ombudsman as a fixed component of the established whistleblower system. In addition to needs-oriented classroom training for compliance, a web-based compliance training course for employees was introduced throughout the company for the first time in March 2021 and completed with a high participation rate of almost 90%. The next round of regular training is scheduled for spring 2023. Due to the increasingly close integration of governance, risk and compliance, the internal control systems (ICS) are also being continuously developed and increasingly linked to risk management. Thus, in the course of the regular risk assessment, the respective control mechanisms are also updated accordingly. For more information on anti-corruption in the purchasing process, see chapter 5.2 Human Rights.

There were no incidents of corruption during the reporting period.

## 2.6 Risk management (GRI 102-30, GRI 102-11)

As part of its systematic risk management, 50Hertz regularly records and evaluates the following risk areas:

- Protection of life and limb
- Profit & loss
- Liquidity
- Reputation
- Supply reliability.

50Hertz's aim is to avoid risks that could jeopardize the company's continued existence, to reduce risk positions where- reduce risk positions as far as possible and optimize the risk-opportunity profile. A risk guideline specifies how risks are systematically identified, recorded, evaluated and monitored on a quarterly basis. A risk conference is held once a year in which all division heads (second management level) as risk owners as well as the risk manager discuss the most significant risks and risk-related topics together with the Executive Board. At the project management level, an integrated process has been installed for the linked planning of schedule, budget and risk management. In the context of sustainability, various risks are assigned to the areas of environmental, social and governance (ESG). These are, for example, risks of occupational safety, environmental damage and in the area of data security and transparency. An initiative was launched at the Elia Group level to further develop the management of ESG risks and influence 50Hertz risk management. In 2021, for example, a risk assessment on physical and climate-related impacts was carried out at Group level. The results have been incorporated into country-specific risk management.

## 2.7 Security

### (GRI Sector Supplement Disaster/Emergency Planning and Disaster Relief Measures)

As an operator of critical infrastructure, 50Hertz is obliged by the "IT-Sicherheitsgesetz" [IT Security Act] and the EnWG to ensure information security on systems that are necessary for maintaining security of supply. In this context, the processing, storage and communication of information must be designed in such a way that the availability, confidentiality and integrity of the information and the critical systems are ensured to a sufficiently appropriate degree.

The information security management system in accordance with ISO 27001 "IT Security Catalogue pursuant to § 11 Paragraph 1a EnWG" was recertified in 2020. Through the established security process, information security risks are systematically identified and addressed. In the reporting year, no targeted cyber attacks on 50Hertz were registered or damage caused by information security incidents. In an independent audit for the evaluation and certification of the operational security of data centers (based on DIN EN 56000), the 50Hertz data centers were deemed as "highly available" at Level 3.

As part of the data protection management system (DMS), the existing e-learning program was updated, and internal and external employees were sensitized and trained.

For 50Hertz, safety does not stop at the company boundaries. For example, crisis management and crisis communication with internal and external stakeholders are trained in regular crisis team exercises. Not only are the existing structures, processes and reporting channels reviewed and continuously improved, but also the skills of the crisis team members and the employees are intensively trained to deal with unexpected events in a level-headed manner under special stress and to make quick and appropriate decisions for crisis management. These and other measures serve the goal of continuously increasing the resilience of 50Hertz in a holistic manner. In addition to the training concept for all members of the crisis team and the response team, this also includes the review of the property security concepts and the expansion of the security network.

At regular intervals, 50Hertz rehearses so-called black starts in order to restore the power supply within a short time in the event of a blackout. These scenarios have to be trained regularly with the partners involved: both on the simulator and in real network reconstruction tests. This ensures safety in the event of a crisis and is also required by law.

In the reporting year, the grid reconstruction with a high-speed grid was successfully completed for the second time. A start-up grid consists of a grid island with strategically useful transformer stations, which are simultaneously energized by a black-start unit, in this case a pumped storage power plant.

## **2.8 Materiality and objectives**

**(GRI 102-15, GRI 102-46, GRI 102-47, GRI 103-1, GRI 103-2, GRI 103-3, GRI 201-2)**

Undeniably, the energy transition is one of the greatest social challenges of this century. With the 50Hertz vision "For a successful energy transition - in a sustainable world" and our new strategic goal "From 60 to 100 by 2032 - new energy for a strong economy", we are making it clear that we are an active driver when it comes to decarbonizing society and industry. To this end, we are developing the grid, the system and the market of the future.

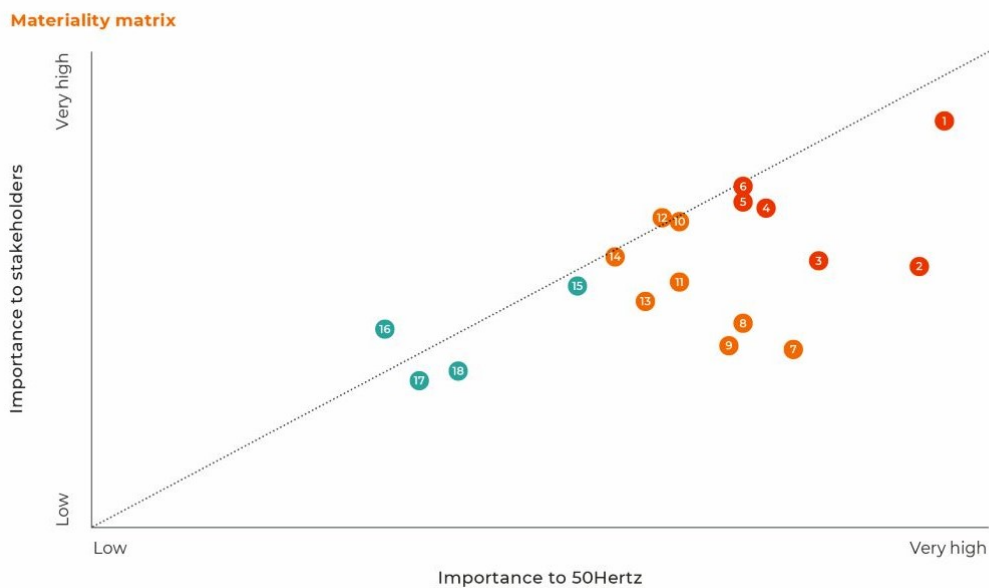
### **Definition of our material topics**

Our materiality matrix shows our most important fields of action and priorities. It serves as a guideline for our transparent reporting and is an important element for our strategic decision-making. The development and review of the materiality matrix is based on a systematic process in which we have involved external and internal stakeholders and is regularly cross-checked with studies (such as the World Energy Council's World Energy Issues Monitor) and analyses (such as the GRI Sector Supplement for Electric Utilities). This repeated stakeholder process involved both internal management levels 1 and 2 as well as a broad base of our external stakeholders. Our stakeholders include our shareholders, the public, non-governmental organizations (NGOs),

politicians, regulators, investors, the media, customers, suppliers and representatives of the 50Hertz workforce.

In 2020, we prioritized our opportunities and risks along the Sustainable Development Goals. This initial prioritization approach served as the basis for the development of our strategic sustainability program "Act Now", with which we set ourselves concrete sustainability goals along the SDGs that are strategically important to us. In determining the relevant SDGs, the service provider S&P Trucost considered both opportunities (positive impacts on performance, development and reputation) and risks (negative external impacts of our activities or on our business) in a finance-based approach that encompassed our entire value chain. This approach fulfils the required inside-out/outside-in perspective, also known as double materiality.

The result of this process is our materiality matrix to prioritize our reporting and governance of our ESG issues. We use our materiality matrix to determine our current and future priorities and focus. It also serves as a guide for determining the issues we include in our annual reporting. The matrix reflects the importance of the issues to our stakeholders and the impact on 50Hertz.



**Topics of highest relevance**

- 1 Reliability of supply
- 2 Legal and regulatory environment
- 3 Occupational health and safety
- 4 System and market integration of renewable energies
- 5 Governance, risk management and compliance
- 6 Network expansion in line with demand

**Topics of high relevance**

- 7 Working environment and social protection
- 8 Personnel strategy and talent management
- 9 Education and training
- 10 Partnerships and stakeholders
- 11 Transparency and openness
- 12 Transparent dialogues
- 13 Risk management
- 14 Cost and process efficiency

**Future relevant topics**

- 15 Diversity and equal opportunities
- 16 Operational environmental protection
- 17 Biodiversity
- 18 Climate relevant emissions and climate adaptation

**Understanding the matrix**

50Hertz's materiality matrix consists of three categories - low, medium and high materiality issues. The chart above reflects our medium and high materiality topics, highlighting those that contribute directly to one or more SDGs.

**The development of our materiality**

We review our materiality analysis in a regular cycle. In order to gain an even deeper understanding of our stakeholders' views and also to do justice to past economic and social developments, we have planned to survey our most important external stakeholders in detailed interviews and workshops. This is planned for the third quarter of 2022.

**“Act Now” - our sustainability roadmap**

In the reporting year, we further developed the Group-wide sustainability program “Act Now”. We reviewed our business units and processes with regard to the SDGs and the improvement of our sustainability performance and developed indicators for target setting and measurement as well as a roadmap for implementation. We have set specific targets that we regularly review and manage.



## Dimensions of “Act Now”

SDG 7 & SDG 13	Climate protection	Enable decarbonization of the power sector	Environment
		CO <sub>2</sub> neutrality in system operation	
		CO <sub>2</sub> neutrality of own activities	
		CO <sub>2</sub> neutrality in the supply chain for plants and construction activity	
		Strengthening resilience to climate change impacts	
SDG 12 & SDG 15	Environment & Circular Economy	Conservation and strengthening of the ecosystem and biodiversity	Environment
		Embedding the circular economy in our core business processes	
		Ensuring the implementation of environmental standards	
SDG 8	Health protection & occupational safety	Striving for and adhering to the goal of zero accidents (We go for Zero)	Social
		Establish an effective safety culture	
		Establishing a leadership claim in the security sector	
		Ensuring and promoting the health and well-being of our workforce	
SDG 10	Diversity, equal Opportunities inclusion	Enabling an inclusive leadership culture	Social
		Strengthening an inclusive recruitment process	
		Ensuring equal opportunities on the basis of merit and professional experience	
		Strengthening an open and inclusive corporate culture and work-life balance	
		Support and develop external social diversity, inclusion and equality initiatives.	
SDG 16	Governance, ethics, compliance	Resilient rules and processes	Governance
		Sustainable attitudes and behaviors	
		Compliance with external and internal regulations	
		Transparency and targeted stakeholder dialogue	

While "Act Now" serves as a compass for all corporate activities along our value chain, we at 50Hertz go further and position ourselves as an active promoter of sustainability in our grid area: With our strategic goal "From 60 to 100 by 2032 - new energy for a strong economy", we want to achieve 100 % balance sheet - i.e., annualized - coverage of electricity consumption by renewable energies in our grid area as early as 2032. We support the providers of renewable energies in implementing their projects more quickly and the industry in their efforts to decarbonize their processes. In this way, we can make an effective contribution to combating climate change on the one hand and to strengthening sustainable industrial locations on the other.

With the Elia Group-wide sustainability programmed "Act Now" and the 50Hertz strategic goal "From 60 to 100 by 2032 - new energy for a strong economy", we are making an ambitious contribution to achieving European, national and regional renewable and climate targets - as well as decarbonizing society - internally and externally.

## **2.9 Compliance with the EU taxonomy**

Sustainable finance plays an essential role in achieving the EU's policy objectives. The EU Action Plan on Financing Sustainable Growth led to the creation of the EU Taxonomy, a classification system for sustainable economic activities. It is designed to help identify companies that contribute to climate neutrality. Using the EU Taxonomy, an analysis for the 2020 financial year was carried out in cooperation with the consulting and auditing firm Deloitte. 50Hertz has placed sustainability at the heart of its business strategy. The results of the analysis confirm that 50Hertz is around 99.70 per cent in line with the EU taxonomy in terms of revenue, 99.96 per cent in terms of capital expenditure (CAPEX) and around 99.80 per cent in terms of operating expenditure (OPEX). 50Hertz will report according to the EU taxonomy in future.

## **3 Social and personnel matters**

### **3.1 Management approach (GRI 102-8, GRI 103-2, GRI 103-3, GRI 402)**

50Hertz is only successful because its employees are successful. It is part of our corporate responsibility to develop them, promote their health and commitment, involve them in decisions and guarantee equal opportunities for all. As part of the group-wide sustainability initiative "Act Now", we have set ourselves concrete goals in the areas of "diversity, equal opportunities and inclusion" as well as "occupational health and safety" and derived measures from them. The cultivation and further development of the value-based, open and inclusive corporate culture as well as the creation of a work-life balance are among the top goals of the company and the strategic basis for all personnel-related decisions. Within the management, responsibility for personnel strategy issues lies with the Chief HR Officer (CHRO).

An annually updated business plan, which is designed for a period of five years in each case, provides the framework for qualitative and quantitative personnel planning. Beyond collective agreements and works agreements, 50Hertz is also committed to internationally established guidelines, such as the core labor standards of the International Labor Organization (ILO: C87, C98 and C135) and the labor rights in the UN Global Compact.

50Hertz is committed to promoting diversity out of conviction and in accordance with ILO Convention 111. 50Hertz is committed to valuing all employees and their abilities equally - regardless of their individual identity. All employees are of equal value regardless of their ethnic origin, age and gender, sexual identity, religious affiliation, political views, national or social origin.

As an expression of this, 50Hertz is a member of the Diversity Charter, a working initiative to promote diversity in companies and institutions and participated in the nationwide Diversity Day for the third time in the reporting year with a programme to raise employee awareness.

The average age of employees at 50Hertz slightly decreased compared to the previous year to 42.2 years.

## 3.2 Employees (GRI 102-7)

### Total number of employees

Employees	Men	Women	Men	Women	Men	Women
	2021		2020		2019	
Management	4	1	4	1	4	0
Head of Departments	32	9	37	8	38	5
Supervisors	88	18	86	14	68	13
Employees	922	313	844	290	763	249
<b>Total (excluding management)</b>	<b>1042</b>	<b>340</b>	<b>967</b>	<b>312</b>	<b>869</b>	<b>267</b>
<b>Total (excluding management)</b>	<b>1382</b>		<b>1279</b>		<b>1136</b>	

### Average age

average age	2021	2020	2019
Tariff area	41.6	41.9	42.6
AT area	47.2	47.8	48.3
Supervisors	51.2	51.3	51.7
Managing directors	54.2	53.2	52
<b>Total 50 Hertz</b>	<b>42.2</b>	<b>42.5</b>	<b>43.1</b>

## New employees and departures

New Hires/Terminates	Men	women	Men	women	Men	women
	2021		2020		2019	
New employees > 50 years	12	1	42	17	8th	3
New employees 30 - 50 years	84	34	52	19	58	23
New employees < 30 years	46	19	41	20	30	13
Terminations > 50 years	21	5	13	2	21	7
Terminations 30 - 50 years	20	7	18	4	20	6
Terminations < 30 years	10	4	2	3	3	1

### 3.3 Combining work and family life

(GRI 401-1, GRI 401-2, GRI 401-3, GRI Sector Disclosure EU15)

50Hertz employees benefit from a family-friendly working environment and the opportunity to create a work-life balance. In order to give mothers and fathers the necessary flexibility for childcare, a company agreement on better work-life balance is in place, among other things. It regulates issues such as parental leave, support services, flexible working hours, special leave and sabbaticals as well as career advancement. The 50Hertz headquarter ("Netzquartier") also has a day-care center for employees' offspring, which also offers places for children from the neighborhood. In addition, a parent-child office has been set up for short-term childcare bottlenecks. In job advertisements at 50Hertz, the so-called Flexi-Compass provides information about possible part-time and flexi-time work. Employees whose work is suitable for this are to be granted spatial flexibility and self-organization of their work in order to better reconcile personal interests and operational requirements. The operational principles for this are provided by the guideline on mobile working, which was converted into a general works agreement on "mobile working". As a result of the COVID 19 pandemic, parents who were affected by the closure of schools and day-care centers were again enabled to make compensatory working time arrangements in an unbureaucratic manner in this reporting year to enable them to care for their children at home.

Parental leave	2021	2020	2019
<b>Number of employees on parental and care leave</b>	<b>14</b>	<b>9</b>	<b>12</b>
thereof male	6	4	0
thereof female	20	5	12
<b>Number of employees on parental leave 01.01.2021 - 31.12.2021</b>	<b>77</b>	<b>67</b>	<b>74</b>
thereof male	49	47	50
thereof female	28	20	24

Together with the General Works Council and the Mining, Chemical and Energy Industrial Union (IG BCE), an agreement was concluded to promote and maintain the employability of employees. It creates the basis for personnel policy measures to counter the effects of demographic change. The goal: employees should be able to carry out their activities without restrictions until regular retirement.

#### Retirement transitions

Retirement transitions in %	Men	women	Men	women
	in 5 years		in 10 years	
Managing directors	20.00	0.00	20.00	0.00
Head of department	9.76	0.00	29.27	0.00
Superiors	1.89	0.00	11.32	0.00
Employees	5.75	1.70	11.58	3.48
<b>Total (excluding management )</b>	<b>5.60</b>	<b>1.50</b>	<b>12:10</b>	<b>3.10</b>

### 3.4 Employee survey

A regular exchange of opinions with employees is facilitated through various platforms (see stakeholder engagement section) and, in particular, the regularly conducted employee survey „Sag es!“ (Say it!). In 2020, the survey took place for the fourth time. The participation rate was 91 per cent (2017: 91 per cent) and 50Hertz was again able to achieve an above-average<sup>1</sup> employee commitment index (MCI) of 71 (2017 survey: 68). The detailed results will be discussed across the organization and the hierarchy. In a follow-up process started in the first quarter of 2021, company-wide fields of action and measures for the individual teams were derived.

<sup>1</sup> The average ECI of energy supply companies in Germany comes to 66.

### **3.5 Qualification (GRI 404-1, GRI 404-2)**

In order to realize our vision and our strategic goal "From 60 to 100 by 2032 - new energy for a strong economy" and to master the challenges of tomorrow, motivated employees are an important success factor in times of constant change. Therefore, employees are offered individually tailored further training and relevant additional qualifications. Systematic succession planning ensures that a sufficient number of potentially suitable employees are available for all management positions and that vacancies can be filled internally wherever possible. To this end, talent is identified and promoted - for example through programs for "young professionals" that are jointly developed and offered in the Elia Group. 50Hertz attracts qualified young talent through its own in-house training, a 24-month trainee program and by supervising internships, diploma, bachelor's and master's theses in cooperation with universities and universities of applied sciences. In 2021, a total of 108 student employees and 10 trainees were employed at 50Hertz in 2021. Currently, 30 young people are completing industrial or commercial training. The trainee ratio was therefore 2.1 percent. The average number of hours for training and further education, excluding regular safety instructions, was 12.56 hours per employee in the reporting year. In addition, managers can participate in 50Hertz-specific training modules to develop their own leadership skills.

A Group-wide talent program was launched in the third quarter of 2020. Against the backdrop of a constantly changing environment, the project team will develop a sustainable, integrated and diverse framework for action to support the implementation of the Elia Group strategy. The goal is to create a corporate culture and work environment that is attractive and motivating for talent.

### **3.6 Remuneration policies (GRI 102-38, GRI 102-41)**

Fair pay for employees is a matter of course for 50Hertz. Additional offers for retirement benefits and health round off the offer as an attractive employer. The remuneration systems will be further developed in line with requirements in order to remain an attractive employer for our employees in the future. The Mining, Chemical and Energy Industrial Union (IG BCE) negotiates the collective agreements together with the Employers' Association of Energy and Utility Companies (AVEU). (AVEU) negotiate the collective agreements. For the first time since 2013, a separate collective agreement was negotiated for 50Hertz in 2020 and it was decided to continue the talks on the general working conditions (framework collective agreement). Remuneration in line with requirements and performance is supplemented by extensive company social benefits and the offer of a company pension scheme. In addition, as part of the COVID 19 pandemic management, a tax-free one-off payment was granted in January 2021 in connection with increased mobile working for the purchase of private IT equipment, and a further tax-free one-off payment with a payout in January 2022 was decided to mitigate the additional pandemic-related burdens and as a thank you for the strong commitment of the employees during the pandemic.

In addition, employees have the opportunity to participate in the success of the previous business year within the framework of an Elia Group share program. For the ninth time, every 2021 employee was offered shares at a reduced price.

50Hertz transparently and voluntarily discloses the total remuneration of the management in the consolidated financial statements and shows the fixed and variable total remuneration as well as company pensions and other benefits in favor of the management. The basic features of the remuneration system are explained with details in the corporate governance statement.

The factor of the compensation of the highest paid employee compared to the median of the total annual compensation of all employees is 7.7.

### **3.7 Incentive systems**

The remuneration of employees includes success and performance-related elements that provide an incentive to achieve the common corporate goals as well as the individual goals derived from them. Some goals also relate to the environment of sustainable corporate governance, such as compliance with occupational health and safety or successful social dialogue.

### **3.8 Codetermination (GRI 102-41, GRI 402)**

50Hertz is committed to the freedom of association, collective industrial agreements and the protection of employees' representatives. Particular emphasis is placed on trusting and constant cooperation with all co-determination bodies. The supervisory board of 50Hertz is composed of six members and, beyond the legal requirements, is contractually guaranteed to have equal numbers of employee and employer representatives. In a total of four Supervisory Board meetings per year, the Supervisory Board was 2021 informed and advised in detail about the current course of business, the economic situation and the status and development of risks through written reports and oral presentations by the Executive Board. A spokesperson committee with information and consultation rights represents the interests of the executive employees. The works council is responsible for representing employees at 50Hertz who are covered by collective agreements and those who are not. A cross-company exchange takes place in the European Works Council of the Elia Group. 50Hertz is committed to employee concerns through joint events such as the Electricity Industry Group Committee and the Netzer working group. The company also regularly provides guest speakers and lecturers at IG BCE educational events. In order to promote the trade union involvement of employees "taster courses on co-determination" are offered. A youth and trainee representation (JAV) looks after the interests of the young people in the. The JAV works closely with the co-determination bodies.

### 3.9 Equal opportunities

As part of the Group-wide "Act Now" program, 50Hertz is committed to promoting diversity and providing equal opportunities for all employees. As a concrete target, the 50Hertz management has agreed to increase the proportion of women in the total workforce, in leadership positions and in management to at least 30 percent by 2030. As of 31 December 2021 the proportion of women in the first and second management levels under the extended management was one per cent 22, in the third management level 17 per cent, in the Supervisory Board 33per cent and in the Executive Board 20 per cent. The share of women in the total workforce was 25 percent. In 2020, in addition to the already existing internal company network "50:50 - the women's network", the initiative "Women in Leadership" was founded to, among other things, specifically promote female junior staff. This is having an effect: 202150Hertz was once again named "Best Employer for Women" by Brigitte magazine. In addition, 50Hertz took part in "Girls Day" for the third time in the reporting year. Due to the still existing Corona situation, around 20 girls were able to take part in a virtual simulation game on the energy transition. In addition, 50Hertz supports the "EnterTechnik" program, in which three-month internships in various companies with a technical focus are placed with young women.

Promoting diversity and equal opportunities at 50Hertz also means giving people with health impairments the same opportunities as colleagues without health impairments. An inclusion agreement reached with the works council, the spokesperson's committee and the representative body for severely disabled employees sets out measures to support people with health impairments in their working lives. An internal inclusion team is responsible for implementing and monitoring this agreement. In the business year, the proportion of severely disabled employees and employees with equal rights in our workforce was 1,4 per cent. In total, 23 employees with disabilities were employed in the company in the reporting year. Depending on the job-specific requirements in the commercial and technical areas, the quota is to be successively increased in the future. To this end, there is a cooperation with the Annedore-Leber-Berufsbildungswerk, which is intended to make it easier for young people with disabilities to start a career. In the year under review, two interns from the facility were given an insight into the job profiles at 50Hertz. One former trainee was taken on as an employee in the past.



Around 50 diversity ambassadors ensure the creation of an open and inclusive corporate culture throughout the company. To this end, workshops to raise awareness of diversity and inclusion issues were offered and held in the reporting year. A discussion format already offered in the previous year, the Diversity Break, was further developed. In the reporting year, the new Blind Conversations took place, in which employees could anonymously express their views on the topics of equality, diversity and inclusion. The format will be continued and evaluated in the coming year. Furthermore, an awareness-raising event was held for managers.

To strengthen governance on diversity and equal opportunities issues, an Equal Opportunities Officer was appointed for the first time in the reporting year. She provides an independent and anonymous reporting channel. There 2021 were no reported cases of discrimination in the year.

Furthermore, a cooperation is maintained with AfB gGmbH for the disposal of IT client hardware, which, as a recognized inclusion company, offers jobs to disabled people and contributes to the avoidance of additional CO<sub>2</sub> emissions by refurbishing and marketing used IT equipment.

## **4 Occupational health and safety**

### **4.1 Management approach**

**(GRI 403-1, GRI sector supplement LA6 OHS)**

The prevention of accidents and work-related illnesses is a top priority at 50Hertz. Occupational health and safety are integrated into the corporate strategy. This is also underpinned by the health and safety guideline, which is binding for all employees. Occupational health and safety at 50Hertz have been systematically developed in recent years as part of a continuous improvement process. In addition to creating safe and healthy workplaces, the focus was on strengthening a culture of prevention by integrating occupational safety as a corporate value. This ensures that the aspects of occupational safety are anchored in the thinking and actions of all employees and implemented in all support and core functions. As part of the annual audit plan, eight internal audits were conducted for the continuous development of the management system. The implementation of the requirements for the occupational health and safety management system (OH&S) according to DIN ISO 45001:2018 was again confirmed in a monitoring audit by an external auditor in the reporting year without any deviations. Health protection and occupational safety topics are an integral part of the weekly management meetings and the Eurogrid GmbH Supervisory Board.

Every employee is instructed to be aware of hazards, to report them immediately and to make suggestions for improvements to safe and healthy working conditions. Occupational health and safety are part of the Elia Group-wide sustainability program "Act Now".

In order to further raise awareness of occupational health and safety issues among employees and suppliers of 50Hertz, communication campaigns are conducted on a regular basis. Especially with regard to the diverse suppliers, the translation of documents and campaign content into other languages - beyond English and German - is planned. Employees' personal protective equipment (PPE) is always kept up to date, new PPE is tested by wearing it and the catalogue is adapted to the requirements.

Once a year, an occupational safety competition is held to further sensitize and motivate the workforce. On the one hand, the accident figures of the individual locations of the previous year are considered, and on the other hand, the knowledge of occupational safety is tested and anchored in an annually different practical part.

The early detection and prevention of work-related illnesses and the preservation of employability are also fixed components of occupational health and safety at 50Hertz. To achieve these goals, 50Hertz ensures appropriate occupational health care, which focuses on individual protection and prevention of health hazards. In addition, 50Hertz provides regular company medical consultations, protective vaccinations and advice on ergonomics at the workplace for all employees. Qualified external counselling is available to employees in confidence at any time in the event of individual stress, conflicts or addiction problems. Furthermore, employees can participate in various public sports events. Another health promotion service available to employees is an app that offers a variety of personalized coaching in the areas of exercise, mindfulness and nutrition - from workouts and physio sessions to meditation and recipe ideas. Since July 2021, an additional service has been available to users via this app, which supports them in finding the right medical care for an individual medical concern. This service offers individual medical advice that can help to find medical specialists and appointments quickly and safely.

The Corona pandemic has an impact on the private and professional lives of 50Hertz employees. The pandemic situation was constantly monitored further, measures were derived and implemented in accordance with the requirements of the SARS-CoV-2 Occupational Health and Safety Ordinance. In addition, all employees have had the option since the end of February 2021, conduct a rapid antigen test at least twice a week. A large number of meeting rooms at the company locations were equipped with measuring devices to ensure regular ventilation. In addition, all employees were offered vaccination until June 2021, and follow-up or initial vaccination was made possible again from November of that year. The measures at 50Hertz have helped to ensure that there were no major incidents of infection within the workforce in 2021. In

addition, 50Hertz took part in the nationwide advertising campaign "Vaccinate. Jett!" nationwide advertising campaign in December to draw attention to the need for vaccination in the Corona pandemic. Here, the participating companies were able to determine the amount of the advertising costs themselves. According to the Handelsblatt Media Group, part of the total proceeds went to projects and organizations that support the fight against Corona with their work. The campaign, which is also reflected in social networks, is to be continued and expanded in the new year.

## **4.2 Safety training**

All employees are regularly instructed about workplace-specific hazards and measures to avoid them. The instruction topics for the operational employees in the regional centers are distributed over six dates per year. The employees in the administrative areas are instructed on at least one date per year.

For work requiring the wearing of personal protective equipment against falls from a height (PPE), the respective employees complete annual practical exercises on the use of PPE and on rescue from heights and depths. The contents of the annual training on the overhead line pylon and transformer are determined on the basis of the 50Hertz rescue concept, whereby a uniform level of knowledge is promoted among the employees as well as an exchange of knowledge across sites.

## **4.3 Safety inspections**

### **(GRI 403-2)**

Occupational safety and health protection are not limited to our own employees. The high 50Hertz standards also apply to external companies working on 50Hertz construction sites. Already at the time of commissioning and later via IT-supported construction inspections with specially trained 50Hertz employees, it is verified that the suppliers comply with 50Hertz's high safety standards. This is regulated in a transparent and binding manner by the regulations for ensuring occupational safety when using external companies in the transmission grid area of 50Hertz (OAFN). For new contracts, the agreement on quality assurance on construction sites at 50Hertz is part of the contract. This includes an unrestricted right to carry out inspections by 50Hertz. In the reporting year, 538 construction site inspections (933 in 2020) were carried out. Overall, the quality of the construction site inspections was improved, and the number reduced. This was achieved by introducing an IT-supported system and by concentrating the inspection tasks on the operational quality assurance officers at the individual sites. Incidents relevant to occupational safety and environmental protection that occurred at external companies working on behalf of 50Hertz were analyzed together with the external companies concerned in accordance with a defined process. Measures to avoid similar accidents and incidents were derived, implemented and documented

under the control of a central evaluation commission. In accordance with this process, environmental

69 incidents, accidents, near-accidents and safety-related incidents were evaluated in the reporting year.

In July 2021, the managing directors of all overhead line construction companies working for 50Hertz were also invited to the "Dialogue on Occupational Safety" to exchange views on accidents and their possible causes (dealing with subcontractors, safety culture, awareness-raising measures). A regular exchange is planned for the future. In addition, it was agreed that the safety instructions from 50Hertz would be distributed directly to the contractors and that the checks on subcontractors would be intensified

#### 4.4 Accident statistics (GRI 403-2)

Accident Statistics	2021	2020	2019
Accidents at work ( with at least 2 lost days )	8	6	0
Accident rate *	2.6	3.9	0.6
Accident severity **	0.01	0.03	0.00
Quantity accidents contractors	30.00	12.00	18.00
* Number of lost time accidents (>=1 day) x 1,000,000/number of hours actually worked			
** Number of days lost due to work accidents in calendar days x 1,000/number of hours actually worked			

The continuous evaluation of accident statistics showed an increase in accidents involving contractors in overhead line construction from the middle of the year onwards. In response, the "Dialogue on Occupational Safety" (see 4.3) was launched. The contractor accidents include 27 accidents with minor injuries (reversible health damage, for example minor cuts, bruises, etc.), 2 accidents with moderate injuries (probably reversible health damage, e.g., fractures) and 1 accident with severe injuries (irreversible health damage, e.g., amputation).

As part of Act Now, accident rate reporting will be expanded to include contractor accidents from 2022.

## 5 Suppliers companies, local added value and human rights

### 5.1 Suppliers

(GRI 204-1)

#### Suppliers from the EU

Supplier EU/Non-EU in %	2021	2020	2019
Proportion of expenses for suppliers outside the EU in total supplier expenses	0.8	0.3	7.4
Percentage of expenses for suppliers within the EU in total supplier expenses	99.2	99.7	92.6

### 5.2 Local added value

(GRI 203-1, GRI 203-2, GRI 204-1, GRI 201-1)

In its rules and regulations adopted by the management, 50Hertz has committed itself to not pursuing an "aggressive tax policy" and to paying its taxes on time and in accordance with the law. With this voluntary commitment, 50Hertz creates a framework in its influenceable behavior for a sustainable distribution of the value added generated by the company. This particularly benefits structurally weak regions that are located in the 50Hertz grid area.

#### Tax Revenue

Tax revenue in million euro	2021	2020	2019
Sales tax/VAT *	1,216.6	905.2	1,050.9
Input tax *	1,274.4	905.6	1,029.9
Corporate income tax *	18.2	70.1	64.7
Property tax **	0.5	0.5	0.4
Trade income tax **	23.1	60.1	60.8
* Indirect inflow to the local authorities of the states and municipalities via the state financial equalization			
** Direct flow to the regional and local authorities			

50Hertz is clearly committed to its regional responsibility and the economic development there. Goods 2021 and services worth 765 million euro were purchased from companies headquartered in Germany. Of these, 304 million euro went to companies headquartered in the 50Hertz grid area. This corresponds to a quota of around 39.8 percent

In the reporting year, 50Hertz had an input-output analysis carried out by the independent WifOR Institute. This determined 50Hertz's contribution to the gross domestic product (GDP) in the form of direct and indirect as well as induced economic and fiscal effects. Within the framework of above-average labor productivity and a gross value-added ratio of almost 50% (average energy

supply 43 percent), the direct value-added contribution to the German GDP amounted to 710 million euros. This corresponds to approx. 18 percent of Rostock's total economic output. Including the indirect (effects along the supply chain caused by demand for intermediate inputs) and induced (through the expenditure of directly and indirectly generated income) effects, the total value-added effect amounts to 1.9 billion euro. In addition, around 16,000 jobs in Germany were supported by these spillover effects. In the grid area, 50Hertz creates about 6,000 jobs. That is 35 percent of the jobs created in Germany.

There were no legal disputes on tax issues in the reporting year.

Due to its stable economic situation, 50Hertz has not taken advantage of any Corona aid.

### **5.3 Human rights (GRI 205-1, GRI 308-1, GRI 308-2, GRI 414-1)**

50Hertz acknowledges its responsibility with regard to respect for human rights and naturally respects the right to privacy, personal safety, freedom of expression and property rights of employees as well as local residents and customers. 50Hertz also assumes responsibility for compliance with social standards in the supply chain. For this reason, 50Hertz is not only a member of the United Nations Global Compact but is also committed to the core labor standards of the International Labor Organization (ILO).

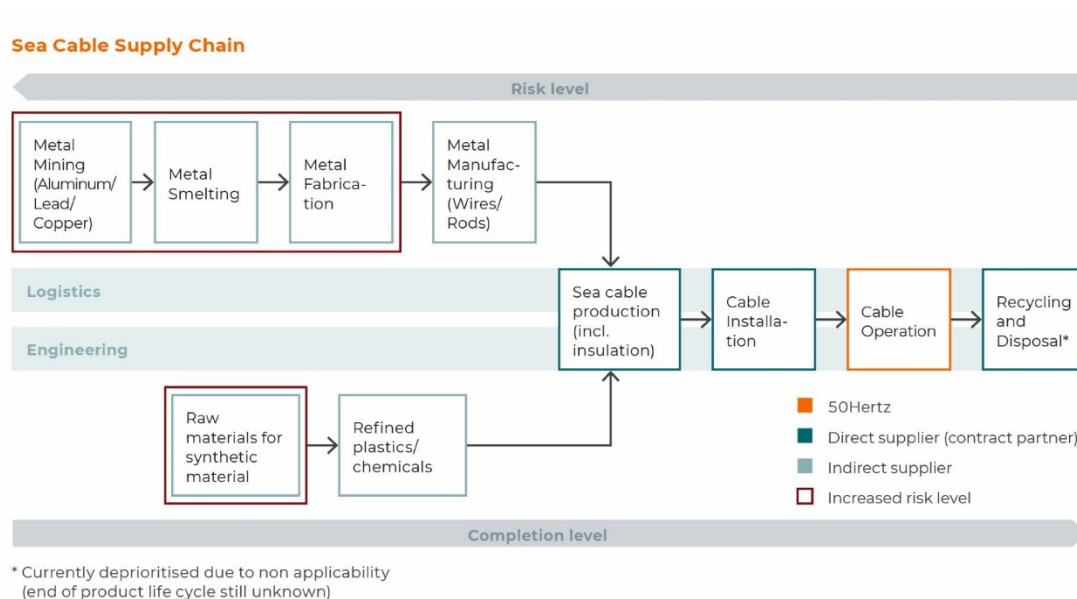
In order to ensure that business partners also comply with internationally valid rules on human rights - such as the prohibition of forced and child labor - sustainability and ethics are essential components of the supplier and service provider evaluation. Elia Group suppliers commit to a common, binding Supplier Code of Conduct (SCOC). This is an integral part of all Elia Group supplier contracts. Suppliers must accept the SCOC when submitting a bid and are obliged to comply with it. Human rights are also regulated in clauses of the General Terms and Conditions of Purchase. In addition, further initiatives in purchasing are planned at Group level. For example, in the future, strategic suppliers will first be asked about sustainability issues, including human rights due diligence, via an external service provider and recorded in a balanced score card. The project is currently in the start-up phase and initial results are expected in the course of 2022. In addition, 50Hertz raises awareness of sustainable action in regular discussions and thus conveys an understanding of compliance with ethical principles and guidelines of sustainable development.

All procurements at 50Hertz are made in accordance with the applicable procurement guidelines. It states that procurements (> €100,000) are made centrally via the purchasing department. A multi-level release strategy prevents misuse and increases control. The 4-eyes principle is guaranteed at all times. The procurement guideline, the purchasing manual and also the general purchasing conditions in the different versions form a regulated framework to prevent corruption at all locations.

Based on the human rights due diligence requirements anchored in the National Action Plan (NAP), 50Hertz conducted an analysis of its direct and indirect supply chains. As a result, four human rights risks could be prioritized:

- Occupational health and safety
- Environmental protection and health
- Employment and working conditions
- Freedom of assembly and speech

50Hertz examined the identified risks in an in-depth analysis of the submarine cable value chain. Submarine cables are used in offshore activities and are suitable for analysis due to their complex supply chain and high investment volume. The analysis includes interviews with 50Hertz's direct suppliers in order to determine and track the risk potential of past steps in the value chain and to derive suitable measures.



In spring 2021, an intensive stakeholder dialogue on the topic of human rights in the supply chain of a submarine cable was launched with the main suppliers in the areas of production and construction. In both areas, suppliers have a risk-based approach and process to mitigate the risk of human rights violations in their supply chain from a mandatory Code of Conduct to supplier assessments and audits, to a whistleblower system. 50Hertz's model approach to determining its own supply chain risks was confirmed.

The successive expansion of supply chain management on sustainability topics will continue in the coming years.

## **6 Stakeholder participation**

### **6.1 Management approach**

50Hertz maintains regular contact and exchange with its stakeholders. Internal, project-related guidelines regulate timelines and the interaction of project planning, approval, public participation and stakeholder management. This also includes comprehensive learning processes that enable the company to continuously develop the standardized toolbox for public participation at 50Hertz. In addition, 50Hertz actively participates in the debate on the quality of public participation, for example within the Alliance for Diverse Democracy, which is coordinated by the Berlin Institute for Participation, and is a founding member of Dialog Gesellschaft e. V. For 50Hertz, the relevant publications on good participation, such as Guideline 7000 of the Association of German Engineers (2015), the Quality Criteria of the Alliance for Diverse Democracy (2017a) and the Quality Criteria of the Citizen Participation Network (2013), set the orientation framework. Together with various European environmental associations and other transmission system operators, 50Hertz is a founding member of the "Renewables Grid Initiative" (RGI), which promotes grid expansion across Europe for the effective integration of renewable energies and, in doing so, advances the dissemination of innovative participation practices.

Hybrid and virtual event formats were also increasingly used in the dialogue with internal and external stakeholders in 2021. Examples include the roundtable series "New energy for strong industrial jobs", the virtual electricity market forum of the four German transmission system operators, and the Elia Group Stakeholder Day with the presentation of the Vision 2050 study, all of which experienced great personal and digital participation and response. Furthermore, in internal communication, most formats were digitalized, if this was not already the case in advance. In particular, participation formats for employees, such as the general works meeting, were held as hybrid events in 2021.

### **6.2 Public participation**

#### **(GRI 102-29, GRI 102-43, GRI 102-44, GRI 413-1, GRI Sector Disclosure Stakeholder Engagement)**

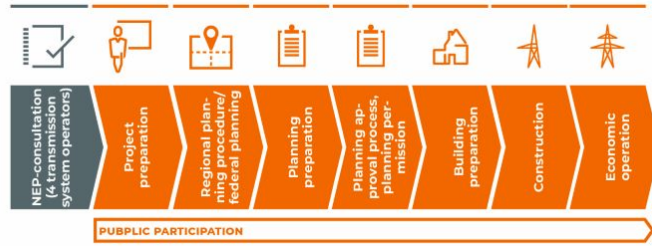
When planning and implementing grid expansion, 50Hertz implements a comprehensive dialogue and participation approach. This is because the involvement of the relevant stakeholder groups plays a special role in sustainable grid expansion. The regional and local stakeholder groups are first analyzed in detail, and the issues, questions and fears that exist among those affected locally are identified. In this way, a participation roadmap can be developed and implemented together with the region, which is oriented both to the standards of good early public participation and to



the project specifics of the respective project. This is because the information and participation need of citizens vary in the regions where existing capacities are being reinforced or new substations and lines are being built. 50Hertz would like to orient itself to these specific needs and conduct a dialogue on site. This is the only way to further improve planning, integrate local knowledge and turn those affected into participants.

The dialogue with the relevant stakeholders begins at a very early planning stage of the projects. This includes consultation on the grid development plan as well as on grid reinforcement and expansion projects. The dialogues with the stakeholders take place according to clearly defined specifications, in specified formats and via a standardized toolbox. In the course of the COVID 19 pandemic, additional formats and tools, including virtual ones, were implemented to ensure these early dialogues even under limited contact conditions, and an additional space for exchange with mayors, residents and representatives of associations was created in telephone consultation hours previously announced in the local press, which was actively used. Furthermore, digital communication formats and tools were examined for their target-oriented integration into the process of citizen participation, as these can maintain communication and at the same time open up access to new stakeholder groups. In this context, the website was evaluated for user-friendliness and new user behavior, and as a result the structure and design of the information was adapted and improved. In the reporting year, the concept of early public participation was also extended to construction activities and measures such as ecological construction monitoring were brought closer to the interested public.

Due to the COVID 19 pandemic, planned information tours with the DialogMobil had to be postponed in the first half of the year. The first tour with eight stops for the Südharz grid connection started at the end of June, followed by further information tours on the Mecklar-Vieselbach, SüdOstLink and Güstrow-Parchim-Süd-Perleberg projects as well as the Hansa PowerBridge offshore project.



**TARGET GROUPS**

Policy and administration	✓	✓	✓	✓		✓	✓	✓
Citizens' initiatives	✓			✓	✓			
Residents		✓	✓	✓	✓	✓	✓	✓
Public interest bodies	✓		✓		✓		✓	
NGOs	✓		✓	✓				✓

**PARTICIPATION**

World Café								
Group conferences			✓		✓			
Planning panels		✓		✓				
Dialogue mobile		✓	✓	✓	✓	✓		
1:1 discussions	✓	✓		✓				
Advisory board		✓	✓	✓	✓	✓	✓	

**DIALOGUE**

Work groups (across all Federal states)		✓	✓	✓	✓	✓	✓	
Information market	✓*	✓	✓		✓			
Press talks			✓		✓			
Hotline		✓	✓	✓	✓	✓	✓	✓
Launches								✓
Regional events		✓	✓	✓	✓			
Project presentations	✓	✓	✓	✓	✓			

**INFORMATION**

Public relations	✓		✓	✓	✓	✓	✓	✓
Newsletter			✓	✓	✓	✓	✓	✓
Printed material		✓	✓	✓	✓	✓	✓	✓
Website	✓	✓	✓	✓	✓	✓	✓	✓

\*As part of the consultation on NEP, the 4 transmission system operators are holding information and dialogue events, where selected procedures, methods and used data will be presented for the 1st draft of the NEP. Subsequent to this, opinions about it can be given.

### 6.3 Dialogue with stakeholders (GRI 102-21, GRI 102-40)

	FINANCIAL SECTOR			ENVIRONMENT/ SOCIETY						MARKET							
	Shareholders	Investors	Rating agencies	German Federal Network Agency	Political decision-makers	Non-governmental organisations	Citizens' initiatives	Trade unions	Public	Media	Employees	Research and education	Suppliers	Generators	Distribution system operators	Major consumers	Transmission system operators
<b>DIALOGUE</b>																	
<b>OWN FORMATS</b>																	
Reports	✓	✓	✓	✓	✓	✓						✓					
Press conferences		✓								✓							
Telephone conferences		✓	✓														
Co-determination								✓			✓						
Information sessions		✓									✓		✓				
Conventions/conferences													✓	✓	✓	✓	✓
Scientific advisory committee												✓					
Partnerships with higher education institutes												✓					
Research work												✓					
Network meetings for visitor groups					✓												
Visitor groups					✓							✓		✓		✓	
Cultural events									✓		✓						
Learning activities for children and teenagers									✓		✓						
Media relations work									✓	✓	✓						
Outreach activities					✓	✓		✓	✓								
Publications						✓		✓		✓							
<b>FOREIGN FORMATS</b>																	
Guest lectures								✓				✓					
Committees					✓			✓									
Work and network meetings						✓		✓						✓		✓	

Despite the Covid 19 pandemic, dialogue between 50Hertz and the company's stakeholders continued. Communication options were expanded to include virtual and hybrid events and hygiene guidelines were established for the various occasions. The focus of many events in 2021 was the strategy "#from 60 to 100 by 2032 - new energies for a strong economy" to safely integrate and transport 100 per cent renewable energy on an annual average in the 50Hertz grid area by 2032,

Together, 50Hertz and the IG BCE therefore held a roundtable series with politics and business in the reporting year under the heading "New energy for strong industrial jobs", which concluded with a foyer discussion in the 50Hertz grid quarter. The invitation of 50Hertz CEO Stefan Kapferer and IG BCE head Michael Vassiliadis to the various digital conferences was accepted by, among others, several minister presidents, state secretaries and the ministers and senators responsible

for energy from the grid area, including Dr. Reiner Haseloff (Saxony-Anhalt), Bodo Ramelow (Thuringia) and Michael Kretschmer (Saxony), as well as the Federal Government Commissioner for Eastern Germany, Marco Wanderwitz. Also present were the leaders of the Federation of German Industries (BDI), the German Association of Energy and Water Industries (BDEW), the Association of German Chambers of Industry and Commerce (DIHK), the German Renewable Energy Federation (BEE) and Germany Trade and Invest (GTAI). The roundtable series is aimed at energy-intensive industries from the chemical, steel, copper, glass, paper or cement sectors in the 50Hertz control area, but also at new companies that want to invest sustainably - such as the automotive industry, battery suppliers or large data centers. Renewable producers, scientific institutes, think tanks and other associations also took part in the various events. In a joint summary, 50Hertz and IG BCE recorded which goals and demands resulted from the talks. 50Hertz CEO Stefan Kapferer summarized what politics and business will tackle together rather than against each other more often in the future: 1. electricity must become cheaper. 2. the expansion of renewables and the grid infrastructure needs more speed and 3. climate protection should have priority in approval procedures in the future.

To further develop the strategic ambition, the initiative "Together. Faster. Climate Neutral. was launched. Stakeholders from business, associations and NGOs were called upon to develop a catalogue of pragmatic proposals for measures. The goal: to accelerate the expansion of renewable energies and the electricity grids - as key factors for a successful energy and climate transition. The consultation and analysis phase as well as the evaluation phase by a three-member expert panel (Prof. Dr. Barbara Praetorius, HTW Berlin, Dr. Felix Matthes, Öko-Institut, and 50Hertz CEO Stefan Kapferer) were completed and the results presented in a consolidated catalogue of measures. The joint catalogue of measures is intended to serve as a basis for the newly elected federal government to identify and leverage acceleration potential in these areas. In addition to 50Hertz, Aurubis, RWE Renewables, TÜV Nord Systems, TenneT, Vattenfall Wärme, Wacker Chemie and the large distribution grid operators active in eastern Germany, who have joined forces in the Arbeitsgemeinschaft der Flächennetzbetreiber Ost (ARGE FNB Ost), are part of the initiative Gemeinsam.Schneller.Klimaneutral.

50Hertz is in direct digital exchange with stakeholders via its corporate presence on the two social media platforms Twitter and LinkedIn. The LinkedIn presence has over 16,000 followers, while Twitter has over 3,000, who are thus informed about the latest developments in the company. At the same time, the channels offer them the opportunity to enter into direct dialogue with the company at any time via news and comment functions.

More than 600 guests took part online in the second "Electricity Market Forum", a joint event of the four transmission system operators, 50Hertz, Amprion, TenneT and TransnetBW. In this cross-sectoral exchange with representatives from industry and civil society, the challenges of the energy transition and possible solutions were discussed in various expert rounds. More acceleration, a market design adapted to the new challenges, joint efforts in the expansion of

renewable energies and the creation of the necessary infrastructure for their feed-in and transport were exemplary topics of the diverse panels.

The Elia Group Stakeholder Day took place for the second time in the year under review. The program included panel discussions and presentations. The Elia Group study "Vision 2050 - How do we manage to become a climate-neutral society?" was presented. (see 6.5). Besides the presentation of the study results, it was equally important to discuss the different scenarios and assumptions with colleagues and other important stakeholders.

In 2020 a cross-divisional customer survey was conducted for the second time. A total of 1,054 customers were contacted on the basis of an online evaluation, including balancing group managers (BKV), grid and metering point operators and connection customers.

#### **6.4 Community service (GRI 413-1)**

50Hertz supports a wide range of projects in its grid area, primarily in the areas of culture, energy and environmental education, as well as youth and social issues. Clear management and organizational structures have been established for the implementation of the diverse social activities. Responsibility lies with the Communication and Public Affairs department. In consultation with the management, the department defines the objectives, coordinates the activities and, if necessary, in consultation with the Legal Department and the Compliance Committee, it examines requests for projects worthy of support. In the internal guideline for donations and sponsoring, the general principles of support, the evaluation criteria and the organizational procedure are defined in a transparent, uniform and binding manner for all employees. When making donations and providing support through sponsorship, care is always taken to ensure that this is in line with our corporate values, that a sponsorship is designed for the long term as well as offering real added value for society and people and that it follows the defined process.

In the vicinity of the company headquarters, the 50Hertz headquarter ("Netzquartier"), the company sees itself as a good corporate citizen that makes an active contribution to the attractive design of the new living and working quarter "Europa city". The "Energiebündel" daycare center not only offers space for the offspring of the 50Hertz workforce, but also for children from the surrounding area. The partnership with the Berlin National Gallery - Hamburger Bahnhof - Museum für Gegenwart was continued in the reporting year. On the website [rundgang50hertz.de](http://rundgang50hertz.de), the creative process for three outstanding works by graduates of various art academies in the 50Hertz network area is documented on film every year. Conveying concrete knowledge to children and young people about the energy transition is important. The hands-on exhibition

"Turning Energy Together" developed by 50Hertz and the Independent Institute for Environmental Issues (UfU e. V.) playfully illustrates various aspects of the energy transition to schoolchildren. In the process, the aspects, some of which are quite technical or diffuse, become concrete and can be included by schools in both physics and biology lessons. In the future, the cooperation will also be adapted for greater use in the digital environment. In addition, both partners are developing an online game on the topic of grid development and energy transition, in which young people take on different roles such as local residents, farmers, nature conservationists, tourism managers, etc. and look at a grid expansion project. Using a points system, the optimal course can be examined and discussed with all actors. The game will be used from 2022.

50Hertz also supports selected projects in its network area that enable a multi-faceted cultural landscape. In 2021, the soprano Anna Prohaska was supported as part of the renowned "Artist in Residence" program series at the Konzerthaus Berlin. Starting in the 2022 season, we will focus our commitment on supporting the digitization of the traditional house's offerings. The Mecklenburg-Vorpommern Music Festival was also supported once again.

Throughout the grid area, 50Hertz was again involved in numerous initiatives, associations and organizations in addition 2021 to industry-relevant congresses. These include, for example, the Rennsteig autumn run in the Thuringian Forest, the Baltic Sea relay marathon in Dierhagen, the junior division of the BR Volleys and a large number of local charitable institutions.

## **6.5 Innovation management**

Active consortium leadership and participation in research and development projects is an integral part of innovation management for 50Hertz. In diverse collaborations with both academic and industrial partners, the focus is primarily on activities in the areas of new technologies and digitalization, energy markets and system security, the integration of renewable energies and the development of the electrical system required for this, as well as supporting industry in the decarbonization of its processes. The commitment is reinforced by the Scientific Advisory & Project Board (SAPB), various industry and science cooperation's as well as the internal Innovation Week and the Elia Group's own Excelerator, "The Nest".

21 of Germany's most renowned scientists met twice in the reporting year as part of the Scientific Advisory & Project Board (SAPB). On the one hand, the topics dealt with strategic aspects, such as the German government's hydrogen strategy or Germany's challenges on the path to climate neutrality. On the other hand, concrete use cases for 50Hertz's everyday business were also discussed. This concerned, for example, the energy scenarios of the future and grid reconstruction in a world with more and more renewable energies. In addition, two project outlines were approved, which were worked on together with the scientists and 50Hertz during the course of the year. The results are expected to be available in the first quarter of 2022. Another focus of

the SAPB in the coming years will be customer-centric market design.

As a further component of the strategy "From 60 to 100 by 2032 - new energy for a strong economy", 50Hertz is contributing its expertise as an associated partner in three real laboratories for the energy transition. In addition, 50Hertz has participated in the construction of power-to-heat plants in Hamburg, Parchim, Rostock, Stralsund and Neubrandenburg, among other places, under the motto "Use instead of shutting down". The projects have in common that their focus is on the topics of sector coupling or hydrogen technology. Millions of electric cars will be driving and charging on Germany's roads in the coming years. So that they can also contribute to system stability, data exchange via a smart metering infrastructure is necessary. For this reason, the distribution grid operator Stromnetz Berlin and the transmission system operator 50Hertz are investigating and testing in a joint project with Elia and Bosch, subsidiaries of Volkswagen AG and Robert Bosch GmbH, which data exchange is required for this and how the balancing energy can be provided by a network of electric cars. For 50Hertz, this is an important part of its "From 60 to 100 by 2032" strategy.

In the reporting year, the Elia Group Innovation Week also took place under the motto "Co-creating the future with our ecosystem". At the innovation fair, the most innovative projects from the "moonshot fields" of system management, consumer centricity, infrastructure, asset management and offshore were presented for the first time together with 15 external partners. To promote innovative thinking even more, Elia Group has created another space, The Nest, where innovative projects are enabled and supported through prototyping and testing of innovative ideas in an agile environment.

At the end of the year, the Elia Group also published the study "Vision 2050 - How can we become a climate-neutral society? The focus was on three elements: The energy balance - from which sources will future energy needs be met? Flexibility - how will fluctuations in electricity generation be balanced out by renewable energies? And security of supply - how can longer phases of low feed-in from renewable energies be dealt with?

## 7 Use of natural resources

### 7.1 Management approach (GRI 102-11, GRI 308-1, GRI 308-2, GRI Biodiversity Sector Report)

50Hertz is a pioneer in the integration of renewable energies into the overall electrical system: In the year, an annual average of 56.1 percent of electricity consumption in the 50Hertz grid area came from 2021 renewable energies. This was below the previous year's figure of 62 percent. The reasons for this were increased electricity consumption in the 50Hertz grid area with a significantly lower wind harvest. With the new strategy "From 60 to 100 by 2032 - new energy for a strong economy", we have set ourselves an ambitious goal. The development of the extra-high voltage grid is essential to enable a stable electricity supply from 100 percent renewable energies in the 50Hertz grid area as early as 2032. In doing so, we pursue the goal of keeping the impact of 50Hertz facilities and activities on people and natural habitats as low as possible. Adherence to the NOVA principle (network optimization before reinforcement before expansion) is therefore a matter of course for 50Hertz. In concrete terms, this means that 50Hertz only builds new lines once all other options for increasing capacity in the grid have been exhausted. Another step towards reducing interference with the environment is the development of the "compactLine" pylon design. Lower pylon heights, narrower routes and a full-wall pylon with a smaller circumference characterize this innovative research and development project. Ecological and social sustainability as well as a clear commitment to environmental protection and resource conservation are fixed components of the corporate strategy. In the Elia Group-wide sustainability roadmap "Act Now", 50Hertz and Elia have set concrete goals in the areas of climate protection, biodiversity and eco-design of their assets. In 2021, a project was launched that takes into account the concrete implementation of circularity measures in procurement processes, for example by including suitable decision parameters. An internal CO2 price (IPC) was already introduced in the reporting year as an additional decision parameter in the procurement process.

The planning, operation and environmentally compatible conversion and expansion of the transmission grid in the east and north of Germany are based on national and European framework conditions and regulations. These were redefined in 2021 in a legal cadaster and changes are constantly monitored. The requirements are implemented in the company's internal regulations. Deviations are evaluated in a process and improvement measures are defined. The existing environmental management system is currently being aligned with the internationally recognized ISO 14001 in order to increase its level of maturity. Certification is planned for 2022.

50Hertz is consistently committed to the continuous improvement of its environmental performance, energy-related performance and the improvement of the management system. The successive further development of operational environmental protection and energy management

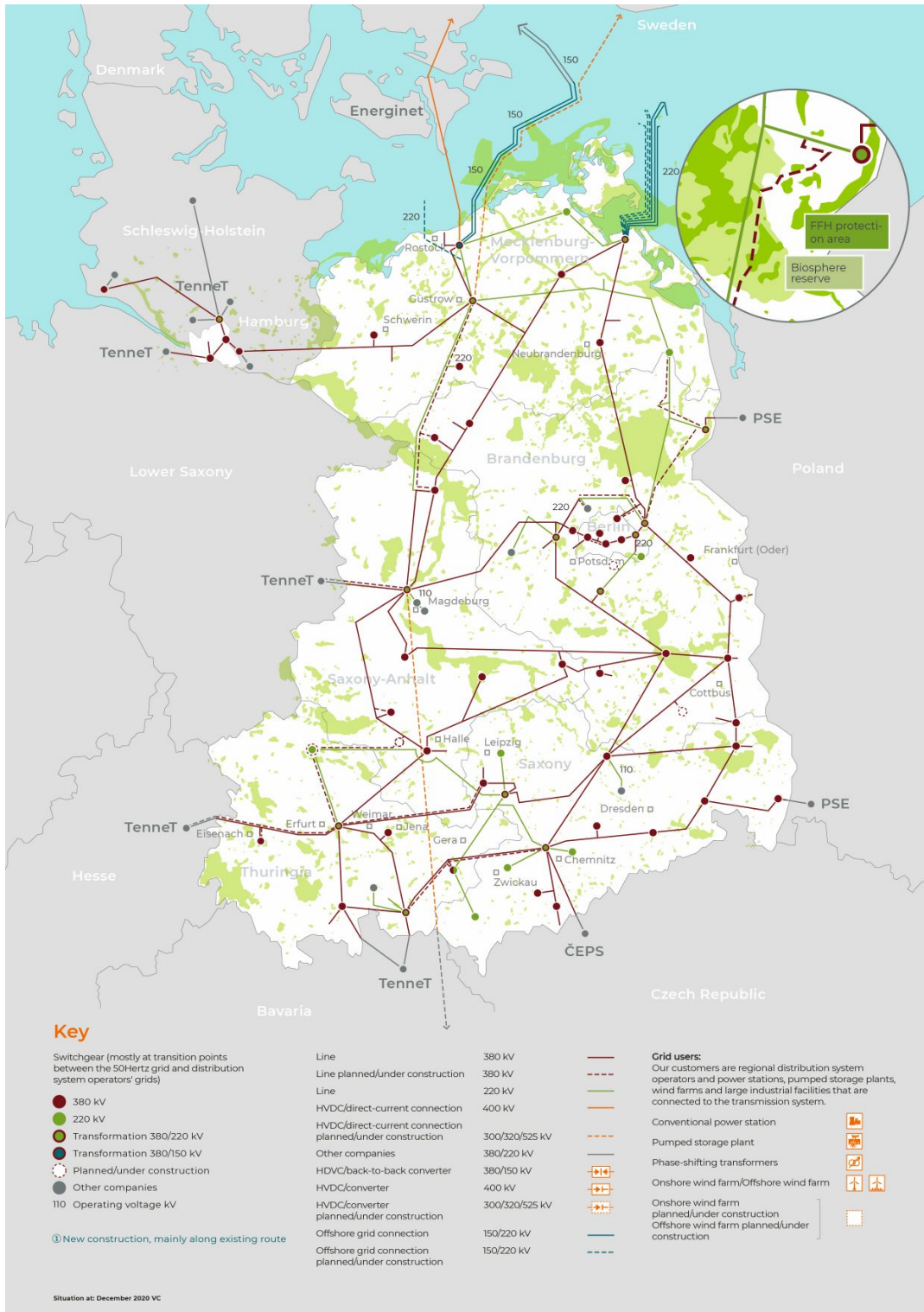


also includes raising awareness and actively involving employees, who are motivated to act in an environmentally conscious and energy-efficient manner. To this end, environmentally relevant briefings are held in the teams of the regional centers as well as in central areas such as purchasing or facility management, either annually or on an ad hoc basis. The waste, water protection and hazardous goods officers are demonstrably trained. In 2021, the environmental and nature conservation specialists were trained on nature conservation issues during maintenance and repair work. Likewise, numerous employees were trained on the expertise for separator systems. The "Agreement on Quality Assurance at Construction Sites" is part of the contract for new contracts with suppliers and includes, among other things, the precautionary principle in environmental protection. Compliance with this agreement is regularly checked within the framework of IT-supported construction inspections. In the reporting year, around 500 construction inspections were carried out.

50Hertz ensures the availability of all relevant information as well as all necessary resources for the fulfilment of strategic and operational goals in the context of energy efficiency and environmental protection. Environmental protection activities are documented internally in annual environmental reports. The environmental report for the reporting year is available in March 2022. Parts of the figures mentioned are therefore based on estimated values and are marked.

## **7.2 Nature conservation and biodiversity (GRI 304-1, GRI 304-2, GRI 304-3, biodiversity sector disclosure, GRI sector disclosure EN12 and EN13)**

50Hertz follows the principle of keeping the impact of its own activities on nature and a restriction of biodiversity as low as possible. When planning projects, not only the economic efficiency, the concerns of the population or the technology are considered during approval procedures, but also the protection of flora and fauna is always considered. In the run-up to such procedures, environmental impact assessments are carried out to minimize conflicts in the field of nature conservation at an early stage. Subsequently, a corridor is identified in which the exact route of the pipeline is located and determined in a further step. At the same time, protection and compensation measures are identified. All these investigations are carried out together with external environmental planners, routing experts and, if necessary, other specialists from science and nature conservation. Only when this overall process has been completed does the construction project proceed - including external ecological construction supervision. Construction site facilities and the construction process are implemented in such a way that even temporary impairments to nature are minimized, nature conservation-relevant deadlines and requirements are considered at an early stage and the companies carrying out the work on behalf of 50Hertz are committed to the ecological aspects of their actions. A final audit will be carried out following the measure.



As part of Act Now, a pilot to increase biodiversity in and around substations was launched in 2020. It included various pilot measures, such as green roofs, nesting aids for birds and shelters for insects, and the avoidance of pesticides. In 2021, herbicide avoidance was made mandatory for all substations from 2023. Alternative methods for "weed control" were tested and evaluated.

Furthermore, potential analyses were carried out for 15 transformer stations, which concretely show the possibilities of an increase in biodiversity at the individual sites within the framework of biotope mapping. These potential analyses enable the targeted implementation of the most efficient measures from 2022 onwards.

The use of wind at sea to generate electricity is enormously important and indispensable for climate protection. At the same time, the expansion of offshore wind energy and the submarine cables needed to transport the electricity on the seabed are associated with interventions in nature. For this reason, 18 organizations and companies working together in the Renewables Grid Initiative (RGI) signed a joint declaration of intent in 2020 as the "Offshore Coalition" and published how the biodiversity of the marine ecosystem can be preserved despite the expansion of offshore wind energy. Beyond the "Marine Grid Declaration" co-signed by 50Hertz - with which RGI members had set the standards for the early involvement of stakeholders and for nature and species protection in offshore grid expansion beyond the legal requirements in 2019 - 50Hertz, as a co-signatory of the "Offshore Coalition" declaration of intent, is committed to the growing responsibility in this sensitive environment.

### **7.3 Compensatory measures (GRI 304-2)**

According to the Federal Nature Conservation Act (BNatSchG), there is an obligation to refrain from avoidable impairments of nature and landscape or to keep them as low as possible (avoidance and minimization requirement). Wherever it makes sense, power lines are combined and bundled with existing overhead lines and other infrastructure such as railway lines and motorways. In order not to impair the landscape unnecessarily, the lines are adapted to the landscape conditions. Where interventions are unavoidable, 50Hertz takes compensatory measures.

Increasingly, regional ecopools are coming into play. Eco pools are participations in projects of other organizations as well as compensation payments that enable more comprehensive measures than individual replacement plantings and are thus more effective, efficient and sustainable. When planning and implementing compensation measures, 50Hertz applies the principle of involving the affected communities, nature conservation authorities, interested citizens and non-governmental organizations at an early stage. In a spirit of partnership, 50Hertz develops suitable projects at an early stage and proposes them to the authorities in the course of the approval planning. A guideline for targeted compensatory management defines the fields of action required for successful approval and implementation of the measures. An internal evaluation commission meets every two months to decide on the measures. The selected measures are recorded in a real estate cadaster.

## Compensatory Measures

Compensatory Measures	2021	2020	2019
In Planning and Realization	153	268	170
Ongoing	371	249	218
Completed	313	297	286
<b>Total</b>	<b>837</b>	<b>814</b>	<b>674</b>

### EXAMPLES OF COMPENSATION MEASURES



#### Planting

Planting tree aisles and rows, hedges, orchards



#### Forestry

Forest restructuring, first afforestation



#### Hydraulic engineering

Pond renaturation, restoring straightened rivers to their original condition, creating small bodies of waters, renaturation of flowing and still bodies of waters



#### Others

Cabling medium voltage lines

#### Demolition

Unsealing, demolition of buildings in community outdoor areas



#### Species protection

Building amphibian protection facilities, nesting aids, bat habitats, reptile habitats, species protection towers

## **7.4 Ecological aisle management (GRI 304-3)**

To build an overhead line, aisles are usually created. The conductor cables need sufficient clearance to the sides and to the ground because of the necessary safety distances. Particularly in forest areas, trees have to be removed in sections and regularly along these routes. However, trees and shrubs provide habitats for numerous animals and plants. Therefore, 50Hertz's goal is to impair these natural areas as little as possible in the long term and to increase biodiversity under the lines. For several years now, 50Hertz has been paying attention to so-called "ecological route management" (ÖTM). In regular line maintenance, ecological aspects such as individual tree removals and heath management are considered on more than two thirds of the forest corridors in the entire network area. The pilot activities started in recent years in the ÖTM on existing roads, such as the creation of forest edges or the establishment of species-rich meadows and pastures, are now part of an overall strategy to increase biodiversity. Currently, a geodatabase is being created that presents and structures all activities in pipeline routes that contribute to increasing biodiversity, in order to create a valid basis for targeted further action. Currently, almost 100 pipeline sections are already recorded in this database. The geodatabase also establishes the spatial relationship between forest corridors and protected areas in the 50Hertz network area. Based on this mapping, 50Hertz is able to contribute to the EU Biodiversity Strategy 2030. The Biodiversity Strategy, officially adopted in May 2020, sees the integration of ecological corridors as part of a true trans-European nature conservation network and thus as a key commitment to improving biodiversity. As part of the sustainability roadmap Act Now, 50Hertz has set itself the goal of introducing ecological route management on 95 percent of suitable routes by 2030. In order to further develop the topics of biodiversity and ecological management in the future, we have started a dialogue on these specific topics together with external stakeholders, such as nature conservation organizations and universities.

## **7.5 Bird protection (GRI sector statement EN12)**

Extra-high voltage power lines affect bird life. For this reason, 50Hertz also makes great efforts to minimize negative impacts in the area of bird protection.

To this end, an extensive study was carried out in the past reporting years with the Brandenburg State Environmental Agency and evaluated together with experts from the Renewables Grid Initiative (RGI) and the German Nature and Biodiversity Conservation Union (NABU). The aim is to identify lines with an increased collision risk for birds and to equip them with bird protection markers.

In 2020 another 30 kilometers of power lines in the ornithologically highly valuable Havelländisches Luch were retrofitted with folding markers as part of a voluntary species protection measure. Currently, bird protection markers have been installed on around one kilometre of 368 overhead line.

In preparation for further projects, 122 km existing pipelines running through ornithologically sensitive areas were assessed in in the reporting year 6 for the technical feasibility of retrofitting bird protection markers.

## **7.6 Water protection (GRI 306-5)**

50Hertz is committed to effective water protection. It is planned to collect and evaluate the company-wide administrative and technical water consumption and, if necessary, to derive measures. The focus is on giving special consideration to water retention in the ground in line and substation projects and preventing water and soil pollution by hazardous substances. Thus, oil-filled installations such as transformers or generators are constantly monitored. Underneath the oil-filled installations in transformer stations on land and at sea, there are elaborate constructions to protect the environment so that no drip leaks into the ground or the water cycle. The installations are regularly inspected and, if necessary, renovated or renewed. The handling and storage of substances hazardous to water is ensured by regular inspections and sensitized employees. Wastewater may only be discharged if an official permit has been obtained and it has been regularly checked to ensure that it is free of pollutants. When it comes to water protection, the Water Resources Act (WHG) and the Plant Ordinance (AwSV) are important for 50Hertz. The water protection officers monitor, advise and support the responsible persons and employees. Our employees are instructed regularly or on an ad hoc basis.

In the event of a leakage of substances hazardous to water, 50Hertz implements numerous preventive measures. In addition to contracted service providers, sufficient damage prevention materials are available at all substations and administrative sites. In 2021, an extended standard of materials to be kept on hand was installed. This consists of a mobile box and contains a natural binding agent, collection trays and various collection and disposal equipment. Any deviations from existing processes as well as contamination are recorded in an incident report at 50Hertz, the causes are determined and evaluated, and improvement measures are defined.

In 50Hertz's activities at sea, the protection of the Baltic Sea is ensured through a variety of measures. For example, as early as the planning stage for offshore platforms, care is taken to ensure that no substances hazardous to water enter the sea and that equipment with readily biodegradable hydraulic oils is used wherever possible.

## 7.7 Energy consumption (GRI 302-1, GRI 302-4)

50Hertz supports the goals of the European Union and the German government to reduce CO<sub>2</sub> emissions in particular through grid expansion, which enables an increase in the share of CO<sub>2</sub>-free energy sources in the electricity system, as well as through the optimization of the company-wide CO<sub>2</sub> balance. Since the purchase of green electricity to compensate for grid losses is by far the largest and currently most effective lever for this, we are actively working to make this possible in the future. In the administrative area, the focus is on optimizing the energy efficiency of the buildings and facilities as well as the purchase of green electricity for administrative consumption.

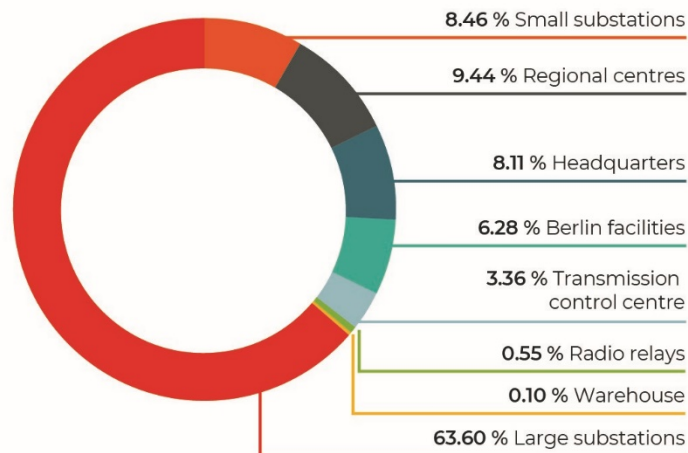
Periodically in 2019, the second energy audit according to DIN EN 16247-1 took place to systematically record the energy consumption of the systems and administration buildings. The energy consumption from 2018 was used as a basis. The 50Hertz network district has been awarded the internationally recognized gold standard of the German Sustainable Building Council (DGNB) and the American LEED standard (Leadership in Energy and Environmental Design). For new buildings, aspects of energetically sustainable construction are already considered in the planning and implemented where possible.

	2018		
	MWH	%	t CO <sub>2</sub> -EQ
Electricity	63,627.87	89.82	34,168
District heating	1,182.55	1.67	331
Fuel (petrol)	808.28	1.14	163
Fuel (diesel)	0.16	0.00	0.04
Natural gas	5,219.39	7.37	1,388
<b>Total energy consumption</b>	<b>70,838.25</b>	<b>100.0</b>	<b>36,050.04</b>

Data source: External energy audit carried out in line with DIN EN 16247-1 in 2019

The distribution of the total CO<sub>2</sub> emissions shows the clear dominance of electricity with a share of almost 90 percent. A noticeable reduction in the CO<sub>2</sub> footprint can only be achieved in this segment. At 55,497.65 MWh, the largest share of electricity consumption is attributable to the 50Hertz substations. All switchgear together, in which only electrical energy is required, account for a total of almost 79 percent. The locations with administrative and controlling tasks, such as the headquarters, the regional centers and the control center (CC), which also require thermal energy and fuel, have a total share of around 21 percent.

### Distribution of total energy consumption in 2018



The energy audit revealed potential for optimization that was largely implemented or is in the process of being implemented. This includes, for example, insulation work in the technical areas of the company headquarters and in the Teufel Bruch substation, temperature adjustments on the air conditioning units from 21 degrees to 26 degrees in the technical rooms at the Röhrsdorf administration site and energy-related repairs at the Bad Lauchstädt administration site.

## 7.8 Emissions

(GRI 305-1, GRI 305-2, GRI sector information EU12)

In addition to the electricity consumption, the vehicles in the fleet, which are essential for comprehensive coverage of the extensive network area and fast access to the system, have an impact on the CO<sub>2</sub> balance. In 2021 these vehicles emitted 1,586 tons of CO<sub>2</sub> (previous year: 1,351 tons of CO<sub>2</sub>). As part of the "Act Now" sustainability initiative, 50Hertz has decided to aim for an emission-free vehicle fleet by 2030. For this purpose, the existing fleet was analyzed and a roadmap for vehicle replacement was developed and accompanying measures such as the creation of the necessary charging infrastructure at the administrative locations were decided.

Today, sulfur hexafluoride (SF<sub>6</sub>) is used as an insulating and switching gas in gas-insulated high-voltage switchgear. It has very good electrical properties, is non-toxic and chemically very stable. But: per substance unit, SF<sub>6</sub> has a global warming potential that is approx. 23,500 times higher than that of CO<sub>2</sub><sup>2</sup>. That is why SF<sub>6</sub> is used in the switchgear in a closed circuit, which means that emissions into the environment are almost completely ruled out. The pressure tanks are constantly technically monitored for possible leaks. But despite all these protective measures, a natural leak cannot be avoided 100 percent due to the sealing technology and the necessary gas handling. According to a voluntary commitment by the SF<sub>6</sub> manufacturers and users in Germany, the loss rate measured for the total stock of SF<sub>6</sub> may only be 0.6 percent - at 50Hertz this rate

<sup>2</sup> IPCC Fifth Assessment Report, 2014 (AR5)



was with 0.14 percent significantly lower in the reporting year. 50Hertz handles this technical gas extremely sensitively and responsibly during transport, storage and use and is striving for an alternative solution. However, for switchgear at the 220 and 380 kV level, there is still no viable, marketable alternative to SF6. That is why 50Hertz, together with other companies, is funding a research project at ETH Zurich. The aim of this project is to systematically examine alternative gases for their suitability as insulating and switching gases in switchgear. The research program runs for several years. A 123 kV switchgear with an alternative gas mixture was put into operation for the first time in the Charlottenburg substation in the year under review. This reduces the greenhouse effect by 99 percent compared to SF6 systems with the same performance. In addition, it was decided to place reprocessed SF6 on an equal footing with brand-new SF6 and to use it in the future. In this way, 50Hertz makes an important contribution to reducing the amount of SF6 in use, as this reduces production. The topic of a future substitution of sulfur hexafluoride is being promoted with the group-wide sustainability program Act Now. In the 2021 reporting year, the SF6 losses were compensated for by the service provider atmosair for the second time.

Different means of transport are used for business trips. Air travel was responsible for 48.4 tons of CO<sub>2</sub> equivalents in the year under review. In addition, the employees used the long-distance transport of Deutsche Bahn. According to statements by Deutsche Bahn, long-distance transport is to be regarded as CO<sub>2</sub> neutral. In 2021, all CO<sub>2</sub> emissions from business air travel were offset for the third time.

While the construction and operation of a wind farm in Nicaragua was supported in the previous year, a photovoltaic system in Senegal will be supported with the compensation payments in 2020. The project is in line with the Sustainable Development Goals (SDG 1, 3, 7, 8, 9, 13 and 17) of the United Nations.

50Hertz is committed to the principle that CO<sub>2</sub> emissions should primarily be avoided and reduced. Compensation should only be applied when avoidance or reduction is impossible.

In the reporting year, the direct (Scope 1) and indirect GHG emissions (Scope 2) were balanced for the fourth time. We have set ourselves the goal of establishing extensive Scope 3 reporting by 2023.

Greenhouse gas emissions t CO2 equivalent	Share	2021	2020	2019
<b>Direct (Scope 1)</b>				
Scope 1 SF6 loss	0.60%	5,984	8,300	4,257
Emergency power systems *	0.00%	0	0	7
fleet	0.16%	1,586	1,351	1,521
natural gas	0.02%	151	145	147
<b>total direct emissions</b>		<b>7,721</b>	<b>9,797</b>	<b>5,932</b>
<b>Indirect (Scope 2)</b>				
District heating *	0.03%	346	287	264
total power consumption Netzquartier *	0.17%	1,662	1,441	1,728
grid losses	96.84%	959,904	812,520	922,080
power consumption own facilities	2.18%	21,607	19,453	20,373
<b>total indirect emissions</b>		<b>983,519</b>	<b>833,701</b>	<b>944,445</b>
<b>Total direct and indirect emissions ( Scope 1 &amp; 2)</b>		<b>991,240</b>	<b>843,498</b>	<b>950,377</b>
* The stated values are estimates as of December 31, 2021. The following calculation bases and emission factors were used to determine the CO2 equivalents : SF6/IPCC 5th ARS, vehicle fleet/direct fuel consumption, energy (electricity, district heating, natural gas )/Federal Environment Agency 2017 Scope 2 Guidance )				

The value determined in the CO<sub>2</sub> balance corresponds to around 96 tons of CO<sub>2</sub> equivalents per line kilometer including grid losses (basis: 10.325 line kilometers). And 9.052 tons of CO<sub>2</sub> equivalents per TWh (based on 109.5 TWh of electricity transmitted).

## 7.9 Electric and magnetic fields

Strict regulations apply to electric and magnetic fields in Germany, which are regulated by the Federal Emission Control Ordinance. 50Hertz complies with these limit values. 50Hertz takes the concerns of interested parties seriously, carries out measurements together with them on site and, if necessary, derives measures.

## 7.10 Sound

As in the area of electric and magnetic fields, strict guideline values for noise emissions apply in Germany, which are regulated in the "Bundesimmissionsgesetz" [Federal Immissions Act]. 50Hertz also complies with these limit values. Measurements are carried out on the basis of information from interested parties and, if necessary, measures are derived.

## 7.11 Waste (GRI 306-2)

When dealing with waste, avoidance is the top priority for 50Hertz. However, the annual amount and composition of waste is heavily dependent on conversion and dismantling projects. Therefore, an annual ranking is not useful. When dealing with waste that cannot be avoided, the motto “reuse – recycle – recycle – eliminate” is followed. If systems are newly built, converted or dismantled, the parts that are no longer required are disposed of in a resource-saving manner. As a result of numerous construction projects to expand the grid, more waste was generated from construction projects and compensation projects than in the previous year.

### Waste Disposal

Waste Disposal (in t)	2021*	2020	2019
Total Waste	127,850	99,261	41,647
Hazardous waste	13,494	5,973	7,241
Nonhazardous waste	114,356	93,288	34,406
<b>Recycling rate (in %)</b>	<b>90</b>	<b>95</b>	<b>86</b>
* preliminary values			

50Hertz was able to implement the statutory recycling requirement (recycling before disposal) with a recycling rate of around 90 percent.

## 8. Appendix

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### **Corporate governance declaration**

#### **Increasing the female representation quota in management positions**

The proportion of women on the Eurogrid Supervisory Board was 20 percent in 2021. At 50Hertz Transmission, the proportion of women on the supervisory board was 33 percent and on the extended management board, the same as in the previous year at 17 percent.

The management of 50Hertz Transmission decided on August 7, 2017, that the proportion of women in the first and second management levels (division and department management) below the management board should be 10 percent and in the third management level below (department management) 16 percent by June 30, 2022, should reach. As of December 31, 2021, these targets were exceeded by almost 22 percent at the first and second management levels and by 17 percent at the third management level.

50Hertz promotes diversity and equal opportunities. The 50Hertz management therefore voluntarily agreed on December 1, 2020, to increase the proportion of women in the entire workforce and in management to 30 percent by 2030.

#### **Basic principles of the remuneration system within the Group**

The management of Eurogrid GmbH does not receive any remuneration for their work. At the meeting on January 3, 2017, the management of 50Hertz Transmission decided to voluntarily disclose the main features of the remuneration of the management of 50Hertz Transmission with additional information.

In the 2021 financial year, the management of 50Hertz Transmission received € 3,135,164.98 in fees. These consist of the following components:

- Fixed basic salaries €1,472,607.01
- Variable salary components – short-term € 461,620.00
- Variable salary components – long-term € 657.149,24
- Retirement provision (company pension provision and direct insurance) € 364,104.48
- Other benefits and allowances (incl. share purchase program) € 179,684.25.

The structure and the amount of the remuneration are reviewed by a presidium of the Supervisory Board of 50Hertz Transmission and determined by the Supervisory Board of 50Hertz Transmission.

**Berlin, February 11, 2022**

**The Board**

# Consolidated financial statements for fiscal year 2021

Eurogrid GmbH  
Berlin



**Consolidated statement of profit or loss**

EUR m	Note	2021	2020
Revenue	5.2.1	7,860.4	11,050.8
Cost-matching income	5.1	(6,238.6)	(9,686.1)
Revenue from contracts with customers	5.2.1	1,621.8	1,364.7
Other income	5.2.2	95.1	90.1
<b>Total turnover</b>	<b>5.2</b>	<b>1,716.9</b>	<b>1,454.8</b>
Cost of materials and purchased services	5.3.1	(7,250.3)	(10,421.0)
Income-matching cost	5.1	6,238.6	9,686.1
Cost of materials and purchased services, grid business	5.3.1	(1,011.7)	(734.9)
Personnel expenses	5.3.2	(151.4)	(131.5)
Amortization, depreciation and impairment		(260.3)	(245.2)
Other expenses		(20.6)	(3.1)
Result from equity investments accounted for using the equity method	6.4	0.1	0.1
<b>Earnings before interest and taxes</b>		<b>273.0</b>	<b>340.2</b>
<b>Financial result</b>		<b>(34.8)</b>	<b>(62.6)</b>
Finance income	5.4	2.1	4.1
Finance expenses	5.4	(36.9)	(66.7)
<b>Earnings before taxes</b>		<b>238.2</b>	<b>277.6</b>
Income taxes	5.5	(72.8)	(84.9)
<b>Group profit</b>		<b>165.4</b>	<b>192.7</b>
<b>Profit attributable to</b>			
The owners of the parent company		132.3	154.2
Non-controlling interests		33.1	38.5



## Consolidated statement of comprehensive income

EUR m	Note	2021	2020
<b>Group profit</b>		<b>165.4</b>	<b>192.7</b>
<b>Other comprehensive income (OCI):</b>			
<b>Items that will not be reclassified to the statement of profit or loss in the future:</b>		<b>2.0</b>	<b>12.3</b>
Actuarial gains and losses	5.6	2.8	(3.7)
Deferred taxes on changes recognized directly in equity	5.6	(0.8)	1.1
Changes in fair value of other financial assets designated at fair value through OCI	5.6	-	14.9
<b>Items that may be reclassified to the statement of profit or loss in the future:</b>		<b>249.9</b>	<b>-</b>
Cash-flow hedge - effective portion of fair value changes	5.6	355.6	-
Deferred taxes on changes recognized directly in equity	5.6	(105.7)	-
<b>Other comprehensive income after taxes</b>	<b>5.6</b>	<b>251.9</b>	<b>12.3</b>
<b>Total comprehensive income</b>	<b>5.6</b>	<b>417.3</b>	<b>205.0</b>
<b>Total comprehensive income attributable to</b>			
The owners of the parent company		333.8	164.0
Non-controlling interests		83.5	41.0

## Consolidated statement of financial position

EUR m	Note	31.12.2021	31.12.2020
<b>NON-CURRENT ASSETS</b>		<b>6,423.3</b>	<b>5,776.0</b>
Property, plant and equipment	6.1	6,257.8	5,665.6
Intangible assets	6.2	79.0	62.5
Trade and other receivables		0.5	-
Other financial assets	6.3	83.0	43.5
Investments accounted for using the equity method	6.4	3.0	2.9
Deferred tax assets	6.5	-	1.5
<b>CURRENT ASSETS</b>		<b>4,125.0</b>	<b>1,991.6</b>
Inventories		5.2	4.8
Trade and other receivables	6.6	931.8	1,680.8
Receivables from income taxes		2.8	1.1
Other financial assets	6.3	316.2	-
Cash and cash equivalents	6.7	2,857.2	296.6
Prepayments	6.6	11.8	8.3
<b>Total assets</b>		<b>10,548.3</b>	<b>7,767.6</b>
<b>EUR m</b>	<b>Note</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>EQUITY</b>		<b>1,931.7</b>	<b>1,634.3</b>
Issued capital	6.8	0.0	0.0
Capital reserve	6.8	464.6	464.6
Hedging Reserve	6.8	249.9	-
Other reserves	6.8	15.7	13.7
Retained earnings	6.8	1,201.5	1,156.0
<i>Equity attributable to the owners of the parent company</i>	6.8	<u>1,545.3</u>	<u>1,307.4</u>
<i>Non-controlling interests</i>	6.8	<u>386.4</u>	<u>326.9</u>
<b>NON-CURRENT LIABILITIES</b>		<b>4,334.6</b>	<b>3,645.6</b>
Loans and borrowings	6.9	3,838.6	3,327.2
Provisions for employee benefits	6.10	40.1	38.3
Other provisions	6.11	90.8	94.8
Deferred tax liabilities	6.5	182.7	65.3
Other liabilities	6.12	182.4	120.0
<b>CURRENT LIABILITIES</b>		<b>3,837.1</b>	<b>1,984.4</b>
Loans and borrowings	6.9	33.5	725.9
Other provisions	6.11	6.1	5.6
Trade payables and other liabilities	6.13	3,767.4	1,238.2
Liabilities from income taxes		25.3	4.9
Anticipatory equity and liabilities	6.14	4.8	9.8
<b>REGULATORY ITEMS</b>	6.17	<b>444.9</b>	<b>503.3</b>
<b>Total equity and liabilities</b>		<b>10,548.3</b>	<b>7,767.6</b>

## Consolidated statement of changes in equity

EUR m	Issued capital	Capital reserve	Hedging reserve	Other reserves	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interests	Total
<b>As of 1 January 2020</b>	<b>0.0</b>	<b>464.6</b>	-	<b>1.3</b>	<b>1,083.3</b>	<b>1,239.4</b>	<b>309.8</b>	<b>1,549.2</b>
Group profit	-	-	-	-	192.7	154.2	38.5	192.7
Other comprehensive income (OCI)	-	-	-	12.3	-	9.8	2.5	12.3
<b>Total comprehensive income</b>	-	-	-	<b>12.3</b>	<b>192.7</b>	<b>164.0</b>	<b>41.0</b>	<b>205.0</b>
Distribution	-	-	-	-	(120.0)	(96.0)	(24.0)	(120.0)
<b>As of 31 December 2020</b>	<b>0.0</b>	<b>464.6</b>	-	<b>13.7</b>	<b>1,156.0</b>	<b>1,307.4</b>	<b>326.9</b>	<b>1,634.3</b>

EUR m	Issued capital	Capital reserve	Hedging reserve	Other reserves	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interests	Total
<b>As of 1 January 2021</b>	<b>0.0</b>	<b>464.6</b>	-	<b>13.7</b>	<b>1,156.0</b>	<b>1,307.4</b>	<b>326.9</b>	<b>1,634.3</b>
Group profit	-	-	-	-	165.4	132.3	33.1	165.4
Other comprehensive income (OCI)	-	-	249.9	2.0	0.0	201.5	50.4	251.9
<b>Total comprehensive income</b>	-	-	<b>249.9</b>	<b>2.0</b>	<b>165.4</b>	<b>333.8</b>	<b>83.5</b>	<b>417.3</b>
Distribution	-	-	-	-	(120.0)	(96.0)	(24.0)	(120.0)
<b>As of 31 December 2021</b>	<b>0.0</b>	<b>464.6</b>	<b>249.9</b>	<b>15.7</b>	<b>1,201.5</b>	<b>1,545.3</b>	<b>386.4</b>	<b>1,931.7</b>

Other comprehensive income is explained in more detail in 5.6 Total comprehensive income.

Changes in equity are explained in more detail in 6.8 Equity.

## Consolidated statement of cash flows

EUR m	Note	2021	2020
<b>Cash flow from operating activities</b>			
<b>Group profit</b>		<b>165.4</b>	<b>192.7</b>
Adjusted for:			
Net finance expenses	5.4	34.7	62.5
Non-cash items		1.5	-
Income tax expenses	5.5	60.4	82.6
Depreciation of property, plant and equipment and amortisation of intangible assets		260.3	245.2
Gain on the disposal of intangible assets and property, plant and equipment	6.1, 6.2	10.1	1.8
Impairment of current assets		0.9	1.1
Change in provisions	6.11	1.5	(1.9)
Change in deferred taxes	5.5, 6.5	12.4	1.3
Share of profit of associates accounted for using the equity method, after tax	6.4	(0.1)	(0.1)
<b>Cash flow from operating activities without changes in working capital</b>		<b>547.1</b>	<b>585.2</b>
Change in inventories		(0.3)	0.6
Changes in trade receivables and other receivables	6.6	742.7	(677.8)
Change in trade payables and other liabilities	6.13	2,573.2	(504.0)
Change in regulatory items	5.4, 6.17	(51.9)	(11.2)
<b>Change in working capital</b>		<b>3,263.7</b>	<b>(1,192.4)</b>
Interest paid		(50.9)	(60.5)
Interest received		2.1	2.2
Income taxes paid		(41.3)	(130.8)
<b>Cash flow from operating activities</b>		<b>3,720.7</b>	<b>(796.3)</b>
<b>Cash flow from investing activities</b>			
Cash paid for the procurement of property, plant and equipment and intangible assets	6.1, 6.2	(833.1)	(730.3)
Net cash flow from disposals of property, plant and equipment	6.1	1.3	0.2
Caids paid for loans to third parties		(0.5)	-
Cash received from dividends from participations		0.9	-
<b>Cash flow from investing activities</b>		<b>(831.4)</b>	<b>(730.1)</b>
<b>Cash flow from financing activities</b>			
Distribution	6.8	(120.0)	(120.0)
Repayment of borrowings	6.16	(706.7)	(505.4)
Proceeds from withdrawal of borrowings		498.0	1,655.2
<b>Cash flow from financing activities</b>		<b>(328.7)</b>	<b>1,029.8</b>
<b>Change in cash and cash equivalents</b>		<b>2,560.6</b>	<b>(496.6)</b>
Cash and cash equivalents as of 1 January		296.6	793.2
Cash and cash equivalents as of 31 December	6.7	2,857.2	296.6
<b>Change in cash and cash equivalents</b>		<b>2,560.6</b>	<b>(496.6)</b>

Cash and cash equivalents contain EUR 2,110m restricted cash.

# Notes to the consolidated financial statements for fiscal year 2021

Consolidated financial statements of Eurogrid GmbH  
Berlin



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## 1. Basic information

Eurogrid GmbH, Berlin (“Eurogrid” or the “Company”), is a limited liability company founded in accordance with the law of the Federal Republic of Germany.

Eurogrid GmbH is a Public Interest Entity (PIE) under Article 2 No. 13 of the EU Statutory Audit Directive. As a parent company domiciled in Germany, Eurogrid GmbH is required to prepare consolidated financial statements within the meaning of Sec. 315e HGB [“Handelsgesetzbuch”: German Commercial Code]. Eurogrid has its registered office at 10557 Berlin, Heidestrasse 2, and is filed in the commercial register of the Berlin-Charlottenburg district court under HRB 130427 B.

Elia Group NV/SA (Elia Group), Brussels/Belgium, holds 100% of the shares in Eurogrid International NV/SA (Eurogrid International) and this company in turn holds 80% of the shares in Eurogrid. The remaining 20% of the shares in Eurogrid are held by KfW indirectly via its 100% subsidiary Selent Netzbetreiber GmbH (Selent), Frankfurt am Main. The ultimate parent is Elia Group. Eurogrid is part of the consolidated financial statements of its parent company Elia Group. The consolidated financial statements of Elia Group for the largest and smallest group of companies are available on the website of Elia Group [www.eliagroup.eu](http://www.eliagroup.eu).

The company established a supervisory board by resolution of its shareholders dated 23 November 2017. The supervisory board contains five members, to be elected by the shareholders of the company.

Eurogrid invests in electric grid infrastructure and holds 100% of the shares in 50Hertz Transmission GmbH which in turn holds 100% of the shares in 50Hertz Offshore GmbH. The Group is responsible for the operation, maintenance, planning and expansion of the 380/220 kilovolt transmission grid in Brandenburg, Saxony-Anhalt, Saxony, Thuringia, Mecklenburg-Western Pomerania, Berlin and Hamburg as well as for the connection of offshore wind energy plants and offshore wind farms.

## 2. Basis of preparation

### 2.1. Confirmation of compliance with IFRSs

We complied with the legal obligation to prepare consolidated financial statements and a group management report in accordance with Sec. 290 HGB by preparing consolidated financial statements pursuant to International Financial Reporting Standards (IFRSs) as endorsed by the EU as well as a group management report in accordance with Sec. 315 HGB (Sec. 315e (1) HGB) which is supplemented by a consolidated non-financial statement (Sec. 315b HGB).

This version of the consolidated financial statements complies with the requirements of Sec. 315e HGB. It represents the legal basis for group accounting according to international financial reporting standards in Germany in conjunction with EC Directive No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the adoption of international financial reporting standards. The consolidated financial statements comply with all International Financial Reporting Standards (IFRSs) and interpretations of the International Reporting Interpretations Committee (IFRIC) endorsed by the EU. All accounting standards and interpretations whose adoption is mandatory as of 31 December 2021 have been applied. However, as of 31 December 2020, these committees had not yet made a pronouncement on the treatment of regulatory receivables and liabilities.

#### **New and amended standards and interpretations applied for the first time in fiscal year 2021:**

Standard	Topic	Endorsement date	Application date	Effects on the Group
Amendment to IFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021	1 August 2021	1 April 2021	none
Amendments to IFRS 4	Insurance Contracts - deferral of IFRS 9	15 December 2020	1 January 2021	none
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2	13 January 2021	1 January 2021	none

**Standards, interpretations and amendments to standards that were not yet subject to mandatory adoption in fiscal year 202 and that have not been early adopted by the Group**

**Endorsed standards**

Standard	Topic	Endorsement date	Application date	Effects on the Group
Amendments to IFRS 3, IAS 16 and IAS 37, Annual Improvements 2018-2020		28 June 2021	1 January 2022	none
IFRS 17	Insurance Contracts	19 November 2021	1 January 2023	none

**Standards still not endorsed**

Standard	Topic	Endorsement date	Application date	Effects on the Group
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Pending	1 January 2023	currently being assessed
Amendments to IAS 1	Disclosure of Accounting Policies	Pending	1 January 2023	currently being assessed
Amendments to IAS 8	Disclosure of Accounting Estimates	Pending	1 January 2023	currently being assessed
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Pending	1 January 2023	none
Amendments to IFRS 17	Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	Pending	1 January 2023	none

## 2.2. Functional and presentation currency

The items in the financial statements of each group entity are measured in the currency of the primary economic environment in which the respective entity operates (functional currency). The consolidated financial statements are prepared in euro, which is the functional and presentation currency of Eurogrid GmbH.

Unless otherwise stated, all figures in the notes are presented in millions of euro (EUR m).

Instead of the minus sign, figures are put into brackets. For the figures presented, rounding differences remain irrelevant.

### **2.3. Basis of measurement**

The consolidated financial statements were prepared based on historical cost.

Fair values are determined on the basis of quoted market prices in active markets. If necessary, the values are derived from observed market prices. If there is no active market, fair values are determined using generally accepted valuation techniques on the basis of other observable transactions.

The Group's planning and forecasts show that taking into account expected changes to operating profit, the Group can continue its business operations on the basis of current financing. Management expects the Group to have sufficient liquidity available to continue its business operations in the near future. As a result, the Group prepared the consolidated financial statements assuming the continued existence of the Company as a going concern. The coronavirus pandemic did not jeopardize the ability of the Company to continue as a going concern.

The principal accounting policies adopted are explained below.

### **2.4. Estimates and judgements**

Estimates and assumptions are made when preparing the consolidated financial statements. All judgements are reassessed continuously based on experience and expectations as to future events that appear to be appropriate under the circumstances. However, by their very nature, such estimates can only represent an approximation of actual events.

The Group makes estimates and judgements especially when calculating/deriving fair values, measuring fixed assets (see notes 6.1 to 6.7), calculating and measuring provisions (see notes 6.10 and 6.11) as well as determining deferred revenue in the energy business (see notes 6.6 and 6.13).

In addition to estimates on the amount of the future expected cash flows, the forecast utilization, expected price increases and discount rate have a particularly large influence on the measurement of provisions. The interest rates used for discounting are derived from interest rate curves with appropriate maturities considering the financing situation of the Group and the market interest rate. Provisions for litigation are subject to uncertainty regarding the outcome of the court case. The Group recognizes provisions for pending and contingent litigation proceedings if the outcome is likely to result in an obligation of an uncertain amount.

The useful lives of the fixed assets are chosen so as to obtain the best possible match with the actual depreciation of each asset. Depreciation of property, plant and equipment at 50Hertz Transmission is calculated based on the useful lives recognized by the Federal Network Agency

for regulatory purposes; the Group believes that these values represent the best possible approximation of actual events in terms of economic utilization. An exception here from this are rights of use from lease contracts which are depreciated over the non-cancellable lease period considering periods covered by an extension option if the Group is reasonably certain to exercise it or by a termination option if the Group is reasonably certain not to exercise it.

All external borrowings at group level which are actually drawn are included in the calculation of the capitalization rate used for determining the amount of borrowing costs. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period. The capitalization ceases in the event of test operation.

When preparing the consolidated financial statements, expenses and income and the corresponding receivables and liabilities in the area of grid-based accounting were determined based on preliminary data provided by third parties and partly based on forecasts. This primarily relates to the settlement of the EEG [“Erneuerbare-Energien-Gesetz”: German Renewable Energy Act] and KWKG [“Kraft-Wärme-Kopplungsgesetz”: German Combined Heat and Power Act] processes, the accounting of the balancing group, grid utilization as well as the accounting of system services. For a final statement on the actual expenses and income incurred, external data of each partner are decisive, in particular the actual electricity volumes certified by auditors. Due to the very nature of the activity, these data are not available in their entirety as of the time of preparing the consolidated financial statements, resulting in uncertainties surrounding the amount of expenses and income in these areas. The related items of the consolidated financial statements were determined using the data available as well as relying on estimates and consider the information available as of the time of preparing the consolidated financial statements.

## 2.5. Authorization of the financial statements for issue

The consolidated financial statements were established by management on 11 February 2022.

### Approval of the prior year financial statements

The prior year financial statements were approved by the shareholders' meeting on 19 February 2021.

## 3. Summary of significant policies

The principal accounting policies adopted in preparing these consolidated financial statements are presented in the following. The methods described below were consistently applied.

In the current financial year, hedge accounting was applied for the first time to the open derivative financial instruments concluded as of the balance sheet date, which result from annual futures traded on the EEX. The measurement effect at the balance sheet date from the fair value measurement of these financial assets (€ 355.6 million) is recognized in equity (OCI), taking into account deferred taxes (€ -105.7 million), until financial realization for these contracts occurs in subsequent years. Recognition of the financial instruments entered into at the balance sheet date at their fair value provides the users of the financial statements with more relevant information from the management's perspective.

### 3.1. Basis of consolidation

The consolidated financial statements are prepared in accordance with the following consolidation principles.

Generally speaking, all subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities over which Eurogrid has control, from which it receives variable economic returns and can influence the amount of the returns (controlled entities). When determining whether control exists, the existence of any potential voting rights is taken into account. This is not the case within the Group.

Subsidiaries are generally included in Eurogrid's consolidated financial statements (full consolidation) as of the date on which control is transferred to Eurogrid. They are deconsolidated on the date on which Eurogrid ceases to have control. Subsidiaries classified as held for sale are accounted for in accordance with the provisions of IFRS 5.

The purchase method is used to account for acquired subsidiaries. The cost of the business combination corresponds to the fair value of the assets given, the equity instruments issued, and the liabilities incurred and assumed as of the date of exchange. Acquisition-related costs are

always treated as expenses, regardless of whether they can be directly allocated or not. Identifiable assets, liabilities and contingent liabilities in the course of the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of non-controlling interests.

The difference between acquisition costs and the pro rata net assets acquired at fair value is recognized as goodwill. If the cost of acquisition is less than the net assets of the subsidiary acquired measured at fair value, the difference is checked again and then recognized directly in profit or loss under other income.

All transactions, balances and unrealized gains resulting from transactions between entities included in the consolidated financial statements of Eurogrid are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the German subsidiaries included in the consolidation are prepared using uniform accounting and measurement methods in accordance with IFRS 10.B87. The accounting policies of subsidiaries were adjusted as appropriate.

Investments in associates are undertakings in which the Group has significant influence but no control. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

### **3.2. Foreign currency translation**

Transactions in foreign currencies are translated to the functional currency at the rates prevailing at the date of the transaction or at the measurement date for revaluations. Gains and losses from the settlement of such transactions and from the translation at the closing rate of monetary assets and liabilities in foreign currencies are recognized in the statement of profit or loss unless they are recognized in equity as part of a hedging relationship.

Foreign currency gains and losses resulting from the translation of cash and cash equivalents as well as financial liabilities are generally disclosed in the statement of profit or loss under financial result.

### 3.3. Financial instruments

#### Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus transaction costs.

Financial assets are managed to hold to maturity and to collect contractual cash flows. The financial assets that give rise to cash flows are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities consist of interest-bearing loans and borrowings in the Group. They are recognized initially at fair value plus related transaction costs.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets designated at fair value through OCI (equity instruments)

Subsequent to initial recognition, financial liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the loans on an effective interest basis.

#### **Financial assets at amortized cost**

Financial assets at amortized cost are subsequently measured using the effective interest method. In accordance with IFRS 9, impairment is recognized based on expected losses ("expected credit loss model").

#### **Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group irrevocably classifies its equity investments as equity instruments designated at fair value through OCI when the Group does not have significant influence and equity investments are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost



of the financial asset. In the latter case, the gains from this are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected irrevocably to classify its non-listed equity investments for which the Group does not have significant influence under this category.

The Group recognizes derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Effectiveness is measured on a monthly basis based on variances of the fair value of the hedge instrument and the underlying transaction. The Group strives for full price hedging of the expected volume of grid loss energy.

#### Impairment of financial assets

The Group regularly monitors whether the assets carried at amortized cost may be impaired on an objective basis. In this regard, various different criteria are applied as part of the individual assessment of customer or contractual relationships. Accounted for are, among others, indications of financial difficulty on the part of the customer or borrower, indications of a possible breach of contract or non-payment, changes in the general market conditions, the threat of customers' insolvency or other known facts that could have a negative impact on group profit.

The Group recognizes an allowance for expected credit losses (ECLs) for its debt instruments. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a valuation allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

IFRS 9 requires the Group to impair financial assets based on a forward-looking expected credit loss (ECL) approach. The Group's trade receivables are subject to this expected credit loss approach. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected valuation allowance for all trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for all customers. No segmentation of customers is done as all customers show similar loss patterns. The intercompany

trade receivables are excluded as there is no credit risk. In addition, the trade receivables with a pending commercial dispute are excluded to avoid double entry of provisions.

The provision rates are based on the payment profiles of sales over a period of 36 months before 31 December or 1 January of the reporting year, respectively, and the corresponding historical credit losses experienced within this period. As the sales and payment profile of its customers has been very stable over the years, the Group assesses the historical credit losses as a good proxy for future (expected) credit losses.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. This percentage is multiplied by the outstanding trade receivables.

#### Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is a legal right and intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### Derecognition of financial instruments

Financial assets are derecognized if the rights to cash flows from financial assets have expired or if the right to receive the cash flows has been transferred and the Group has substantially transferred all risks and rewards incidental to ownership.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or is expired.

### **3.4. Intangible assets**

Intangible assets are measured at cost upon recognition and amortized over the respective useful life using the straight-line method. Amortisation is based on the following percentages:

Standard software incl. licenses	20.00%
Operation specific software	20.00%

Additional impairment losses are recognized, if required.

### 3.5. Property, plant and equipment

Property, plant and equipment are measured at cost. Cost includes any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended less accumulated depreciation (with the exception of land and assets under construction) and accumulated impairment losses. Costs for easement rights and dismantling are included in the cost of the related item of property, plant and equipment.

All directly attributable costs as well as appropriate portions of overheads are included in the cost of the asset. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset within the meaning of IAS 23 are capitalized as part of the cost of that asset.

The following percentages are used when measuring depreciation. Depreciation on property, plant and equipment is recorded using the straight-line method. Depreciation is generally based on the useful lives prescribed by the regulatory framework, and which appropriately reflect the economic usability of the asset.

Administrative buildings	1.67%
Industrial buildings	2.00%
Overhead lines	2.50%
Underground cables	2.50% - 5.00%
Switchgears	2.50% - 5.00%
Substations	2.86% - 5.00%
Secondary technology (station control technology, protection technology)	4.00% - 20.00%
Other network facilities, property facilities	2.86% - 4.00%
Other operating and office equipment	6.67% - 20.00%

The residual values and economic useful lives are reviewed at each reporting date and adjusted if necessary. Should the carrying amount of an item of property, plant and equipment exceed its recoverable amount, the carrying amount is adjusted for the impairment loss, accordingly. No use is made of the revaluation method.

### **3.6. Impairment of non-financial assets**

Assets which have an indefinite useful life are not depreciated. They are instead subject to an annual impairment test. Assets which are subject to regular depreciation or amortisation are reviewed for impairment if conditions or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss reflects the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of fair value of the asset less costs to sell and value in use. For the purpose of impairment testing, assets are summarized at the level of the cash-generating unit. Non-financial assets subject to an impairment loss in the past are reviewed at each reporting date to determine whether a reversal of the impairment is required.

As in the previous year, no impairment of non-financial assets was recognized in fiscal year 2021.

### **3.7. Inventories**

Inventories relate to raw materials, consumables as well as supplies.

Raw materials, consumables as well as supplies are stated at the lower of cost of conversion or net realizable value. Generally, they are measured at average prices. Net realizable value is the estimated selling price in the ordinary course of business.

### **3.8. Trade receivables**

Trade receivables relate to the goods and services sold in the Group's core business during the ordinary course of its business.

See note 3.3 Financial instruments for a detailed description of recognition and measurement.

### **3.9. Cash and cash equivalents**

Cash includes cash, checks and bank balances. Cash equivalents are short-term, highly liquid investments that are readily – or within a period of no more than three months – convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are recognized at fair value upon recognition and at amortized cost in subsequent periods.

### 3.10. Trade payables

Trade payables are payment obligations for the Group relating to the goods or services purchased in the Group's core business during the ordinary course of its business. They are classified under current liabilities if the payment obligation falls due within one year or within the normal business cycle. Otherwise they are recognized under non-current liabilities.

See note 3.3 Financial instruments for a detailed description of recognition and measurement.

### 3.11. Income taxes

The current tax expense/income is determined on the basis of the taxable income for the year. Taxable income differs from the net profit for the year taken from the statement of profit or loss as it does not include expenses and income that are never or become only taxable or tax deductible in later years. Liabilities or receivables at Eurogrid from current taxes are calculated on the basis of the applicable tax rates in Germany due to the fact that the Group operates here and generates taxable income.

In accordance with IAS 12, deferred taxes are generally recognized on all temporary differences between the tax carrying amounts and the carrying amounts pursuant to the IFRS financial statements if this results in tax relief or liabilities in the future. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be offset. Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries are recognized unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Expected future tax reductions from loss carryforwards, interest carryforwards and tax credits are recognized if it is likely in the foreseeable future that sufficient taxable income will be generated and offset against unused tax loss carryforwards or tax credits.

Deferred taxes are measured using the tax rates and tax law enacted or substantively enacted by the reporting date and that are expected to apply to the period when the asset is realised, or the liability is settled. Deferred tax assets and deferred tax liabilities are offset if these income tax claims and liabilities relate to the same tax authority and the same taxable entity. Deferred income tax assets and liabilities are recognized and carried such that – depending on the treatment of the underlying item – they are recognized either under income taxes through profit or loss or directly in equity in the appropriate equity item.

### 3.12. Pensions and other long-term employee benefits

The entities included in the Group have both defined benefit and defined contribution plans. A defined benefit plan involves a fixed pension to be paid to an employee upon retirement, which is usually based on one or several factors such as the employee's age, years of service and salary. The provision for defined benefit plans recognized in the statement of financial position corresponds to the present value of the defined benefit obligation (DBO) as of the end of the reporting period, the past service costs less the fair value of the existing plan assets. The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the future expected cash outflows using the interest rate on top-rated corporate bonds. The corporate bonds are denominated in the currency in which the benefits are paid and have the same maturities as the pension obligations.

Provisions for defined benefit plans are measured on the basis of the 2018 G mortality tables of Klaus Heubeck for the earliest possible statutory retirement age.

Actuarial gains and losses based on experience adjustments and changes in actuarial assumptions are recorded in other comprehensive income. Past service cost is recognised immediately in profit or loss.

The amounts payable to the pension funds for defined contribution plans are presented under personnel expenses.

The provision for long-service bonuses as well as long-term working accounts was calculated in accordance with actuarial principles taking into account an appropriate markdown allowing for employee turnover and discount rate on top-rated corporate bonds.

The provision for working lifetime accounts is netted with the corresponding plan asset recognised as a result of the contractual trust agreement.

Vacation provisions and flextime accounts are measured at the daily rates or the average hourly rate including the social security contributions due.

### 3.13. Provisions

Provisions for compensation payments to easement providers, environmental protection measures, dismantling obligations and litigation are recognised when the Group has a present legal or constructive obligation from a past event, it is more likely than not that its settlement will lead to an outflow of resources and the amount of the provision can be determined reliably. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expected cash outflows using a pre-tax discount rate that reflects current market assessments of the time value of money. Increases in provisions from unwinding the discount are posted to the statement of profit or loss as interest expenses.

The Group records provisions for dismantling obligations for offshore platforms, sea cables and transformer substations. Dismantling costs are stated at the present value of the expected costs to settle the obligation using cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss under interest expenses. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

### 3.14. Regulatory items

The Group is subject to the regulatory framework, which has a direct and significant impact on the grid revenue. Based on the revenue cap determined by the Federal Network Agency for each calendar year relating to the expected or budgeted cost approaches for the regulatory activities of the transmission system operator as well as the permitted returns, there are regularly corrections that are subsequently made to the originally determined revenue cap. In addition to determining and, if necessary, subsequently correcting the revenue cap, the Federal Network Agency also determines other important compensation-related issues for charging in subsequent periods; such subsequent charges are made by specification of or in consultation with the Federal Network Agency.

The IFRS standards and interpretations subject to mandatory application in the EU are not currently applicable to regulatory items; a basis for recognizing the issues described here in the consolidated financial statements is therefore lacking. Referring to IAS 8.10 et seq., management believes that the regulatory items must be included in the consolidated financial statements in order to give a true and fair view of the Group's net assets, financial position and results of operations as this is the only way to provide a basis for the economic decision-making of the users of the financial statements. Failing to present these regulatory items would result in the

regulatory framework that is of such importance for the Group as well as the true impact on the economic situation of the Group not being adequately considered in the consolidated financial statements.

Regulatory claims and obligations are recognised in these consolidated financial statements. Claims arise if the Group can expect higher grid revenue in future periods as compensation for expenses or losses already incurred; obligations arise if lower grid revenue is expected in future periods as compensation for income or cash inflows already received. The same procedure applies if other expenses and/or income are only compensated for in subsequent periods under the regulatory framework. The Group is able to determine the effects of such recalculations very accurately on future periods.

Regulatory claims and liabilities are netted and recorded in the statement of financial position on the equity and liabilities side.

The effect of regulatory items on profit and loss is recognised directly in revenue. The corresponding interest effect is included in the financial result.

### **3.15. Grants and subsidies**

Payments from public institutions are handled in such a way that reflects the conditions at which they are granted, depending on whether they are allocated to individual assets or certain purposes. They are recognized as liabilities and released over the term of the corresponding asset.

Investment-related grants and expense subsidies are generally amortized over the useful life of the asset concerned.

### **3.16. Revenue recognition**

The IFRS 15 revenue recognition standard establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue from contracts with customers is recognized time-related when performance obligations are fulfilled. The Group typically satisfies its performance obligation upon completion of service and payment is generally due within 10 to 90 days from completion.

Adjusting for the non-profit business, revenue largely results from the transfer of electrical energy via grids, additional services relating to the grid-based business, the establishment and operation



of power lines and the related facilities for connecting offshore connection systems to an electricity transmission or distribution grid, regulatory corrections as well as payments for grid connection.

Interest income is recognised using the effective interest method.

### **3.17. Leases**

#### **The Group as a lessee**

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

Assets and liabilities arising from a lease are measured on a present value basis at initial recognition, discounted using the Group's incremental borrowing rate.

The right-of-use assets are subsequently reduced by accumulated depreciation, impairment losses and any adjustments resulting from the remeasurement of the lease liability.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the reassessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for lease contracts containing renewal options.

All lease contracts are part of the "grid business" segment.

#### **The Group as a lessor**

Leases that substantially transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as finance leases.

All other leases that do not transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as operating leases. Lease payments received are recognised as income on a straight-line basis over the lease term.

#### 4. Segment reporting

Segment reporting is performed in line with the Group's reporting and organizational structure underlying its internal management reporting system. The financial and economic situation of the segments is assessed on this basis and decisions are made on the allocation of resources to the segments.

The chief operating decision-maker for the allocation of the Group's resources is Eurogrid's supervisory board and shareholders' assembly. The supervisory board and the shareholders assembly have essentially delegated all operating decisions to the management of 50Hertz Transmission/Eurogrid. The management assesses the result of the business segments on the basis of net profit (group profit) of the reporting period. The supervisory board is responsible for overseeing the preparation of the consolidated financial statements and the group management report in accordance with IFRSs and German GAAP.

Segment reporting comprises the reportable segments "Non-profit business" and "Grid business".

The segment "Non-profit business" primarily comprises – based on the EEG and its regulations – the entire purchase and sale of EEG feed-in volumes to the electricity exchange remaining after deliveries to other transmission system operators for settling the burdens nationwide on the transmission system operators stemming from the EEG. The costs not covered by sales revenue are compensated for by levying a standard nationwide EEG cost allocation on the electricity distributors. Furthermore, this segment also reports services rendered for third parties if they do not have any impact on profit for the Group, with the exception of any agreed fees for services.

In addition to the settlement of the EEG, this segment also includes the cost allocation procedures in accordance with the KWKG, Sec. 19 (2) StromNEV as well as in accordance with the AbLaV.

The entire settlement process of this allocation procedure has no impact on the profit and loss and equity of the Group.

The segment "Grid business" primarily comprises grid provision and grid management as well as balancing group management.

After-tax profit (group profit) was selected as the segment result.

Segment reporting by business segment for the period from 1 January 2020 to 31 December 2020

EUR m	Non-profit business	Grid business	Total
Revenue	9,686.1	1,364.7	11,050.8
Other income	-	90.1	90.1
<b>Total turnover</b>	<b>9,686.1</b>	<b>1,454.8</b>	<b>11,140.9</b>
Cost of materials and purchased services	(9,686.1)	(734.9)	(10,421.0)
Personnel expenses	-	(131.5)	(131.5)
Depreciation	-	(245.2)	(245.2)
Other expenses	-	(3.1)	(3.1)
Result from equity investments accounted for using the equity method	-	0.1	0.1
Net finance expenses	-	(62.6)	(62.6)
Finance income	-	4.1	4.1
Finance expenses	-	(66.7)	(66.7)
<b>Profit before tax</b>	<b>-</b>	<b>277.6</b>	<b>277.6</b>
Income taxes	-	(84.9)	(84.9)
<b>Profit for the year from continuing operations</b>	<b>-</b>	<b>192.7</b>	<b>192.7</b>
<b>Group profit</b>	<b>-</b>	<b>192.7</b>	<b>192.7</b>
<b>Timing of revenue recognition</b>			
At a point in time	9,686.1	1,363.2	11,049.3
Over time	-	1.5	1.5

Segment reporting by business segment for the period from 1 January 2021 to 31 December 2021

EUR m	Non-profit business	Grid business	Total
Revenue	6,238.6	1,621.8	7,860.4
Other income	-	95.1	95.1
<b>Total turnover</b>	<b>6,238.6</b>	<b>1,716.9</b>	<b>7,955.5</b>
Cost of materials and purchased services	(6,238.6)	(1,011.7)	(7,250.3)
Personnel expenses	-	(151.4)	(151.4)
Amortisation	-	(260.3)	(260.3)
Other expenses	-	(20.6)	(20.6)
Result from equity investments accounted for using the equity method	-	0.1	0.1
Net finance expenses	-	(34.8)	(34.8)
Finance income	-	2.1	2.1
Finance expenses	-	(36.9)	(36.9)
<b>Profit before tax</b>	<b>-</b>	<b>238.2</b>	<b>238.2</b>
Income taxes	-	(72.8)	(72.8)
<b>Profit for the year from continuing operations</b>	<b>-</b>	<b>165.4</b>	<b>165.4</b>
<b>Group profit</b>	<b>-</b>	<b>165.4</b>	<b>165.4</b>
<b>Timing of revenue recognition</b>			
At a point in time	6,238.6	1,620.4	7,859.0
Over time	-	1.4	1.4

The settlement of the EEG gives rise to interest income and interest expenses for the Group, which are refinanced via the EEG cost allocation. These items do not have any impact on profit for the Group and are shown to fully present earnings generated in the operating non-profit business within cost of materials and purchased services. In the reporting year, this related to interest expenses of EUR 1.0 m (prior year: EUR 2.2 m). In addition to interest, cross-charges include personnel (2021: EUR 3.9 m, prior year: EUR 4.1 m), IT (2021: EUR 1.8 m, prior year: EUR 2.0 m) and other expenses (2021: EUR 0.4 m, prior year: EUR 0.8 m) which are allocated to the non-profit business.

All revenue was generated with external customers. There is one customer in the grid use segment with which revenue of more than 10 percent each of total revenue from grid use is generated. Revenue from this customer amounted to EUR 199.8 m (2020: EUR 173.0 m). Revenue generated with external customers from other countries is immaterial in terms of amount.

Segment reporting by business segment as of 31 December 2020

EUR m	Non-profit business	Grid business	Total
Non-current assets	-	5,776.0	5,776.0
Current assets	1,542.6	449.0	1,991.6
Non-current liabilities	-	3,645.6	3,645.6
Current liabilities	805.5	1,178.9	1,984.4
Equity and regulatory items	-	2,137.6	2,137.6

Segment reporting by business segment as of 31 December 2021

EUR m	Non-profit business	Grid business	Total
Non-current assets	-	6,423.3	6,423.3
Current assets	624.9	3,500.1	4,125.0
Non-current liabilities	-	4,334.6	4,334.6
Current liabilities	2,757.0	1,080.1	3,837.1
Equity and regulatory items	-	2,376.6	2,376.6

Of the current assets and liabilities from the non-profit business, EUR 505.8m (prior year: EUR 1,376.8m) and EUR 2,599.2m (prior year: EUR 570.6m) relates to the development of the EEG business, respectively.

Additions to non-current assets relate primarily to property, plant and equipment (EUR 963.5m, prior year: EUR 504.4m) and grid business.

The carrying amount of the equity-accounted investee EGI (EUR 3.0m, prior year: EUR 2.9m) is allocated to the grid business.

## 5. Notes to the statement of profit or loss and other comprehensive income

The statement of profit or loss has been prepared using the cost-summary method.

The following explanations are based on the statement of profit or loss from the segment reporting.

Total revenue and expenses are presented below and broken down into their components. Segment reporting contains a breakdown of revenue into the segments “Non-profit business” and “Grid business”.

### 5.1. Non-profit business

In addition to revenue from the grid business, the Group largely generates income from the non-profit settlement of the EEG and the KWKG, services rendered for third parties, Sec. 19 (2) StromNEV as well as from the cost allocation for interruptible loads. Starting 2021, other non-operating income and expenses are offset (prior year: EUR 645.5m)

This revenue is matched by expenses of the same amount.

EUR m	2021	2020
EEG income	5,715.9	8,586.0
KWKG income	257.2	209.5
Sec. 19 (2) StromNEV income	259.5	237.4
Other non-operating income	-	645.5
AbLaV income	6.0	7.7
<b>Cost-matching income</b>	<b>6,238.6</b>	<b>9,686.1</b>
EEG expenses	(5,715.9)	(8,586.0)
KWKG expenses	(257.2)	(209.5)
Sec. 19 (2) StromNEV expenses	(259.5)	(237.4)
Other non-operating expenses	-	(645.5)
AbLaV expenses	(6.0)	(7.7)
<b>Income-matching costs</b>	<b>(6,238.6)</b>	<b>(9,686.1)</b>

EEG income contains a EUR 2,160.0m federal grant received during fiscal year 2021.

## 5.2. Revenue from the grid business and other income

### 5.2.1. Revenue from the grid business

Revenue from the grid business breaks down as follows:

EUR m	2021	2020
<b>Revenue from contracts with customers</b>	<b>1,621.8</b>	<b>1,364.7</b>
Revenue from incentive regulation	963.7	813.5
Revenue from offshore regulation	294.7	300.0
Electricity revenue	354.9	246.8
Construction cost subsidies	1.4	1.5
Other revenue	7.1	2.9
<b>Revenue</b>	<b>1,621.8</b>	<b>1,364.7</b>

Net income from regulatory items is disclosed under revenue from incentive regulation together with agreed grid revenue and portrays the influences on the result for the period resulting from mechanism of incentive regulation and offsetting an increase or decrease in agreed grid revenue. An increase in regulatory claims compensates for expenses already incurred by the Group which will flow back to the Group in subsequent periods via increased grid fees. An increase in regulatory obligations compensates for income already generated by the Group which will lead to a decrease in grid revenue in the future periods.

A key driver of revenue from incentive regulation is the inclusion of investments using budget cost estimates in the revenue cap which at the same time are included in the grid fees upon approval of the investment measures. Revenue from offshore regulation is recognised based on a so-called 'cost-plus' regulation with an annual settlement of actual operating and investing costs.

In fiscal year 2021, the period effects resulting from regulatory items excluding the interest portion led to a EUR 51.9m increase in consolidated net income (prior year: increase of EUR 11.2m). Considering the interest portion and a tax rate of 29.72%, the recognition of regulatory issues led to a change in group result of EUR 41.0m (prior year: EUR -0.5m).

Opening and closing balances of trade receivables (under 6.6) result primarily from contracts with customers.

### 5.2.2. Other income

EUR m	2021	2020
Services and technical expertise	9.1	5.8
Own work capitalized	53.9	51.2
Communication income	2.3	2.6
Sundry other income	29.8	30.5
<b>Total</b>	<b>95.1</b>	<b>90.1</b>

Sundry other income contains primarily income from cross-charging and IT.

## 5.3. Operating expenses

### 5.3.1. Cost of materials and services grid business

EUR m	2021	2020
Cost of materials	103.6	67.2
<b>Cost of materials</b>	<b>103.6</b>	<b>67.2</b>
Electricity expenses	764.8	514.7
Third-party services and other operating expenses	24.8	46.4
Cost of grid utilization offshore acc. to the old mechanism	(17.4)	6.4
Cost of the new offshore regulation	135.9	100.2
<b>Purchased services</b>	<b>908.1</b>	<b>667.7</b>

Electricity expenses contain the following items:

EUR m	2021	2020
Expenses for system services	118.1	35.0
Expenses to cover grid losses	111.7	112.3
Expenses for measures pursuant to Sec. 13 EnWG	180.3	39.6
Expenses for Sec. 14/15 EEG compensation	15.5	37.8
Expenses for balance energy	47.4	25.1
Expenses for unwanted exchange	12.1	1.4
Expenses for reserve costs	271.6	253.5
Expenses for cross-border redispatch	5.7	6.9
Other electricity expenses	2.4	3.1
<b>Electricity expenses</b>	<b>764.8</b>	<b>514.7</b>



### 5.3.2. Personal expenses

Personnel expenses comprise the following components:

EUR m	2021	2020
Salaries and wages	117.0	100.1
Social security contributions	19.7	17.7
Pension and welfare expenses	7.2	6.0
Other personnel expenses	0.8	0.7
Change in personnel provisions	6.7	7.0
<b>Total</b>	<b>151.4</b>	<b>131.5</b>

	2021	2020
Administrative employees	427	377
Technical employees	883	802
<b>Total</b>	<b>1,310</b>	<b>1,179</b>
Trainees	25	27

Employee figures are calculated on an average basis using the final figures for each quarter.

### 5.4. Financial result

EUR m	2021	2020
<b>Finance income</b>	<b>2.1</b>	<b>4.1</b>
Interest income	1.0	2.3
Other finance income	1.1	1.8
<b>Finance expenses</b>	<b>(36.9)</b>	<b>(66.7)</b>
Interest portion of euro bonds and other interest expenses	(53.3)	(62.0)
Capitalized borrowing costs	13.4	11.4
Interest portion of provisions	(2.2)	(3.2)
Interest portion of regulatory items	6.5	(11.9)
Interest cost on leasing	(1.3)	(1.0)
Foreign currency translation	0.0	0.0
<b>Financial result</b>	<b>(34.8)</b>	<b>(62.6)</b>

The total net gain relating to the measurement category “loans and receivables” amount to EUR 0.1m (prior year: net loss: EUR 1.2m). Finance income relating to the measurement category “measured at fair-value through OCI” amounts to EUR 0.9m (prior year: EUR 0.9m). Interest expenses relating to other financial liabilities amount to EUR 55.8m (prior year: EUR 65.0m).

## 5.5. Income taxes

Eurogrid, as the parent of the tax group, concluded a profit and loss transfer agreement with 50Hertz Transmission effective 1 June 2010 and established a consolidated tax group for income tax. The domination and profit and loss transfer agreement in place between 50Hertz Transmission and 50Hertz Offshore since 1 January 2008 still exists with 50Hertz Transmission as the interposed parent.

Income taxes break down as follows:

EUR m	2021	2020
Tax expenses for current year	60.2	81.5
Tax expenses for prior years	0.2	1.0
<b>Current taxes</b>	<b>60.4</b>	<b>82.5</b>
Deferred taxes	12.4	2.4
<b>Deferred taxes</b>	<b>12.4</b>	<b>2.4</b>
<b>Taxes recognised in the statement of profit or loss</b>	<b>72.8</b>	<b>84.9</b>

The deferred tax expense of EUR 12.4m (prior year: expense: EUR 2.4m) relates to temporary differences that originated or were reversed in the current year. The following reconciliation presents the differences between the expected tax expense and the disclosed tax expense/rate in the Group:

EUR m	2021	2020
<b>Profit/loss before income taxes</b>	<b>238.2</b>	<b>277.6</b>
Group tax rate	29.72%	29.65%
Expected income taxes	70.8	82.3
Changes in tax rates	0.2	0.1
Non-deductible expenses	2.1	2.5
Adjustment for prior years	(0.1)	(0.3)
Other tax-free income	(0.2)	(0.1)
Other	0.0	0.4
<b>Effective tax expenses</b>	<b>72.8</b>	<b>84.9</b>

Deferred taxes were calculated using an overall tax rate of 29.72%. The tax rate comprises the corporate income tax rate in Germany of 15.0% plus solidarity surcharge (5.5%) and the trade tax rate of 13.90%, which reflects the weighted levy rate of all the municipalities within Eurogrid's consolidated tax group for 2020.

The effective tax rate amounts to 30.56% (prior year: 30.58%). The difference between the actual tax expenses and the imputed tax expenses is primarily due to trade tax addbacks.

## 5.6. Total comprehensive income

Total comprehensive income comprises all components of the statement of profit or loss as well as other comprehensive income. Total comprehensive income is the change in equity in a period resulting from business transactions and other events with the exception of changes resulting from business transactions with owners and those presented in the statement of changes in equity.

Other comprehensive income within the Group primarily comprises remeasurements of defined benefit pension plans and related deferred taxes, changes in the fair value of other investments, changes in the fair value and related deferred taxes relating to cashflow hedge.

EUR m	2021	2020
Recognised actuarial gains/losses	2.8	(3.7)
Deferred taxes on changes in provisions for employee benefits recognised directly in equity	(0.8)	1.1
Changes in the fair value of other investments	-	14.9
Cashflow hedge - Effective portion of changes in fair value	355.6	-
Cashflow hedge - Deferred taxes on effective portion of changes in fair value	(105.7)	-
<b>Total other comprehensive income after taxes</b>	<b>251.9</b>	<b>12.3</b>

## 6. Notes to the statement of financial position

### 6.1. Property, plant and equipment

Under property, plant and equipment, the Group primarily recognizes high-voltage overhead and underground connections as well as substations including transformers.

We refer to 6.16 for more details on leasing and similar rights.

Prepayments on property, plant and equipment and assets under construction primarily comprise services already rendered for high-voltage grid systems and substations under construction and prepayments thereon.

The development of property, plant and equipment and its key components breaks down as follows:

EUR m	Land and buildings	Plant and machinery	Furniture and fixtures, vehicles	Leasing and similar rights	Prepayments on property, plant and equipment and assets under construction	Total
<b>COST</b>						
As of 1 January 2020	236.4	4,892.6	179.6	55.8	815.0	6,179.4
Additions	3.0	97.4	17.8	7.0	597.8	723.0
Disposals	(1.1)	(3.4)	(2.4)	-	-	(6.9)
Reclassifications	0.6	71.4	6.7	-	(78.5)	0.2
<b>As of 31 December 2020</b>	<b>238.9</b>	<b>5,058.0</b>	<b>201.7</b>	<b>62.8</b>	<b>1,334.3</b>	<b>6,895.7</b>
As of 1 January 2021	238.9	5,058.0	201.7	62.8	1,334.3	6,895.7
Additions	9.9	113.9	24.1	21.5	680.8	850.2
Disposals	(0.5)	(15.2)	(27.4)	-	-	(43.1)
Reclassifications	26.4	252.5	35.0	-	(314.6)	(0.7)
<b>As of 31 December 2021</b>	<b>274.7</b>	<b>5,409.2</b>	<b>233.4</b>	<b>84.3</b>	<b>1,700.5</b>	<b>7,702.1</b>

EUR m	Land and buildings	Plant and machinery	Furniture and fixtures, vehicles	Leasing and similar rights	Prepayments on property, plant and equipment and assets under construction	Total
<b>DEPRECIATION AND IMPAIRMENT</b>						
As of 1 January 2020	(24.3)	(886.6)	(85.0)	(6.9)	-	(1,002.8)
Depreciation	(3.7)	(198.4)	(23.9)	(5.8)	-	(231.8)
Disposals	0.4	1.6	2.4	-	-	4.4
<b>As of 31 December 2020</b>	<b>(27.6)</b>	<b>(1,083.4)</b>	<b>(106.5)</b>	<b>(12.7)</b>	<b>-</b>	<b>(1,230.2)</b>
As of 1 January 2021	(27.6)	(1,083.4)	(106.5)	(12.7)	-	(1,230.2)
Depreciation	(4.5)	(206.7)	(28.2)	(6.7)	-	(246.1)
Disposals	0.0	7.2	24.7	-	-	32.0
<b>As of 31 December 2021</b>	<b>(32.1)</b>	<b>(1,282.9)</b>	<b>(110.0)</b>	<b>(19.4)</b>	<b>-</b>	<b>(1,444.3)</b>
<b>Carrying amount</b>						
As of 1 January 2020	212.1	4,005.9	94.7	48.9	815.0	5,176.6
As of 31 December 2020	211.3	3,974.6	95.2	50.1	1,334.3	5,665.6
As of 1 January 2021	211.3	3,974.6	95.2	50.1	1,334.3	5,665.6
As of 31 December 2021	242.6	4,126.3	123.4	64.9	1,700.5	6,257.8

Borrowing costs totaling EUR 13.5m (prior year: EUR 11.4m) were recognised in the fiscal year in accordance with IAS 23. The weighted average interest rate amounted to 0.9769% (prior year: 1.126%).

## 6.2. Intangible assets

Intangible assets break down as follows:

EUR m	Software	Licenses	Total
<b>COST</b>			
As of 1 January 2020	89.5	33.4	122.9
Additions	14.9	-	14.9
Disposals	-	-	-
Reclassifications	(0.2)	-	(0.2)
<b>As of 31 December 2020</b>	<b>104.1</b>	<b>33.4</b>	<b>137.6</b>
As of 1 January 2021	104.1	33.4	137.6
Additions	30.2	-	30.2
Disposals	(1.8)	-	(1.8)
Reclassifications	0.6	-	0.6
<b>As of 31 December 2021</b>	<b>133.1</b>	<b>33.4</b>	<b>166.6</b>

EUR m	Software	Licenses	Total
<b>AMORTISATION AND IMPAIRMENT</b>			
As of 1 January 2020	(47.7)	(14.0)	(61.7)
Amortisation	(11.9)	(1.4)	(13.3)
Disposals	-	-	-
<b>As of 31 December 2020</b>	<b>(59.6)</b>	<b>(15.4)</b>	<b>(75.0)</b>
As of 1 January 2021	(59.6)	(15.4)	(75.0)
Amortisation	(12.7)	(1.4)	(14.1)
Disposals	1.6	-	1.6
<b>As of 31 December 2021</b>	<b>(70.7)</b>	<b>(16.8)</b>	<b>(87.5)</b>

<b>CARRYING AMOUNT</b>			
As of 1 January 2020	41.7	19.5	61.2
As of 31 December 2020	44.6	18.0	62.5
As of 1 January 2021	44.6	18.0	62.5
As of 31 December 2021	62.4	16.6	79.0

As of 31 December 2021, there were no indications of existing or potential impairment. No internally generated intangible assets were recognised.

### 6.3. Other financial assets

EUR m	2021	2020
Other investments	43.5	43.5
Derivatives	355.7	-
<b>Total</b>	<b>399.2</b>	<b>43.5</b>

The Group holds 5.4% of the shares in European Energy Exchange (EEX), Leipzig, Germany, of a total value of EUR 42.7m as of the reporting date. These shares are disclosed under other investments as well as a 4.0% shareholding in JAO Joint Allocation Office S.A., Luxembourg, Luxembourg, a 7.9% shareholding in CORESO SA, Brussels, Belgium, a 6.7% shareholding in TSCNET Services GmbH, Munich, Germany, and a 10.4% shareholding in the foundation Stiftung Kurt-Sanderling-Akademie des Konzerthausorchesters Berlin, Berlin, Germany.

Other investments are measured at fair value. At each reporting date, a re-measurement is performed to re-evaluate these investments. Any deviation from the previous period is recorded under other comprehensive income. The difference in the fair value in the prior year 2020 relates to the valuation of the EEX shares.

The Group introduced hedge accounting for the first time at the end of the year and now recognised derivatives from price hedge of grid losses. These derivatives are accounted at fair value in other comprehensive income.

### 6.4. Equity-accounted investees

50Hertz Transmission holds slightly less than 50%, or approximately EUR 2.5m, of the Elia Grid International NV/SA, Brussels, Belgium, share capital.

The following table summarises the financial information of the investment, based on its IFRS financial statements, and reconciliation with the carrying amount of the Eurogrid Group's interest in the consolidated financial statements of Elia Grid International NV/SA.

EUR m	Elia Grid International NV/SA	
	31.12.2021	31.12.2020
<b>Shareholding in %</b>	<b>49.99</b>	<b>49.99</b>
Non-current assets	1.6	0.9
Current assets	23.4	44.4
Non-current liabilities	0.8	0.1
Current liabilities	18.1	39.3
Equity	6.0	5.9
<b>Investment carrying amount</b>	<b>3.0</b>	<b>2.9</b>

EUR m	2021	2020
Revenue and other income	15.4	22.7
<b>Profit before tax</b>	<b>0.8</b>	<b>0.5</b>
Income taxes	(0.7)	(0.4)
Net profit for the year	<b>0.1</b>	<b>0.1</b>
Total comprehensive income	0.1	0.1
<b>Dividends received from associates</b>	<b>-</b>	<b>-</b>

## 6.5. Deferred taxes

Deferred tax assets and liabilities are presented in the following tables:

EUR m	2021		2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	-	(11.0)	0.0	-
Property, plant and equipment	23.8	(185.9)	2.9	(161.0)
Other financial assets	-	(105.7)	-	-
Other receivables and assets	1.3	0.0	1.1	(0.3)
Interest-bearing loans and other financial liabilities	27.8	(3.0)	24.2	(2.9)
Employee benefits	10.3	-	9.6	-
Provisions	25.4	-	26.8	-
Anticipatory liabilities	-	(1.5)	-	(2.0)
Regulatory items	22.3	-	22.7	-
Off-balance corrections	13.0	-	0.8	-
Other items	0.6	-	14.3	-
<b>Deferred tax assets/liabilities before netting</b>	<b>124.5</b>	<b>(307.2)</b>	<b>102.4</b>	<b>(166.2)</b>
Offsetting	(124.5)	124.5	(100.9)	100.9
<b>Deferred tax assets/liabilities after netting</b>	<b>-</b>	<b>(182.7)</b>	<b>1.5</b>	<b>(65.3)</b>



In 2021, deferred tax assets of EUR 124.5m (prior year: EUR 100.9m) are netted with deferred tax liabilities. Deferred tax assets on off-balance corrections of EUR 13.0m were recognised in 2021 (prior year: EUR 14.3m). Temporary differences in accordance with IAS 12.81(f), for which no deferred tax liabilities were recognised, amount to EUR 0.0m (prior year: EUR 0.0m). All deferred taxes are non-current.

The Group does not have any unused corporate income tax or trade tax losses.

The following table shows the development of net deferred taxes as well as their recognition:

EUR m	As of 1 January	Recognised in the statement of profit or loss	Recognised in OCI	As of 31 December
<b>2020</b>				
Intangible assets	0.0	0.0	-	0.0
Property, plant and equipment	(159.0)	1.4	-	(157.6)
Other receivables and assets	1.2	(0.2)	-	1.0
Loans and borrowings	12.3	(1.4)	-	10.9
Employee benefits	7.4	1.2	1.1	9.7
Provisions	26.5	0.3	-	26.8
Anticipatory liabilities	7.5	0.2	-	7.7
Regulatory items	25.3	(2.7)	-	22.6
Off-balance corrections	15.8	(1.4)	-	14.4
Other items	0.4	0.2	-	0.6
<b>Total</b>	<b>(62.6)</b>	<b>(2.4)</b>	<b>1.1</b>	<b>(63.9)</b>
<b>2021</b>				
Intangible assets	0.0	(11.0)	-	(11.0)
Property, plant and equipment	(157.6)	(4.6)	-	(162.1)
Other financial assets	-	-	(105.7)	(105.7)
Other receivables and assets	1.0	0.3	-	1.3
Loans and borrowings	10.9	13.8	-	24.8
Employee benefits	9.7	1.4	(0.8)	10.3
Provisions	26.8	(1.4)	-	25.4
Anticipatory liabilities	7.7	9.3	-	(1.5)
Regulatory items	22.6	(0.3)	-	22.3
Off-balance corrections	14.4	(1.4)	-	13.0
Other items	0.6	0.0	-	(0.6)
<b>Total</b>	<b>(63.9)</b>	<b>(12.4)</b>	<b>(106.5)</b>	<b>(182.7)</b>

The column "Recognized in the income statement" of the current year includes reclassifications within the financial positions with no impact on the profit of the year.

Of the deferred tax assets and liabilities recognised, a total of EUR 106.5m (prior year: EUR 1.1m) was recorded in total comprehensive income within OCI. EUR 105.7m relate to the fair value changes of the derivatives booked within OCI. The remaining deferred taxes (EUR 0.8m) relate to the actuarial gains and losses for defined pension obligations and similar obligations.

## 6.6. Current trade receivables and other receivables (including anticipatory items)

EUR m	2021	2020
Trade receivables	740.8	662.1
Prepayments	1.0	1.3
VAT and other taxes	36.6	23.7
Other	153.4	993.7
Anticipatory items	11.8	8.3
<b>Total</b>	<b>943.6</b>	<b>1,689.1</b>

Trade receivables are due within 12 months.

Other receivables primarily comprise claims in connection with the settlement of the cost allocations as well as margins at EEX, Nordpool and EXAA electricity exchanges. The increase results primarily from the EEG-business.

The maturities of trade receivables and prepayments break down as follows:

EUR m	2021	2020
Not past due	723.2	625.9
0 to 30 days past due	4.9	3.3
31 to 60 days past due	2.2	0.7
61 days up to one year past due	11.9	0.5
More than one year past due	1.3	34.0
<b>Total (excluding valuation allowances)</b>	<b>743.5</b>	<b>664.4</b>
Doubtful debts	197.4	197.6
Valuation allowances	(197.4)	(197.6)
Provision for expected credit losses	(1.7)	(1.0)
<b>Total</b>	<b>741.8</b>	<b>663.4</b>

Trade receivables and prepayments of EUR 741.8m (prior year: EUR 663.4m) were fully recoverable as of 31 December 2021. Trade receivables past due by less than two months are not regarded as impaired by the Company. As of 31 December 2021, trade receivables of

EUR 20.3m (prior year: EUR 38.5m) in total were past due but not impaired. The amount of receivables of 61 days up to one year past due has remained stable. For non-impaired trade receivables, there were no indications of an urgent need for impairment. The maximum credit exposure on the reporting date corresponds to the recorded net value of the receivables.

The Group's exposure to credit and currency risks as well as expected credit losses related to trade, and other receivables are shown in note 7.1. "Credit risk" at the end of the notes.

The Group received security deposits of EUR 4.3m (prior year: EUR 3.9m).

All impairments were accounted for by means of specific bad debt allowances.

## 6.7. Cash and cash equivalents

Cash and cash equivalents relate to bank balances, largely in the form of overnight or weekly deposits.

EUR m	2021	2020
Call deposits	2,457.3	193.0
Balance at bank	399.9	103.6
<b>Total</b>	<b>2,857.2</b>	<b>296.6</b>

## 6.8. Equity

The share capital of Eurogrid is fully paid in, split in 25,000 shares of EUR 1 and therefore amounts to EUR 25,000. 80% of the shares are held by Eurogrid International and 20% by Selent.

Changes in equity as well as comprehensive income are presented separately in the statement of changes in equity and the statement of comprehensive income.

Other reserves comprise actuarial gains and losses and related deferred taxes as well as changes in the fair value of other investments.

As a result of the newly established hedge accounting in the financial year 2021 for the Group's grid loss procurement, the value of equity increases significantly as of the balance sheet date. Taking deferred taxes into account, this effect includes the recognition in equity of the derivative from the price hedging carried out to date for fiscal years 2022 and 2023.

There was no inefficiency from hedging as of 31 December 2021.

In 2021, there was an amount remaining from the net profit of the Group for 2020 (EUR 192.7m) of EUR 72.7m in the retained earnings following a distribution to the shareholders in fiscal year 2021 of EUR 120.0m (prior year: EUR 120.0m).

For fiscal year 2021, there was a consolidated net income of EUR 165.4m.

Deferred taxes recorded directly in equity relate to the effect from the measurement of the pension provisions recognised in comprehensive income as well as the changes in the fair value resulting from cashflow hedges.

EUR m	2021	2020
Actuarial gains/losses recognised in other comprehensive income	(10.5)	(13.3)
Deferred taxes	3.1	3.9
Changes in fair value of other financial assets designated at fair value through OCI	23.0	23.0
Cashflow hedge: Effective portion of changes in fair value	355.6	-
Cashflow hedge: Deferred taxes on effective portion of changes in fair values	(105.7)	-
<b>Accumulated amounts recognised in other comprehensive income</b>	<b>265.5</b>	<b>13.6</b>

We refer to the Group's statement of changes in equity and the statement of comprehensive income.

## 6.9. Financial liabilities

The composition of financial liabilities is presented in the following table:

EUR m	2021	2020
Bonds	3,630.0	3,130.1
Lease liabilities	58.6	47.1
Liabilities to banks	150.0	150.0
<b>Total non-current loans and borrowings</b>	<b>3,838.6</b>	<b>3,327.2</b>
Liabilities to banks	-	700.4
Lease liabilities	7.1	3.8
Deferred interest	26.4	21.7
<b>Total current loans and borrowings</b>	<b>33.5</b>	<b>725.9</b>
<b>Total</b>	<b>3,872.1</b>	<b>4,053.1</b>

In fiscal year 2021, EUR 50.9m was paid for liabilities to banks and bonds.

We refer to 6.16. for more details on lease liabilities.

Information concerning the terms and conditions of the outstanding interest-bearing loans and borrowings is given below:

EUR m	Maturity	Nominal value	Carrying amount	Coupon
Bond as part of Debt Issuance Programme 2015	2025	500.0	498.6	1.875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2015	2023	750.0	749.4	1.625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2015	2030	140.0	139.3	2.625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2016	2028	750.0	747.7	1.500% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2032	750.0	747.5	1.113% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2040	200.0	199.4	0,875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2033	500.0	498.1	0,741% p.a. (fixed)
Registered bond 2014	2044	50.0	50.0	3,000% p.a. (fixed)
<b>Total</b>		<b>3,640.0</b>	<b>3,630.0</b>	

The bond 2020 as part of the Debt Issuance Programme amounting to EUR 750.0m was issued for a special purpose (green financing).

Information concerning the contractual maturities of the Group's interest-bearing loans and borrowings (current and non-current) is given in detail in note 7.1. "Financial risk management and factors".

All bonds are placed on the Luxembourg Stock Exchange and measured at amortised cost using the effective interest method. The fair value of bonds presented under financial liabilities is disclosed in note 6.15.

The non-current liabilities to banks relate to a syndicated loan agreement.

Information concerning the maturity profile of the Group's financial liabilities based on contractual undiscounted payments is given in note 7.1. "Liquidity Risk".

## 6.10. Provisions for employee benefits

### General description of existing plans in the Group

In addition to the benefits provided by state pension insurance institutions and private pension provision, there are also company pension benefits in place for employees in the Group. Company pensions are based on collective bargaining and works agreements as well as on individual contract regulations. In place are defined benefit and contribution obligations, which grant old age, disability and surviving dependents' pensions.

### **Defined contribution plans**

In the case of externally financed defined contribution plans, the Company's obligation consists solely of paying the contributions. For those defined contribution plans recognised in the form of direct guarantees there are pledged congruent employer's liability insurance policies in place.

The defined contribution plans which are financed via a congruent reinsured benefit fund and congruent reinsured direct guarantees grant old age, disability and surviving dependents' pensions.

The following defined contribution plans exist in the Group:

#### **Pension obligations for executives as a result of the agreement with the spokesmen of officers from 2003**

This relates to individual contractual pension obligations based on an agreement with the spokesmen of officers in the version from 10 November 2015 valid as of 1 January 2015.

#### **Pension obligations for executives as a result of the agreement with the spokesmen of officers from 19 August 2008**

This relates to individual contractual pension obligations based on an agreement with the spokesmen of officers on a company pension plan with the Vattenfall Europe Group on 19 August 2008 in the version from 10 November 2015 valid as of 1 January 2015.

#### **Collective bargaining agreement on the company pension scheme**

This relates to pension obligations based on the collective bargaining agreement on 50Hertz Transmission's company pension scheme on 28 November 2007. These only apply to employees that had joined the Company by 31 December 2006.

#### **Direct insurance**

This relates to direct insurance policies for all former employees that worked at Vereinigte Energiewerke AG (VEAG) from 1993 to 31 December 2004, with the exception of managers.

#### **Individual commitments**

There are individual commitments in place which are financed exclusively by external pension funds (welfare fund and pension fund).

In fiscal year 2021, expenses related to defined contribution plans amounted to EUR 2.8m (prior year: EUR 2.7m).

### **Defined benefit plans**

Defined benefit plans give rise to direct pension claims of the employees against the Company; provisions are recognised in the statement of financial position for this purpose. If plan assets are created, which solely serve to fulfil pension obligations, the amount is offset against the present value of the obligation.

For one individual contractual obligation, a plan asset was recognised in the form of a congruent, pledged employer's liability insurance policy.

The following defined benefit plans exist within the Group:

#### **Group works agreement on the company pension scheme**

In accordance with the group works agreement on the company pension scheme, employees are granted a company pension plan on the basis of a defined contribution plan (effective 1 January 2007). This agreement applies to all employees within the meaning of Sec. 5 (1) BetrVG ["Betriebsverfassungsgesetz": German Works Constitution Act] and joined the Company on or after 1 January 2007. Participation in the scheme is voluntary. The scheme grants pension benefits upon reaching the statutory retirement age, upon taking early retirement from the statutory pension insurance, in the event of occupational disability as well as in the event of death. Current pension benefits are increased by 1% p.a.

The scheme is based on a defined building block approach and comprises:

- Building block A: Employee contribution
- Building block B: Employer's contribution
- Building block C: Additional employee contribution

#### **Individual contractual and other contribution plans**

Individual contractual contribution plans are in place for management board members and executives. These include old age, disability and surviving dependents' pensions. The contribution plans are based on the 1996 pension scheme for head management ["Ruhegeldordnung leitender Führungskreis 1996"] from 10 May 1996 as well as on pension agreements with individual employees. They all relate to pension obligations that depend on years of service and remuneration. Plan assets were recognised for one of these commitments in the form of a pledged pension insurance policy. These plan assets solely serve to fulfil pension obligations; the present value of the corresponding obligation was therefore offset against the plan assets. Pension obligations also still exist for individual employees that were acquired as a

result of their employment at Vattenfall Europe (e.g., 1991 pension scheme, additional regulation to the old-age and life provident scheme for pension fund members).

### TVV Energie

This relates to direct guarantees resulting from the collective bargaining agreement from 16 October 1992 (collectively bargained agreement on the termination of the collectively bargained agreement on the company's additional agreement concerning the AVEU's ["Arbeitgeberverband energie- und versorgungswirtschaftlicher Unternehmen"] tariff category "energy" (TVV Energie) dated 20 July 1990/9 October 1990/8 November 1990. This pension plan was closed for new hires from 1 January 1993. These contribution plans apply to employees that worked at Vereinigte Energiewerke AG until 30 November 2001 and whose vested benefits are allocable to Vattenfall Europe Transmission GmbH upon its formation (now 50Hertz Transmission GmbH). This relates to pension obligations that depend on years of service and remuneration and that grant old age and disability pensions, but none for surviving dependents. The indexation of current post-employment benefits due for the first time after 1 January 1993 is not possible.

The Group also has following obligations that are included under other personnel obligations:

- Obligations for long-service benefits
- Obligations from German phased retirement schemes
- Obligations for working lifetime accounts.

Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

Existing plan assets serve only to fulfil pension commitments and are not available to creditors even in the event of insolvency. The plan assets for working lifetime accounts are based on a contractual trust agreement which also provides insolvency protection. For this reason, the present value of the obligation is offset against the value of the plan assets.

The total net liability for employee-benefit obligations contains:

EUR m	2021	2020
Defined benefit plans	33.9	32.9
Post-employment benefits other than pensions, thereof:	7.9	7.3
<i>Obligations for long-service benefits</i>	0.8	0.8
<i>Obligations from working lifetime accounts</i>	7.1	6.5
<b>Total provisions for employee benefits</b>	<b>41.8</b>	<b>40.2</b>

Of the total obligations, an amount of EUR 1.7m is current (prior year: EUR 1.9m).



In the following tables, details are given of the outstanding provision for employee benefits, with the split between pension cost ("Pensions") and non-pension costs ("Other"), which encompasses long-service benefits and working lifetime accounts.

EUR m	Pensions		Other	
	2021	2020	2021	2020
Present value of defined benefit obligation	(34.0)	(33.0)	(39.7)	(32.9)
Fair value of plan assets	0.1	0.1	31.8	25.5
<b>Net obligation</b>	<b>(33.9)</b>	<b>(32.9)</b>	<b>(7.9)</b>	<b>(7.3)</b>

### Movement in the present value of the defined benefit obligation

EUR m	Pensions		Other	
	2021	2020	2021	2020
<b>As of 1 January</b>	<b>(33.0)</b>	<b>(26.6)</b>	<b>(32.9)</b>	<b>(26.7)</b>
Current service cost	(4.1)	(3.0)	(6.6)	(5.9)
Interest expenses	(0.3)	(0.3)	(0.3)	(0.3)
<u>Gains/losses recognised in other comprehensive income</u>				
<b>Change in actuarial parameters:</b>	<b>2.8</b>	<b>(3.7)</b>	-	-
1) Change in financial assumptions	2.9	(2.2)	-	-
2) Change from experience adjustments	(0.1)	(1.5)	-	-
3) Demographic changes	-	-	-	-
Benefits paid	0.6	0.6	0.1	-
<b>As of 31 December</b>	<b>(34.0)</b>	<b>(33.0)</b>	<b>(39.7)</b>	<b>(32.9)</b>

### Movement in the fair value of the plan assets

EUR m	Pensions		Other	
	2021	2020	2021	2020
<b>As of 1 January</b>	<b>0.1</b>	<b>0.1</b>	<b>25.4</b>	<b>21.7</b>
Employer payments	0.0	0.0	6.3	3.8
Benefits paid	0.0	0.0	0.0	(0.1)
<b>As of 31 December</b>	<b>0.1</b>	<b>0.1</b>	<b>31.8</b>	<b>25.4</b>

All plan assets comprise insurance agreements.

The plan asset for one individual contractual obligation under a defined benefit plan discloses an actual return of 5.62%.

### Amounts recognised in the statement of comprehensive income

EUR m	Pensions		Other	
	2021	2020	2021	2020
<b>Service cost</b>				
Current service cost	(4.1)	(3.0)	(0.3)	(2.0)
Benefits paid	0.6	0.6	0.1	0.0
Utilizations	0.0	0.0	0.0	(0.1)
<b>Net interest expense</b>				
Interest expense	(0.3)	(0.3)	(0.3)	(0.3)
<b>Amounts recognised in the statement of profit or loss</b>				
	<b>(3.8)</b>	<b>(2.7)</b>	<b>(0.6)</b>	<b>(2.4)</b>
<b>Actuarial gains/losses</b>				
<i>Actuarial gains/losses</i>				
1) Change in financial assumptions	2.9	(2.2)	-	-
2) Change from experience adjustments	(0.1)	(1.5)	-	-
3) Demographic changes	-	-	-	-
<b>Remeasurements of net defined benefit liability/asset recognised in other comprehensive income (OCI)</b>				
	<b>2.8</b>	<b>(3.7)</b>	<b>-</b>	<b>-</b>
<b>Total</b>				
	<b>(1.0)</b>	<b>(6.4)</b>	<b>(0.6)</b>	<b>(2.4)</b>

Actuarial gains and losses from defined benefit plans for pensions are accrued and recognised in full. They are recognised outside of the statement of profit or loss in the statement of comprehensive income.

Expected payments for defined benefit plans in 2021 amount to EUR 0.6m (prior year: EUR 0.6m).

### Breakdown of defined benefit obligations

EUR m	2021	2020
<b>By type of plan participants:</b>	<b>(73.7)</b>	<b>(65.9)</b>
Active plan participants	(63.8)	(55.3)
Terminated plan participants with defined benefit entitlement	(0.7)	(0.6)
Retired plan participants and beneficiaries	(9.2)	(10.0)

By type of benefits:	(73.7)	(65.9)
Retirement and death benefits	(34.0)	(33.0)
Working lifetime accounts	(39.0)	(32.1)
Long-service awards	(0.8)	(0.8)

## Risks

The Group is exposed to various risks: falling interest rates, an increase in life expectancy as well as rising wages and salaries cause the defined benefit obligations to increase. There are no concentrations of risk.

## Actuarial parameters

(in %)	2021	2020
Discount rate	1.26%	0.97%
Future expected wage and salary increase	4.15%	4.00%
Expected inflation rate	2.00%	2.00%
Expected increase in social security costs	2.25%	2.25%
Future expected pension increase	0,0/1,0/2,0	0,0/1,0/2,0
Average retirement age (in years)	65	65
Biometrics	2018 G Heubeck mortality tables	2018 G Heubeck mortality tables
Life expectancy for a 65-year-old on 31 December		
(in years):		
male	20.5	20.4
female	24.0	23.9

## Sensitivity analysis

EUR m	Effect on defined benefit obligation	
	Increase	Decrease
Discount rate (+/- 0.5%)	(7.0)	8.2
Wage and salary increase (+/- 0.5%)	2.8	(0.2)
Pension increase (+/- 0.25%)	0.4	(0.4)
Life expectancy of a pensioner (+1 year), male and female	1.6	-

## Maturity of defined benefit obligations

The average term of defined benefit pensions plans is 28.7 years of working lifetime accounts obligations 10.0 years and of long-service benefits obligations 14.0 years. The maturities of the benefit payments break down as follows:

EUR m	< 12 months	1-5 years	6-10 years	> 10 years
Pensions	0.6	2.2	2.9	44.0
Other	1.8	7.7	7.8	30.3
<b>Total</b>	<b>2.4</b>	<b>9.9</b>	<b>10.7</b>	<b>74.3</b>

## 6.11. Other provisions

Other provisions break down as follows:

EUR m	2021	2020
Provisions for environmental protection measures	1.7	1.8
Provision for dismantling obligations	89.0	92.9
Provision for archiving costs	0.1	0.1
<b>Other non-current provisions</b>	<b>90.8</b>	<b>94.8</b>
Provisions for environmental protection measures	0.5	0.4
Provision for litigation risks	3.9	3.3
<b>Other current provisions</b>	<b>4.4</b>	<b>3.7</b>
<b>Total other provisions</b>	<b>95.2</b>	<b>98.5</b>
Current portion of other personnel obligations	1.7	1.9
<b>Total provisions</b>	<b>96.9</b>	<b>100.4</b>

The item litigation risks contain anticipated burdens from current lawsuits which consider the principal claim as well as any interest payable.

The obligation for the Group arising from easement rights in accordance with Sec. 9 GBBerG [“Grundbuchbereinigungsgesetz”: German Land Register Adjustment Law] is known on its merits; the actual amount as well as the utilization date are based on experience and assumptions. Due to the time limitation for claims, the provision was fully reversed in 2020.

The provision for dismantling obligations has been set up for offshore platforms, sea cables and several transfer stations. If the estimated pre-tax discount rate used in the calculation had been 1% higher than management’s estimate, the carrying amount of the provision would have been EUR 13.3m lower. If the pre-tax discount rate had been 0%, the carrying amount of the provision would have been EUR 15.4m higher.

The development of other provisions can be seen in the statement of changes in provisions below (without the current portion of other personnel obligations):

EUR m	Environmental protection measures	Litigation risks	Easement rights	Dismantling obligations	Other	Total
As of 1 January 2020	2.3	4.7	6.0	87.7	0.1	100.8
Addition	-	1.4	-	3.9	-	5.3
Reversal	-	(2.1)	(5.9)	(0.3)	-	(8.3)
Utilization	(0.1)	(0.7)	(0.1)	-	-	(0.9)
Unwinding of the discount/change in interest rate	-	-	-	1.6	-	1.6
<b>As of 31 December 2020</b>	<b>2.2</b>	<b>3.3</b>	<b>-</b>	<b>92.9</b>	<b>0.1</b>	<b>98.5</b>
Non-current	1.8	-	-	92.9	0.1	94.8
Current	0.4	3.3	-	-	-	3.7

EUR m	Environmental protection measures	Litigation risks	Easement rights	Dismantling obligations	Other	Total
As of 1 January 2021	2.2	3.3	-	92.9	0.1	98.5
Addition	-	1.3	-	0.9	-	2.2
Reversal	-	(0.2)	-	(6.2)	-	(6.4)
Utilization	-	(0.4)	-	-	-	(0.4)
Unwinding of the discount/change in interest rate	-	-	-	1.4	-	1.4
<b>As of 31 December 2021</b>	<b>2.2</b>	<b>4.0</b>	<b>-</b>	<b>89.0</b>	<b>0.1</b>	<b>95.3</b>
Non-current	1.7	-	-	89.0	0.1	90.8
Current	0.5	3.9	-	-	-	4.4

The expected utilization of other provisions (without the current portion of other personnel obligations) is summarized below:

EUR m	Carrying amount as of 31 December 2020	2021	2022 to 2025	from 2026
Environmental protection measures	2.2	0.4	1.8	-
Litigation risks	3.3	3.3	-	-
Dismantling obligations	92.9	-	-	92.9
Other	0.1	-	-	0.1
<b>Total</b>	<b>98.5</b>	<b>3.7</b>	<b>1.8</b>	<b>93.0</b>

EUR m	Carrying amount as of 31 December 2021	2022	2023 to 2026	from 2027
Environmental protection measures	2.2	0.5	1.7	-
Litigation risks	3.9	3.9	-	-
Dismantling obligations	89.0	-	-	89.0
Other	0.1	-	-	0.1
<b>Total</b>	<b>95.2</b>	<b>4.4</b>	<b>1.7</b>	<b>89.1</b>

## 6.12. Other non-current liabilities

EUR m	2021	2020
Grants and subsidies	143.9	79.4
Other	38.5	40.6
<b>Total</b>	<b>182.4</b>	<b>120.0</b>

The group received an investment grant of EUR 69.2m during the fiscal year 2021.

Sundry other non-current liabilities comprise construction cost subsidies (2021: EUR 31.2m) a deferred income item with a term until June 2026 (2021: EUR 5.2m) as well as liabilities from the pension plan (2021: EUR 1.8m) and other personnel obligations (2021: EUR 0.3m).

## 6.13. Trade payables and other liabilities

EUR m	2021	2020
Trade payables due to third parties	553.6	356.0
VAT and other taxes	2.3	1.1
Other liabilities, personnel	5.4	3.3
Other liabilities, sundry	568.5	282.2
Accruals and deferrals	2,637.6	595.6
<b>Total</b>	<b>3,767.4</b>	<b>1,238.2</b>

Sundry other liabilities relate primarily to liabilities from compensation mechanisms of EUR 117.2.0m (prior year: EUR 172.0m) as well as securities towards the electricity exchange of EUR 356.0m (prior year: EUR 16.8).

Accruals and deferrals primarily comprise obligations resulting from the settlement of the EEG of EUR 2,549.2m (prior year: EUR 454.7m) as well as additional cost allocations of EUR 41.0m (prior year: EUR 84.0m).

All trade payables and other liabilities are current.

## 6.14. Anticipatory equity and liabilities

Deferred income relates to a cost reimbursement and income received in advance for the use of the German section of a high-voltage direct current transmission link.

## 6.15. Financial instruments – fair values

Based on the consolidated statement of financial position, the recognised financial instruments refer to the following measurement categories:

EUR m	Carrying amount				Fair value			
	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Other financial assets	43.5	-	-	43.5	-	-	43.5	43.5
Loans and receivables	-	1,655.8	-	1,655.8	-	-	-	-
Cash and cash equivalents	-	296.6	-	296.6	-	-	-	-
Loans and borrowings	-	-	4,002.3	4,002.3	3,984.0	-	296.7	4,253.7
Lease liabilities	-	-	50.9	50.9	-	-	-	-
Trade and other payables	-	-	1,163.7	1,163.7	-	-	-	-
<b>Total as of 31 December 2020</b>	<b>43.5</b>	<b>1,952.4</b>	<b>5,216.9</b>	<b>7,212.8</b>	<b>3,984.0</b>	<b>-</b>	<b>313.2</b>	<b>4,297.2</b>

EUR m	Carrying amount				Fair value			
	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Other financial assets	399.2	-	-	399.2	355.6	-	43.5	399.2
Loans and receivables	-	894.6	-	894.6	-	-	-	-
Cash and cash equivalents	-	2,857.2	-	2,857.2	-	-	-	-
Loans and borrowings	-	-	3,806.4	3,806.4	3,677.2	-	247.8	3,925.0
Lease liabilities	-	-	65.7	65.7	-	-	-	-
Trade and other payables	-	-	3,747.0	3,747.0	-	-	-	-
<b>Total as of 31 December 2021</b>	<b>399.2</b>	<b>3,751.8</b>	<b>7,619.1</b>	<b>11,770.1</b>	<b>4,032.8</b>	<b>-</b>	<b>291.3</b>	<b>4,324.2</b>

Fair value is the amount for which an asset could be exchanged, or a liability settled in an arm's-length transaction. IFRS 7 requires, for financial instruments that are measured in the statement of financial position at fair value, the disclosure of fair-value measurements by level in the following fair value measurement hierarchy:

**Level 1:** The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

The derivative from the price hedge for grid loss procurement, which is measured at fair value in OCI without affecting profit or loss, falls under level 1 of the measurement hierarchy. Its value is determined on the basis of the reporting date valuation of the existing futures contracts, which are fully contracted via the EEX electricity exchange and quoted there. Credit and default risks are avoided with this form of price hedging via exchange transactions.

The Group recognizes derivatives for an amount of EUR 355.6m. The futures contracts were concluded during the fiscal year at prices between € 40 and € 145 per MWh. As of the balance sheet date, the futures were quoted on the EEX at € 220 per MWh, resulting in a correspondingly high positive derivative value. As of the balance sheet date, the Group had already price-hedged a volume of 3.2 TWh for its expected physical demand for grid loss energy in subsequent years.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to assess the fair value of an instrument are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices), the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs used in applying the valuation technique is not based on observable market data, the financial instrument is included in level 3.

Due to the short-term nature of the current financial assets and current financial liabilities, their carrying amount is assumed to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

On the reporting date, other financial assets at FVOCI had a total fair value of EUR 43.5m and fall under level 3 in the fair value hierarchy. The fair value has been determined by reference to an evaluation method using discounted cash flows and therefore non-observable market data. The Group uses third party qualified valuers to perform the valuation. In prior year, the new valuation led to a remeasurement gain of EUR 14.9m. In fiscal year 2021, the Group received a dividend from other financial assets valued at FVOCI with an amount of EUR 0.9m (prior year: EUR 0.9m).

The fair value of the bonds is EUR 3,527.2m (prior year: EUR 3,133.4m). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in



the fair value hierarchy). The fair value of the registered bond is EUR 64.0m as of 31 December 2020 and was determined by reference to third party information, such as pricing services (classified as level 3 in the fair value hierarchy). The fair value of the private placement amounts to EUR 183.8m (classified as level 3 in the fair value hierarchy).

A change in the assumptions used to calculate the fair value classified as level 3 in the fair value hierarchy will not result in a significantly different outcome.

The credit quality of financial assets that are neither past due nor impaired is determined based on available credit ratings or past experience of default rates of business partners. No new terms were negotiated in the fiscal year for an asset that would otherwise have been impaired or past due. No financial assets deemed to be material by the Group are past due or impaired.

## **6.16. Leasing**

### **The Group as a lessee**

The Group leases buildings, cars, optical fibres, a portion of an overhead line and other equipment.

The valuation period is used according to the contractual term. Where no fixed term is agreed and an ongoing prolongation is subject to the contract, a termination date has been assumed by the responsible department. In case the lease contract contains a lease extension option, the Group assesses whether it is reasonably certain to exercise the option and makes its best estimation of the termination date.

No rental contracts were modified due to the coronavirus pandemic.

Information about leases for which the Group is a lessee is presented below.

### Right-of-use assets

Right-of-use assets are presented separately within property, plant and equipment and break down as follows:

EUR m	Use of land and overhead lines	Rent of buildings/offices	Cars	Optical fibers	Other	Total
As of 1 January 2020	38.7	3.0	4.4	0.7	2.1	48.9
Additions	0.4	1.8	2.8	0.9	1.1	7.0
Depreciations	(1.1)	(0.8)	(1.8)	(0.2)	(1.9)	(5.8)
<b>As of 31 December 2020</b>	<b>38.0</b>	<b>4.0</b>	<b>5.4</b>	<b>1.4</b>	<b>1.3</b>	<b>50.1</b>

EUR m	Use of land and overhead lines	Rent of buildings/offices	Cars	Optical fibers	Other	Total
As of 1 January 2021	38.0	4.0	5.4	1.4	1.3	50.1
Additions	3.2	15.8	2.1	0.4	-	21.5
Depreciations	(1.1)	(3.2)	(1.8)	(0.4)	(0.2)	(6.7)
<b>As of 31 December 2021</b>	<b>40.1</b>	<b>16.6</b>	<b>5.7</b>	<b>1.4</b>	<b>1.1</b>	<b>64.9</b>

### Lease liabilities

Information concerning the maturity of the contractual undiscounted cash flows is given below:

Maturity analysis - contractual undiscounted cash flows in EURm	2021	2020
< 1 year	4.8	4.7
1-5 years	14.4	13.6
> 5 years	45.6	47.8
<b>Total undiscounted lease liabilities on 31 December</b>	<b>64.8</b>	<b>66.1</b>
<b>Lease liabilities in the statement of financial position at 31 December</b>	<b>65.7</b>	<b>50.9</b>
Current	7.1	3.8
Non-current	58.6	47.1

### Amounts recognised in profit or loss

In addition to the depreciation disclosed above, the following amounts were recognised in profit or loss during the current fiscal year:

EUR m	2021	2020
Depreciation expense of right-of-use assets	6.7	5.8
Interest on lease liabilities	1.3	1.0
Expenses relating to short-term leases	0.1	0.0
Expenses relating to low-value assets	0.5	0.2
<b>Total</b>	<b>8.6</b>	<b>7.0</b>

### Amounts recognised in the statement of cash flows

The total cash outflow for leases amounts to EUR 6.7m in 2020 (prior year: EUR 5.4m) and is disclosed within cash flows from financing activities under the item "Repayment of borrowings".

### The Group as a lessor

The Group leases out optical fibres, land and buildings presented as part of property, plant and equipment. The leasing business only represents an ancillary business, however.

Contracts that do not relate to separately identifiable assets or in which the customer cannot direct the use of the asset or does not obtain substantially all the economic benefits associated with the use of the asset do not contain a lease.

The Group has classified these leases as operating leases as they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2020 was EUR 1.3m (prior year: EUR 1.2m).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date and considering the best estimation of the contractual term:

EUR m	2021	2020
within 1 year	1.6	1.5
1 to 2 years	0.9	0.7
2 to 3 years	0.8	0.7
3 to 4 years	0.8	0.6
4 to 5 years	0.8	0.6
more than 5 years	3.4	6.8
<b>Total</b>	<b>8.3</b>	<b>10.9</b>

## 6.17. Regulatory items

On the reporting date, the Group has an obligation surplus resulting from comparison of regulatory claims and obligations.

EUR m	2021	2020
Regulatory claims	5.9	7.5
Regulatory obligations	(450.8)	(510.8)
<b>Total</b>	<b>(444.9)</b>	<b>(503.3)</b>

The obligation surplus as of 31 December 2021 of EUR 444.9m (prior year: EUR 503.3m) is the nominal amount of EUR 447.1m (prior year: EUR 498.2m) less an interest effect of EUR 2.2m (prior year: plus EUR 5.1m).

On the basis of current assumptions, the nominal figures reported at year-end spread over the subsequent periods as follows:

(in Mio. €)	Nominal amount 2020	Less than 1 year	1-5 years	More than 5 years
regulatory items	498.2	115.5	274.9	107.8

(in Mio. €)	Nominal amount 2021	Less than 1 year	1-5 years	More than 5 years
regulatory items	447.1	147.4	159.6	140.1

(in Mio.€)	Regulatory claims	Regulatory obligations	Total
As of 1 January 2020	8.9	(511.4)	(502.5)
Increase	4.5	(147.1)	(142.6)
Decrease	(5.9)	159.6	153.7
Unwinding of discount/interest rate change	-	(11.9)	(11.9)
<b>As of 31 December 2020</b>	<b>7.5</b>	<b>(510.8)</b>	<b>(503.3)</b>

(in Mio €)	Regulatory claims	Regulatory obligations	Total
As of 1 January 2021	7.5	(510.8)	(503.3)
Increase	5.9	(15.6)	(9.7)
Decrease	(7.5)	69.1	61.6
Unwinding of discount/interest rate change	-	6.5	6.5
<b>As of 31 December 2021</b>	<b>5.9</b>	<b>(450.8)</b>	<b>(444.9)</b>

## 7. Other notes

### 7.1. Financial risk management and factors

#### Principles of risk management

Group-wide risk management focuses on the uncertainty of developments on financial markets and aims at minimising potential adverse effects on the cash flows of the Group. Risk management is performed in accordance with the policies issued by management. It identifies, assesses and hedges financial risks in close cooperation with the operating units of the Group. Management defines principles for cross-functional risk management and issues policies for the handling of currency, interest and credit risks, the use of derivative and non-derivative financial instruments as well as the use of liquidity surpluses.

The Group recognizes derivatives as price hedges for the future procurement of physical grid loss requirements that are expected in subsequent periods and are covered in each case by short-term procurement transactions on the spot market. The Group counteracts the procurement price risk for grid loss energy by hedging prices at an early stage using futures contracts on the EEX power exchange. The futures contracts serve as hedging transactions for the price of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for the intended price hedging covers a period of up to two years from the balance sheet date.

The Group pursues a conservative hedging strategy based on the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging. The Group aims to fully hedge the expected volume of grid loss energy.

As a result of the Group's operations, Eurogrid and its subsidiaries are generally exposed to a variety of financial risks.

#### Market risk

The market risk takes into account negative effects on the financial position and cash flows of the Group arising as a result of price changes on the market which cannot be avoided otherwise. The activities of the Group extend to the electricity market – in particular as part of selling the electricity generated from renewable energies as well as procurement of energy to cover grid energy losses – as well as to the market for short-term deposits. The Group counteracts the procurement price risk for grid loss energy by hedging prices at an early stage using futures contracts on the EEX electricity exchange.

The Group is not subject to any foreign currency risks for its investments. The procurement of commodities relates only to electricity in a regulated volume.

#### Risks from energy procurement

The Group counters the procurement price risk for grid loss energy by hedging prices at an early stage using futures contracts on the EEX power exchange. Price hedging by means of futures serves to fix the best possible price within the regulatory framework set by the BNetzA for refinancing the costs of grid loss energy (setting of the so-called reference price in accordance with the applicable FSV). The hedging transactions are contracted with a lead time of up to 18 months. Price hedging is carried out continuously, taking into account the volume forecast for the expected grid losses.

#### Foreign currency risk

The Group is only exposed to an insignificant foreign currency risk as a result of the very limited volume of transactions it performs in foreign currency.

#### Interest rate risk

The interest rate risk takes into account any negative effects (e.g., resulting from a fall in market liquidity and/or the rating) by means of changes to the interest rates available on the market. It reflects the danger of the Group making repurchases with its financial resources at poorer conditions. The Group actively manages interest rate risks by continuously observing the market as well as regularly following up on short and mid-term financial planning, allowing it to manage risks and optimise its cash and cash equivalents. Given a long-term financial strategy, the fixed-interest bond of EUR 3,590m issued in 2015, 2016 and 2020 forms the basis of the Group's debt financing, protecting the Group from short-term interest rate risks, along with the registered bond of EUR 50m issued in 2014 and the syndicated loan agreement taken out in 2016.

#### **Liquidity risk**

The liquidity risk can generally arise at any time as a result of a major deviation between incoming and outgoing cash flows. Liquidity risks can arise from the core business of the group entities 50Hertz Transmission and 50Hertz Offshore if the actual financial requirements deviate significantly from the underlying financial planning in the short term. In particular in connection with the obligation to accept and provide payment for electricity generated from renewable energies as well as the sale of this electricity on the electricity exchange, there are considerable liquidity fluctuations that arise everyday which the Group tries its best to anticipate.

The high volume of contracted futures contracts also has an impact on the Group's liquidity management. The daily cash settlement of futures contracts with the exchange can have short-term effects on liquidity, which largely follow the general price trend on the electricity market.

In accordance with agreed maturity dates and interest due, the contractually agreed cash outflows from financial liabilities will be as follows in the future:

EUR m	Carrying amount	Expected cash outflows	6 months or less	6 to 12 months	1-2 years	2-5 years	> 5 years
Unsecured bonds	3,151.9	(3,519.7)	(29.0)	(19.1)	(48.1)	(1,369.9)	(2,053.6)
Unsecured bank loans and other loans	850.4	(858.6)	(701.0)	(0.7)	(1.4)	(4.5)	(151.0)
<b>Total as of 31 December 2020</b>	<b>4,002.3</b>	<b>(4,378.3)</b>	<b>(730.0)</b>	<b>(19.8)</b>	<b>(49.5)</b>	<b>(1,374.4)</b>	<b>(2,204.6)</b>
Unsecured bonds	3,656.4	(4,016.0)	(32.7)	(19.1)	(801.8)	(609.4)	(2,553.0)
Unsecured bank loans and other loans	150.0	(159.5)	(1.1)	(0.9)	(2.3)	(155.2)	-
<b>Total as of 31 December 2021</b>	<b>3,806.4</b>	<b>(4,175.5)</b>	<b>(33.8)</b>	<b>(20.0)</b>	<b>(804.1)</b>	<b>(764.6)</b>	<b>(2,553.0)</b>

The Group's short-term and medium-term liquidity position is regularly monitored to manage liquidity risks. The Group is soundly equipped with funds and credit lines that can also be drawn at short notice for any liquidity needs that arise. The credit lines available to the Group but not drawn total EUR 900.0m and are provided by various banks.

Details of the used and unused back-up credit facilities are set out below:

EUR m	Maturity	Available amount	Amount used	Amount not used
Confirmed credit line	26 February 2025	750	-	750
Confirmed credit line	unlimited	150	-	150
Confirmed credit line	14 December 2026	150	150	-

The solvency of the Group and its Group entities is secured at all times.

Following table shows the changes in financial liabilities including changes in cash and non-cash transactions:

EUR m	Loans and borrowings
Balance at 1 January 2020	2,901.3
<b>Changes in cash flow from financing activities</b>	
Cashflow: Repayment of borrowings	(505.4)
Cashflow: Proceeds from withdrawal of borrowings	1,655.2
<b>Total changes in cash flow from financing activities</b>	<b>1,149.8</b>
<b>Other changes</b>	
Changes in interest accruals	2.1
Other miscellaneous changes	0.0
<b>Total other changes</b>	<b>2.1</b>
<b>Balance at 31 December 2020</b>	<b>4,053.2</b>
Balance at 1 January 2021	4,053.2
<b>Changes in cash flow from financing activities</b>	
Cashflow: Repayment of borrowings	(706.7)
Cashflow: Proceeds from withdrawal of borrowings	498.0
<b>Total changes in cash flow from financing activities</b>	<b>(208.7)</b>
<b>Other changes</b>	
Changes in interest accruals	4.7
Increase in lease liabilities	21.5
Transaction costs	1.5
<b>Total other changes</b>	<b>27.6</b>
<b>Balance at 31 December 2021</b>	<b>3,872.1</b>

### Credit risk

The credit risk is managed across the Group. When entering into contractual relationships as well as concluding transactions, the credit rating and creditworthiness are reviewed as standard practice. Business transactions are generally only conducted with partners recognised as being creditworthy. To limit the credit risk on a case-by-case basis, suitable measures are taken to prevent any damage to the Group or subsidiaries. The long-standing customer relationships in some areas and the resulting partnerships also allow the Group to manage potential credit risks.

Observing an investment policy, the Group participates in the short-term investment of freely available funds with various banks with good credit ratings. Investments are only made up to the deposit protection limit. As such, there are no significant risks posed for the Group as a result of



the short-term nature of the term deposits and the high rating requirements placed on the banks. No credit limit was exceeded during the reporting period.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal and external information indicates that the individual assessment of the customer or contractual relationship could have a negative impact on the group profit.

The maximum credit risk on the reporting date was equivalent to the total of the loans and trade and other receivables (EUR 894.6m; prior year: EUR 1,655.8m). On the basis of past experience of actual defaults, the actual credit risk is deemed to be low.

Valuation allowances on trade receivables break down as follows:

EUR m	Doubtful debts	Valuation allowances	Balance
<b>As of 1 January 2020</b>	<b>195.6</b>	<b>(195.6)</b>	-
Changes in the fiscal year	2.0	(2.0)	-
<b>As of 31 December 2020</b>	<b>197.6</b>	<b>(197.6)</b>	-
<b>As of 1 January 2021</b>	<b>197.6</b>	<b>(197.6)</b>	-
Changes in the fiscal year	0.0	0.0	-
<b>As of 31 December 2021</b>	<b>197.6</b>	<b>(197.6)</b>	-

31 December 2020	Not past due	0-30 days past due	31-60 days past due	61 days - 1 year past due	1 year - 2 years	> 2 years	Total
Expected loss rate	0.05%	4.75%	39.06%	100.00%	100.00%	100.00%	
Carrying amount - trade receivables	190.6	0.8	0.0	0.3	0.6	-	192.3
Loss given default							95.42%
<b>Valuation allowance</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.5</b>	<b>-</b>	<b>0.9</b>

31 December 2021	Not past due	0-30 days past due	31-60 days past due	61 days - 1 year past due	1 year - 2 years	> 2 years	Total
Expected loss rate	0.03%	3.02%	20.33%	13.05%	100.00%	100.00%	
Carrying amount - trade receivables	172.8	1.4	0.2	7.9	0.7	-	183.0
Loss given default							93.39%
<b>Valuation allowance</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>1.0</b>	<b>0.6</b>	<b>-</b>	<b>1.7</b>

Loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. This percentage is multiplied with the outstanding trade receivables.

Receivables from compensation mechanisms are out of scope from the calculation of the expected credit loss and the corresponding valuation allowances due to the existing legal compensation right from third party in the amount and at the time of the default.

## 7.2. Capital management

As part of its medium to long-term planning, the Group uses a projected statement of financial position, taking into account the requirements of capital maintenance. Management of the Group's equity ratio is aimed at maintaining its financing capability and credit rating. This objective is constantly monitored, actively managed and supported by the Group's regulatory management. The Group is not subject to any statutory or other such provisions on capital maintenance.

No changes were made in the objectives, policies or processes for managing capital in fiscal year 2021.

EUR m	2021	2020
Total financial liabilities	7,619.1	5,216.9
Less: cash and cash equivalents	(2,857.2)	(296.6)
<b>Net debt</b>	<b>4,761.9</b>	<b>4,920.3</b>
Equity	1,931.7	1,634.3
<b>Total capital</b>	<b>6,693.6</b>	<b>6,554.6</b>
<b>Debt ratio*</b>	<b>71%</b>	<b>75%</b>

\* Debt ratio calculated as ratio of net debt to total capital

### 7.3. Commitment and contingencies

#### Contingent rents, purchase options and restrictions

The Group has no contracts which include either contingent rental payments or purchase options agreed in the significant lease contracts. Furthermore, these significant lease contracts do not include any escalation clauses or restrictions that are significant to the use of the respective asset.

#### Purchase commitments

On 31 December 2021, there was a purchase obligation for investments measures of EUR 1,661.5m (prior year: EUR 1,575.1m).

The purchase commitment for maintenance measures amounts to EUR 16.3m (prior year: EUR 13.7m) as of 31 December 2021.

#### Other contingencies and commitments

Offshore expenses between 50Hertz and TenneT arising from the horizontal settlement gives rise to financial obligations for 50Hertz in future periods. The total amount of these future cumulative amounts comes to EUR 3.9m (prior year: EUR 10.5m) and will be reflected in 50Hertz's network user charge calculations in the next years following the corresponding billing by TenneT.

## 7.4. Related party disclosures

Within the meaning of IAS 24, the Group defines the following entities and bodies as related parties:

### Controlling entities:

Via Eurogrid International, Elia Group holds an 80% stake in Eurogrid and thus obtained control in 2018. KfW contributed its 20% shareholding to Eurogrid GmbH to Selent in 2019.

No business transactions were entered into with KfW in fiscal year 2021.

Various service agreements have been in place between Elia Transmission Belgium and 50Hertz Transmission GmbH. Costs for consulting projects and other services are also cross-charged. In fiscal year 2021, revenue of EUR 22.8m was generated (prior year: EUR 7.9m), while expenses amounted to EUR 11.7m (prior year: EUR 8.5m). On the reporting date, there were receivables of EUR 4.0m (prior year: EUR 2.3m) and liabilities of EUR 20.5m (prior year: EUR 4.3m).

Service agreements on general management and service functions are in place between Eurogrid and Eurogrid International. In fiscal year 2021, this resulted in expenses for purchased services of EUR 0.3m for the Group (prior year: EUR 0.3m). Trade and other payables remained at EUR 0.3m.

Furthermore, the Group distributed EUR 120.0m (prior year: EUR 120.0m) to the shareholders Eurogrid International and KfW (via its subsidiary Selent).

### Associates:

Elia Grid International NV/SA, Brussel, Belgium, is an associate company of the Group and is consolidated at equity in the Group. Assets under construction based on service agreements with EGI for consulting and engineering services in the area of grids and system services have been recognised in the amount of EUR 14.0m as of the end of the fiscal year 2021 (31 December 2020: EUR 39.8m). Furthermore various service agreements have been in place between EGI and 50Hertz. There are expenses for an immaterial amount.

Key management personal includes Eurogrid International's board of directors, who are responsible for monitoring the activities of Eurogrid. Key management personal also includes the board of management of 50Hertz Transmission and the supervisory boards of Eurogrid and 50Hertz Transmission. Key management personnel did not receive stock options, special loans or other advances from the Group during the year. In fiscal year 2021, the general managers of

50Hertz Transmission received EUR 3,135,164.98 in consideration, which breaks down as follows:

- Fixed basic salaries EUR 1,472,607.01
- Variable salary components – short-term EUR 461,620.00
- Variable salary components – long-term EUR 657,149.24
- Pension scheme (company pension scheme and direct insurance) EUR 364,104.48
- Other benefits and allowances (including stock options) EUR 179,684.25.

Pension obligations to former members of the board of management of 50Hertz Transmission amount to EUR 4.1m (prior year: EUR 2.0m). Thereof EUR 0.6m are covered by reinsurance.

There were transactions with entities in which the members of Eurogrid International board of directors, the board of management of 50Hertz Transmission or the supervisory boards exercise a significant influence (e.g., holding positions such as CEO, CFO or members of the management committee) in the amount of EUR 3.9m (expenses) and 0.0m (income) in the fiscal year 2021. No other material transactions took place.

## 7.5. List of shareholdings as of 31 December 2021

Name	Country of establishment	Headquarters	Commercial register number	Equity (EUR m)	Net result (EUR m)	Stake (%)	
						2021	2020
<b>Fully consolidated companies</b>							
50Hertz Transmission GmbH	Germany	Heidestraße 2 10557 Berlin	HRB 84446 B			100.0	100.0
50Hertz Offshore GmbH	Germany	Heidestraße 2 10557 Berlin	HRB 108780 B			100.0	100.0
<b>Associated companies accounted for using the equity method</b>							
Eia Grid International NV/SA	Belgium	Boulevard de l'Empereur 1000 Brussels	549.780.459			49.99	49.99
<b>Other investments</b>							
JAO Joint Allocation Office S.A.	Luxembourg	Rue de Bitbourg 2	B0142282	6,8 (annual report 31.12.2020)	0,3 (annual report 31.12.2020)	4.0	4.0
CORESIO S.A.	Belgium	Avenue de Cortenberg 71 1000 Brussels	808.569.630	3,7 (annual report 31.12.2020)	1,0 (annual report 31.12.2020)	7.9	7.9
European Energy Exchange AG	Germany	Augustusplatz 9 04109 Leipzig	HRB 18409	542,8 (annual report 31.12.2020)	69,7 (annual report 31.12.2020)	5.4	5.4
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3 81673 Munich	HRB 214951	7,4 (annual report 31.12.2020)	0,6 (annual report 31.12.2020)	6.7	6.7
Stiftung Kurt-Sanderling-Akademie des Konzerthauses Berlin	Germany	Gendarmenmarkt 10117 Berlin	-	basic assets EUR m 0,1	basic assets EUR m 0,1	10.4	10.4

## 7.6. Subsequent events

Up to the date of preparing the consolidated financial statements, no significant events were performed that had an effect on the Group's net assets, financial position and results of operations in the reporting period.

## 7.7. Auditor's fees in accordance with Sec. 314 (1) No. 9 HGB

BDO AG was appointed as auditor during fiscal year 2021.

The auditor of Eurogrid's consolidated financial statements, BDO AG, Wirtschaftsprüfungsgesellschaft, Berlin, (prior year: Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin) received fees for audit services of EUR 224k (prior year: EUR 263k) in the fiscal year. Fees for audit services mainly comprise fees for the statutory audit of the consolidated financial statements

and the separate financial statements of the group entities of Eurogrid. In addition, the auditor received EUR 21k (prior year: EUR 181k) for other services.

### **7.8. Exemption options pursuant to Sec. 264 (3) and Sec. 264b HGB**

The German subsidiaries with the legal form of a corporation do not make use of the exemption regulations in accordance with Sec. 264 (3) and Sec. 264b HGB.

### **7.9. Supervisory Board**

During the fiscal year the supervisory board contained the following members:

**Christiaan Peeters**, Chairman, Chief Executive Officer, Elia Group NV/SA, Elia Transmission Belgium NV/SA and Elia Asset NV/SA, Korbeek-Lo, Belgium

**Dr. Lutz-Christian Funke**, Vice Chairman, Secretary of KfW Banking Group, Oberursel, Germany

**Catherine Vandendorre**, Chief Financial Officer, Elia Group NV/SA, Elia Transmission Belgium NV/SA and Elia Asset NV/SA, Rixensart, Belgium

**Peter Michiels**, Chief HR and Internal Communication Officer, Elia Group NV/SA, Elia Transmission Belgium NV/SA and Elia Asset NV/SA Antwerp, Belgium

**Markus Berger**, Chief Infrastructure Officer, Elia Transmission Belgium NV/SA and Elia Asset NV/SA, Braine- l'Alleud, Belgium

According to the articles of association of Eurogrid no remuneration is paid to members of the supervisory board.

## 7.10. Management

Management comprised the following members during the fiscal year:

**Stefan Kapferer**, Managing Director/CEO of 50Hertz Transmission GmbH, Berlin, Germany

**Yannick Dekoninck**, Investor Relations Officer of Elia Group NV/SA, Beersel, Belgium

The managing directors were not employed at the Company. No remuneration was paid.

Berlin, 11 February 2022

The management of Eurogrid GmbH

Stefan Kapferer

Yannick Dekoninck



## Financial terms or Alternative Performance Measures

The consolidated financial statements contain certain financial performance measures that are not defined by IFRSs and are used by management to assess the financial and operational performance of the Group. The most important alternative performance measures used by the Group are explained below.

The following APMs are explained in this document:

- Capex (capital expenditures)
- EBIT
- EBITDA
- Free cash flow
- Net finance costs
- Net financial debt

### **CAPEX (capital expenditures)**

CAPEX (capital expenditures) = Acquisitions of property, plant and equipment and intangible assets. Capital expenditures, or CAPEX, are investments realised by the Group to acquire, upgrade, and maintain physical assets (such as property, buildings, an industrial plant, technology, or equipment) and intangible assets.

### **EBIT**

EBIT (Earnings Before Interest and Taxes) = Earnings from operating activities used for the operational performance of the Group. The EBIT is calculated as total revenue less costs of raw materials, consumables and supplies and of purchased goods, of purchased services and other goods, of personnel and pensions expenses, of amortization, depreciation and impairments, of changes in provisions and other operating expenses and plus the share of the equity investments accounted for using the equity method.

EUR m	2021	2020
Result from operating activities	272.9	340.1
Result from equity investments accounted for using the equity method	0.1	0.1
<b>EBIT</b>	<b>273.0</b>	<b>340.2</b>

### **EBITDA**

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) = Earnings from operating activities plus amortization, depreciation and impairment, changes in provisions as well as the share of the equity investments accounted for using the equity method. EBITDA is used

as a measure for the operational performance of the Group, thereby extracting the effect of amortization, depreciation and impairment and changes in provisions of the Group.

EUR m	2021	2020
Result from operating activities	272.9	340.1
Add:		
Amortization, depreciation and impairment	260.3	245.2
Changes in provisions	0.9	(6.6)
Result from equity investments accounted for using the equity method	0.1	0.1
<b>EBITDA</b>	<b>534.2</b>	<b>578.8</b>

### **Free cash flow**

Cash flow from operating activities minus cash flows from investing activities. Free cash flow gives an indication of the cash flows generated by the Group.

EUR m	2021	2020
Net cash flow from operating activities	3,720.7	(796.3)
Deduct:		
Net cash used in investing activities	(831.4)	(730.1)
<b>Free cash flow</b>	<b>2,889.3</b>	<b>(1,526.4)</b>

### **Net finance costs**

Net finance costs represent the net financial result (finance costs minus finance income) of the Company.

### **Net financial debt**

Net Financial Debt = Non-current and current interest-bearing loans and borrowings (incl. lease liabilities under IFRS 16) minus cash and cash equivalents. Net financial debt is an indicator of the amount of interest-bearing debt of the Group that would remain if readily available cash or cash instruments were used to repay existing debt.

EUR m	2021	2020
Non-current loans and borrowings	3,838.6	3,327.2
Add:		
Current loans and borrowings	33.5	725.9
Deduct:		
Cash and cash equivalents	2,857.2	296.6
<b>Net financial debt</b>	<b>1,014.9</b>	<b>3,756.5</b>

# INDEPENDENT AUDITOR´S REPORT

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To Eurogrid GmbH, Berlin

## QUALIFIED OPINIONS

We have audited the consolidated financial statements of Eurogrid GmbH, Berlin, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of profit or loss and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1, 2021 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 (report on the position of the company and of the group) of Eurogrid GmbH for the financial year from January 1, 2021 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of parts of the group management report as specified in section "OTHER INFORMATION".

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

- with the exception of the effects of the matter described in section "Basis for the qualified opinions", 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 (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, with the exception of these effects, give a true and fair view of the assets, liabilities, and financial position of the group as at 31 December 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- with the exception of the effects of the matter described in section "Basis for the qualified opinions", the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, with the exception of these effects, 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 opinion on the group management report does not cover the content of those parts of the group management report listed in section "OTHER INFORMATION".

Pursuant to § 322 (3) 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 QUALIFIED OPINIONS

Claims and obligations from regulatory issues of EUR 444.9 million (prior year: EUR 503.3 million) have been recognized in the consolidated statement of financial position as well as the associated deferred tax assets/ liabilities. In the financial year from January 1, 2021 to December 31, 2021, the change in claims and obligations arising from regulatory matters resulted in revenues that were EUR 51.9 million too high (previous year: EUR 11.2 million) and net interest income that was EUR 6.5 million too high (previous year: net interest income that was EUR 11.9 million too low). In this respect, earnings before taxes are reported to be EUR 58.4 million too high for the financial year 2021 (in the previous year, earnings before taxes were reported to be EUR 0.7 million too low).

The IASB has been developing accounting principles for regulatory claims and obligations since 2014, but it has not published any final standard at the time that these consolidated financial statements were issued. According to the IFRS interpretations applied in Germany, it is currently not allowed to recognize claims or obligations from regulatory issues.

This matter also has a negative effect on the presentation of the development of business in the management report, including the business result and the Group's position, and the presentation of opportunities and risks of future development.

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") and 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, 2021 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 addition to the matter described in section “Basis for the qualified opinions”, we determined the following matters to be a key audit matter, which are disclosed in our auditor’s report:

### RECOGNITION OF PROPERTY, PLANT AND EQUIPMENT WITH PARTICULAR REGARD TO THE ESTIMATION OF USEFUL LIVES

#### Matter

The consolidated financial statements of Eurogrid GmbH as of December 31, 2021 contain property, plant and equipment which account for around 59 % of total assets. The property, plant and equipment almost exclusively comprise grid systems, in particular high-voltage overhead lines and high-voltage cables as well as substations including transformers; this also includes related land and buildings as well as prepayments and assets under construction.

The correct demarcation and allocation of investment and maintenance expenses is of high importance for the Eurogrid Group’s net assets and results of operations. On the one hand, recognition of property, plant and equipment results in expenses in the form of depreciation only after their customary useful life - some of which can comprise up to several decades. On the other hand, costs for maintenance measures represent the full amount of immediate expenses in the financial year in which they are incurred. On account of the associated effects on the Group’s net assets and results of operations, we identified the recognition of property, plant and equipment as a key audit matter.

Besides the cost of materials, depreciation represents the most significant expense item. The amount of depreciation is determined on the basis of the estimated useful life of the fixed assets. The estimation of useful lives therefore represents another key audit matter.

The accounting policies applied regarding property, plant and equipment are contained in the notes to the consolidated financial statements in section “3.5. Property, plant and equipment”. For the disclosures relating to property, plant and equipment, we refer to section “6. Notes to the statement of financial position”, sub-section “6.1. Property, plant and equipment” in the notes to the consolidated financial statements.

## Auditor's response and observations

As part of our audit, we assessed the process of capitalizing property, plant and equipment with the responsible employees and examined the process, in particular with regards to the differentiation of maintenance expenses, based on documentation provided to us. In this context, we obtained an understanding of the relevant internal controls and assessed their adequacy and implementation. We also tested the effectiveness of the accounting-related internal controls.

We also performed other substantive audit procedures on a sample-basis for both fixed asset additions and maintenance expenses. These procedures included assessing the proper allocation of costs to capital expenditure and maintenance projects based on the statutory requirements for capitalization, reconciling additions to property, plant and equipment with the corresponding invoices, and reconciling capitalization of finished assets with the corresponding acceptance and commissioning records. We also examined whether the useful lives reflected general and industry-specific expectations. For a sample of additions, we reconciled the useful lives considered in the system to the expected useful lives.

The basis for our audit of the classification of such investments/maintenance expenses was the criteria of IAS 16 Property, Plant and Equipment.

Our audit procedures with respect to the capitalization of property, plant and equipment revealed that the process applied is appropriate and that the estimate of useful lives is in accordance with the relevant valuation principles.

## REVENUE RECOGNITION FROM THE GRID BUSINESS

### Matter

For the financial year 2021, the Eurogrid Group reports revenues from the grid business in the amount of EUR 1,621.8 million. These are generally based on the revenue cap for the calendar year 2021 notified to the responsible regulatory authority. The revenue cap is based, among other things, on budgeted cost estimates for the regulatory activities of the Eurogrid Group. At the end of the financial year, there are regular deviations between the actual values and the cost estimates taken into account in the revenue cap, as well as due to excess or shortfall volumes compared with the budgeted values. Regulatory claims and obligations are recognized in the consolidated financial statements for these deviations, resulting in a correction of the revenue from the grid business.

The regulatory peculiarities that have to be taken into account, which result from various legal and official requirements and include a wide variety of determination requirements, lead to a high level of complexity in revenue determination, which is associated with an increased risk of incorrect accounting. Due to the high significance of revenue from the network business for the earnings situation of the Eurogrid Group and the complexity of revenue recognition, we have identified revenue recognition from the network business as a particularly important matter for our audit.

The accounting policies applied regarding revenue are contained in the notes to the consolidated financial statements in section “3.16. Revenue recognition.”

For the disclosures relating to revenue from the grid business, we refer to section “5. Notes to the statement of profit or loss”, sub-sections “5.2. Revenues and other income”, thereof “5.2.1. Revenue from the grid business” in the notes to the consolidated financial statements.

### **Auditor’s response and observations**

As part of our audit, we assessed the accounting policies applied in the consolidated financial statements of Eurogrid GmbH for the recognition of revenue from the grid business based on the criteria defined in IFRS 15.

In particular, we traced the process of revenue recognition from the network business, including the related IT environment, on the basis of the documents made available to us on the individual process steps and discussed them with the responsible employees of the departments involved. In doing so, we obtained an understanding of the relevant internal controls and assessed their adequacy and implementation. We also tested the effectiveness of the internal controls relevant to accounting.

In addition, we performed analytical audit procedures on the recognition of revenue from the network business. This included analyses of the correlation of revenue entries with the related balance sheet items. Furthermore, we methodically verified the determination of the revenue cap for the reporting year. In this context, we also relied in particular on the revenues approved by the regulatory authority responsible for 50Hertz Transmission GmbH on the basis of the regulatory framework conditions.

Furthermore, we compared the recognition of regulatory obligations and claims based on the estimated cost approaches included in the revenue cap compared to actual development.

Except for the objection presented in the "Basis for the qualified opinions" section of this report on the audit of the consolidated financial statements and the group management report, we consider the revenue recognition from the network business to be appropriate based on our audit procedures.

### **OTHER INFORMATION**

The executive directors are responsible for the other information. The other information comprises

- the non-financial group statement provided in the group management report and
- the group statement on corporate governance provided in 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 opinion or any other form of assurance conclusion thereon.

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

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

## **RESPONSIBILITIES OF THE MANAGEMENT AND THE SUPERVISORY BOARD 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 (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 supervisory board 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 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 (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 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 ART. 10 OF THE EU AUDIT REGULATION

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We were elected as group auditor by the consolidated general meeting on 24 September 2021. We were engaged by the supervisory board on 24 September 2021. We have been the group auditor of the Eurogrid since the financial year 2021.

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

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The German Public Auditor responsible for the engagement is Julia Wirth.

Berlin, 11 February 2022  
BDO AG Wirtschaftsprüfungsgesellschaft

signed Eckmann  
Wirtschaftsprüfer  
(German Public Auditor)

signed Wirth  
Wirtschaftsprüfer  
(German Public Auditor)