FISCAL YEAR 2021

FINANCIAL PUBLICATION

FISCAL YEAR 2021

FOREWORD BY THE CFO

Dear Readers,

With this financial report, we reach another milestone on our way to becoming an established, reliable and innovative issuer on the international capital market. For the first time, we are presenting our financial performance for the Amprion Group as a whole for the financial year 2021 with the simultaneous adoption of the internationally established International Financial Reporting Standards (IFRS). These consolidated financial statements represent the starting point for our future group-wide regular reporting. In this way, we are aligning ourselves with the practices of the international capital market, which will make Amprion more transparent and thus more attractive for investors.

With the conversion of our financial reporting to IFRS, which we have successfully completed in recent months in an excellent team effort, we will additionally focus our financial reporting on internationally established key performance indicators (KPIs). In this way, we want to become even more transparent and visible on the capital market as a reliable and trustworthy partner.

EBITDA, i.e. earnings before interest, taxes, depreciation and amortisation, and *Net Income* are included in the four KPIs in focus. We will adjust both indicators for the effects of the regulatory account in order to achieve better international comparability. In particular, regularly realised deviations between the revenues actually generated and the revenue cap set in accordance with German GAAP (HGB) are recorded in the regulatory account - however, this cannot be reflected under IFRS. These deviations can only be determined ex post at the end of the year, and are then parked in the regulatory account. The corresponding balance of the last completed calendar year is then distributed and balanced on an annuity basis over the revenue caps of the following three years. This smoothing mechanism is intended to avoid strong periodic fluctuations in grid charges and to increase their predictability.

To date, the regulatory claims and obligations recorded in the regulatory account may not be accounted for under IFRS. This results in periodic earnings distortions and economically unfounded revenue and earnings volatility in the IFRS financial statements. In order to obtain an economically realistic and appropriate picture of the key earnings figures and financial ratios, our capital market communication is based on *adjusted EBITDA* and *adjusted net income*.

We also want to make the dynamic development of our operating financial strength more transparent and comparable. In future, we will therefore continuously report on the cash flow-related indicator *Funds from Operations (FFO)*, which is established in the industry and on the international capital market. Here, too, individual adjustments will be made in order to provide as accurate a picture as possible of the financial strength of the Amprion Group from an economic perspective.

We round off our set of IFRS key figures with the key regulatory figure "Regulated Asset Base" (RAB). This represents the basis of our revenue structure from regulation and is derived from the annual financial statements of Amprion GmbH under German GAAP (HGB). At the end of 2021, the RAB including Amprion Offshore GmbH amounted to around €5.1 billion.

The development of the adjusted IFRS KPI's for 2021 also reflects the positive development under German GAAP (HGB).

Per IFRS	31/12/2021	31/12/2020	Delta in %
Adjusted EBITDA	866.9	696.6	+25.5
Adjusted Net Income	259.8	205.5	+26.4
Adjusted FFO	631.1	952.6	-33.7

As a company that is paving the way for a climate-neutral energy system through grid expansion, the clear commitment to sustainability and the sustainability goals of the European Union is a matter of course. Therefore, in recent months, we have established our Green Finance Framework, a set of rules for financial instruments that are focused on sustainability. Based on this, we will also anchor the topic of sustainable management, which is essential for the strategic success of the company, in the financing of Amprion. Accordingly, we also plan to issue green bonds in the future.

I thank you for your trust and support during the past months and look forward to continuing our dialogue in the future.

Yours,

Peter Rüth

IFRS CONSOLIDATED FINANCIAL STATEMENTS

2021

Amprion GmbH, Dortmund

Consolidated financial statements

as at 31 December 2021

Note

This document is a translation of the German version. In case of uncertainty or conflict, the German version shall prevail.

Consolidated income statement for the Amprion Group

For the years ended 31 December

in € million	Note	2021	2020
Revenue	[1]	2,571.8	2,276.2
Change in work in progress		0.0	0.0
Other own work capitalised		117.5	102.9
Other operating income	[2]	4.1	6.1
Cost of materials	[3]	-1,611.8	-1,021.1
Personnel expenses	[4]	-268.0	-227.4
Other operating expenses	[5]	-124.7	-103.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		*688.8*	*1,033.4*
Depreciation and amortisation	[6]	-473.4	-410.2
Earnings before interest and taxes (EBIT, operating profit)		*215.5*	*623.2*
Financial result	[7]	-13.1	-10.8
of which financial income	*[7]*	*1.0*	*0.6*
of which financial expenses	*[7]*	*-14.1*	*-11.4*
Earnings before taxes (EBT)		*202.4*	*612.3*
Income taxes	[8]	-63.8	-177.8
CONSOLIDATED NET INCOME		138.6	434.5

Consolidated statement of comprehensive income for the Amprion Group

For the years ended 31 December

After-tax figures in € million	Note	2021	2020
CONSOLIDATED NET INCOME		138.6	434.5
Revaluation of defined benefit pension obligation and similar obligations	[19]	32.2	-37.1
Total income and expenses recognised in equity (other comprehensive income, OCI)	[19]	*32.2*	*-37.1*
Income and expenses recognised in equity, not to be reclassified through profit or loss		*32.2*	*-37.1*
Income and expenses recognised in equity, to be reclassified through profit or loss in the future		*0.0*	*0.0*
CONSOLIDATED COMPREHENSIVE INCOME		170.9	397.5

Consolidated balance sheet for the Amprion Group

As at 31 December

ASSETS in € million	Note	31/12/2021	31/12/2020	01/01/2020
NON-CURRENT ASSETS				
Property, plant and equipment	[9]	6,526.0	5,561.6	4,706.3
Right-of-use assets	[10]	184.5	402.5	499.0
Intangible assets	[11]	37.1	28.0	19.2
Financial assets	[12]	5.3	5.4	5.5
Deferred tax assets	[23]	0.0	0.0	0.0
Total non-current assets		*6,752.9*	*5,997.4*	*5,230.1*
CURRENT ASSETS				
Inventories	[13]	58.1	69.2	55.2
Trade receivables and other receivables	[14]	1,240.5	2,697.0	1,072.6
Other financial assets	[15]	1,461.3	11.5	13.1
Income tax claims	[16]	65.3	44.1	2.3
Other non-financial assets	[17]	5.2	1.4	1.7
Cash and cash equivalents	[18]	2,121.5	0.0	680.3
Total current assets		*4,951.9*	*2,823.2*	*1,825.2*
TOTAL ASSETS		11,704.9	8,820.6	7,055.3

LIABILITIES AND EQUITY in € million	Note	31/12/2021	31/12/2020	01/01/2020
EQUITY				
Subscribed capital	[19]	10.0	10.0	10.0
Additional paid-in capital	[19]	1,403.0	1,403.0	1,003.0
Retained earnings	[19]	1,848.2	1,536.9	1,636.9
Accumulated other comprehensive income	[19]	-4.8	-37.1	0.0
Consolidated net income	[19]	138.6	434.5	0.0
Total equity		*3,395.1*	*3,347.4*	*2,649.9*
NON-CURRENT LIABILITIES				
Provisions	[20]	72.1	135.1	108.8
Financial liabilities				
Financial debt	[21]	1,889.4	898.6	930.4
Other financial liabilities	[21]	44.6	183.4	315.1
Non-financial liabilities	[22]	53.4	60.3	68.2
Deferred tax liabilities	[23]	620.7	582.3	472.0
Total non-current liabilities		*2,680.2*	*1,859.6*	*1,894.5*
CURRENT LIABILITIES				
Provisions	[20]	82.2	76.6	104.0
Financial liabilities				
Financial debt	[21]	126.0	1,724.5	47.2
Trade payables and other liabilities	[24]	5,248.4	1,565.1	2,152.5
Other financial liabilities	[21]	144.5	222.7	188.5
Non-financial liabilities				
Income tax liabilities	[8]	0.0	0.0	1.4
Other non-financial liabilities	[22]	28.6	24.8	17.3
Total current liabilities		*5,629.7*	*3,613.6*	*2,510.9*
TOTAL LIABILITIES AND EQUITY		11,704.9	8,820.6	7,055.3

Consolidated cash flow statement for the Amprion Group

For the years ended 31 December

in € million	Note	2021	2020
1. OPERATING ACTIVITIES			
EBIT (per income statement)		215.5	623.2
Depreciation / amortisation	[6], [9], [10], [11]	473.4	410.2
Change in provisions	[20]	-11.3	-58.0
Income from disposals of non-current assets	[2], [5]	13.3	5.8
Other non-cash expenses / income	[28]	4.0	-7.1
Changes in assets and liabilities from operating activities			
Inventories	[13]	11.6	-14.5
Net value of trade receivables and trade payables	[14], [24]	5,170.2	-2,223.6
Net value of other assets and liabilities	[14], [15], [17], [21], [22], [24]	-35.5	23.5
Income tax paid	[8], [16]	-61.5	-93.6
OPERATING CASH FLOW		**5,779.6**	**-1,334.1**
of which from grid business		*788.9*	*751.5*
of which from EEG business		*4,990.7*	*-2,085.6*
2. INVESTING ACTIVITIES			
Investments in intangible assets and property, plant and equipment	[7], [9], [11]	-1,237.9	-1,068.6
Sales of intangible assets and property, plant and equipment	[2], [5], [9], [11]	25.8	6.9
Investments in other financial assets	[15]	0.1	0.2
Interest received	[7]	0.3	0.0
Dividends received	[7]	0.6	0.5
Inflows / outflows of cash and cash equivalents for short-term liquidity management	[15]	-1,450.0	0.0
CASH FLOW FROM INVESTING ACTIVITIES		**-2,661.2**	**-1,061.0**
of which from grid business		*-1,211.2*	*-1,061.0*
of which from EEG business (cash inflows and outflows for short-term liquidity management)		*-1,450.0*	*0.0*

Consolidated cash flow statement for the Amprion Group *(continued)*

For the years ended 31 December

3. FINANCING ACTIVITIES			
Interest paid	[7]	-43.1	-32.8
Dividend paid	[19]	-123.2	-100.0
Entering into financial liabilities	[21]	2,082.3	153.0
Redemption of lease liabilities	[10]	-226.3	-197.0
Redemption of other financial liabilities	[21]	-1,275.2	-0.2
Cash inflow from capital increases	[19]	0.0	400.0
Inflows / outflows for short-term liquidity management	[21]	-1,411.4	1,491.9
CASH FLOW FROM FINANCING ACTIVITIES		-996.9	1,714.8
of which from grid business		*422.8*	*306.0*
of which from EEG business (cash inflows and outflows for short-term liquidity management and interest payments)		*-1,419.7*	*1,408.9*
NET CHANGE IN CASH AND CASH EQUIVALENTS		2,121.5	-680.2
Cash and cash equivalents at start of period	[18]	0.0	680.3
Cash and cash equivalents at the end of the period	[18]	**2,121.5**	**0.0**
of which from grid business		*0.5*	*0.0*
of which from EEG business		*2,121.0*	*0.0*

Consolidated statement of changes in equity for the Amprion Group

For the years ended 31 December

in € million	Subscribed capital	Additional paid-in capital	Retained earnings	Consolidated net income	Accumulated other comprehensive income (OCI)	Total equity
As at 01/01/2020	10.0	1,003.0	1,636.9	0.0	0.0	2,649.9
Transactions with shareholders	0.0	400.0	-100.0	0.0	0.0	300.0
of which cash inflows from share offerings	*0.0*	*400.0*	*0.0*	*0.0*	*0.0*	*400.0*
of which dividend distributions	*0.0*	*0.0*	*-100.0*	*0.0*	*0.0*	*-100.0*
Deposited net income for the previous year	0.0	0.0	0.0	0.0	0.0	0.0
Consolidated net income, current year	0.0	0.0	0.0	434.5	0.0	434.5
Other comprehensive income, current year	0.0	0.0	0.0	0.0	-37.1	-37.1
As at 31/12/2020	10.0	1,403.0	1,536.9	434.5	-37.1	3,347.4
As at 01/01/2021	10.0	1,403.0	1,536.9	434.5	-37.1	3,347.4
Transactions with shareholders	0.0	0.0	-23.2	-100.0	0.0	-123.2
of which cash inflows from share offerings	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
of which dividend distributions	*0.0*	*0.0*	*-23.2*	*-100.0*	*0.0*	*-123.2*
Deposited net income for the previous year	0.0	0.0	334.5	-334.5	0.0	0.0
Consolidated net income, current year	0.0	0.0	0.0	138.6	0.0	138.6
Other comprehensive income, current year	0.0	0.0	0.0	0.0	32.2	32.2
As at 31/12/2021	10.0	1,403.0	1,848.2	138.6	-4.8	3,395.1

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Notes to the consolidated financial statements 2021 of the Amprion Group

Basis of presentation

Amprion GmbH (“the company” or “the parent company”) is a German limited liability corporation headquartered at Robert-Schuman-Straße 7 in 44263 Dortmund. It is registered with the District Court of Dortmund under number HRB 15940. The company is operating in Germany as a transmission system operator (TSO) in accordance with the German Energy Industry Law (EnWG).

Amprion GmbH is the parent company of Amprion Offshore GmbH, which as the sole subsidiary together with Amprion GmbH forms the Amprion Group (hereinafter also referred to as "Amprion" or "the Group"). Amprion GmbH prepares its consolidated financial statements in accordance with section 315e (1) of the German Commercial Code (Handelsgesetzbuch - HGB) and with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU) at the reporting date. The mandatory interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) are taken into account in equal measure.

IFRS and interpretations of the IFRS IC already approved by the International Accounting Standards Board (IASB) but not yet endorsed by the EU are not applied. The IFRS consolidated financial statements of Amprion thus comply with those IFRS and interpretations adopted by the IASB and endorsed by the EU, the application of which is mandatory as at the reporting date. Furthermore, the requirements of § 315e (1) HGB are also met.

These IFRS consolidated financial statements prepared by Amprion GmbH as at the reporting date (here and hereinafter 31 December 2021) are the first to be prepared in full compliance with the IFRS required to be applied in the EU as at the reporting date. For financial years ending before 31 December 2021, Amprion GmbH and Amprion Offshore GmbH exclusively prepared individual financial statements in accordance with HGB. For further information about the first-time adoption of the IFRS, please refer to the *First-time adoption of IFRS* section within the notes to the accounting policies.

The consolidated financial statements were prepared under the going concern principle. This is based on the assumption that the company has sufficient resources to continue business operations for at least one year from the reporting date and that management intends to do so.

The consolidated financial statements are based on historical costs for acquisition or production as the central measurement basis, insofar as there is to be no deviation from this due to specific IFRS requirements. Remarks in this regard can be found in the chapter *Accounting policies – Significant accounting policies*.

The amounts in the consolidated financial statements are specified either in million Euro (€ million) or thousand Euro (€ thousand), whereby this is noted accordingly. Numbers are rounded to one decimal place, whereby rounding differences can occur for single values and totals due to the calculation methods applied.

The IFRS consolidated financial statements are based on a separate presentation of the consolidated income statement and the consolidated statement of comprehensive income (*two statement approach*), the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity for Amprion.

For the sake of clarity, individual items are combined in the consolidated balance sheet and in the consolidated income statement and are presented and explained separately in the Notes.

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

The consolidated financial statements are prepared as at the same date as the parent company's financial statements, with the parent company's fiscal year being the calendar year. It contains complete comparative information for the previous reporting period, beginning with the date of transition to IFRS as at 1 January 2020 (IFRS opening balance).

For a presentation of the Amprion Group's core activities, please refer to Note *[26], Segment reporting*.

The initial consolidated financial statements of Amprion GmbH for the financial year ending on 31 December 2021 were prepared on 29 August 2022 and released for publication by management resolution. Approval by the Supervisory Board is scheduled for 6 September 2022.

Accounting policies

Applied accounting principles

The accounting principles presented below form the basis for recognition and measurement of business transactions and balance sheet items in the Group's consolidated financial statements. In addition, the significant assumptions, estimates and judgments associated with the accounting policies applied that had to be made in the preparation of the IFRS consolidated financial statements are described. Those accounting principles regarded by Amprion as immaterial for the fair presentation of assets, liabilities and financial and earnings positions of the Group are not described in the consolidated financial statements. From the Group's perspective, a matter is considered material if it is likely to affect the economic decisions of the primary users of the IFRS consolidated financial statements.

Principles and scope of consolidation

Investments in subsidiaries

The Amprion consolidated financial statements comprise the financial statements of Amprion GmbH and its sole subsidiary, Amprion Offshore GmbH, as at 31 December 2021. Amprion Offshore GmbH with its headquarters in Dortmund was founded by Amprion GmbH in 2019, which has since held 100% of the capital and voting rights in the subsidiary.

The qualification as a subsidiary requires the control of the investee, in this case Amprion Offshore GmbH, by the parent or the Group parent (Amprion GmbH).

Control is deemed to exist when the Group (the investor) is exposed to variable returns from its involvement with or interest in the investee and has the ability to use its power over the investee to affect those returns. In detail, the existence of control requires the cumulative fulfilment of three control criteria, according to which the investor

- has power over the investee by virtue of its rights to direct the relevant activities of the investee (i.e. those activities that significantly affect its returns),
- is exposed, or has rights, to variable returns from the investee,
- can influence the returns of the investee through its power over the investee.

Generally, a majority of voting rights held by the investor is accompanied by a rebuttable assumption of control over the investee. When assessing whether the investor can exercise power over the investee, the investor must also take into account all other control-relevant facts and circumstances. Examples of these include:

- Contractual agreements with others entitled to vote (e.g. voting trust agreements);
- Rights resulting from other contractual agreements;
- Voting rights and potential voting rights of the Group.

If such facts and/or changes in circumstances indicate that at least one of the three control criteria may have changed, the investor shall reassess whether it controls the investee.

A subsidiary is to be fully consolidated in the consolidated financial statements of the parent company (full consolidation) for the first time on the day on which the parent company obtains control over the subsidiary. When fully consolidated, the assets, liabilities, income and expenses of a subsidiary are recognised in the consolidated financial statements. The obligation to fully consolidate ends when the investor loses control over the subsidiary.

With regard to applied accounting principles, statements from subsidiaries are to be aligned with those of the Group. Accordingly, the statements included in the consolidated financial statements for both companies are based on the common, Group-wide accounting policies of Amprion.

All intercompany transactions, i.e. assets and liabilities, equity, income and expenses, and cash flows resulting from transactions between Group companies, are eliminated within the scope of full consolidation of investments, liabilities, income and expenses, and the elimination of intercompany profits and losses.

Changes in the ownership interest in a subsidiary that do not result in a loss of control by the parent or the Group parent are accounted for as equity transactions between owners. In case of loss of control over the subsidiary, the connected assets (including any goodwill), liabilities, non-controlling interests and other equity components are derecognised. A resulting profit or loss is reflected in the income statement as result of deconsolidation. Any investment in the investee remaining at the time of loss of control is measured at fair value.

Investments in associates and joint ventures

An associate is an entity (investee) over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without controlling it or managing it jointly with other parties. However, when an investee is managed jointly with other parties, it is considered a joint venture. The criteria to assess whether significant influence or joint control exists are similar to those required to determine control of subsidiaries.

Scope of consolidation

As at the reporting date and in the previous year, the scope of consolidation of the Amprion Group consists solely of Amprion GmbH as the parent company and the fully consolidated Amprion Offshore GmbH as its only subsidiary.

Associates, joint operations and joint ventures in which the Group has an interest

The Group did not hold any shares in associates or joint ventures as at the reporting date or in the previous year.

The Group is involved in joint arrangements, classified as joint operations, to operate shared lines. Amprion establishes shared lines that become the property of both the Group and third parties outside the Group in contractually defined proportions (fractional ownership). In connection with these jointly owned assets, the Group recognises its share of the assets, liabilities, expenses and income, which are accounted for in accordance with the relevant IFRS. Usually Amprion bears sole responsibility for the construction of the joint lines in accordance with the contractual agreement. The Group is reimbursed by the third party for the construction costs incurred for the share that is transferred to the fractional ownership of the third party involved. Therefore, the Group recognises revenue from contracts with customers in accordance with IFRS 15 in the amount of the corresponding remuneration or cost reimbursement.

Companies with significant influence on the Amprion Group

M31 Beteiligungsgesellschaft GmbH & Co. Energie KG held 74.9% (previous year: 74.9%) of Amprion GmbH at the end of the reporting year. Its shareholders consist of a consortium of predominantly German institutional financial investors from the insurance industry and pension funds.

The remaining shares in Amprion GmbH amounting to 25.1% (previous year: 25.1%) as at the reporting date and in the previous year were held by RWE Aktiengesellschaft, a listed energy supply group headquartered in Essen.

Significant accounting policies

[a] Classification as current and non-current

An asset shall be classified as current if
- realisation of the asset is expected within the normal business cycle, or
- the asset is held for sale or consumption during this period, or
- the asset is held primarily for trading purposes, or
- realisation of the asset is expected within twelve months after the reporting date or
- the asset is cash or cash equivalent and is not restricted from being exchanged or used to settle a liability for a period of at least twelve months after the reporting date.

In distinction to the preceding definition of current assets, all other assets are classified as non-current assets.
A liability is to be classified as current if
- fulfilment of the liability is expected within the normal business cycle, or
- the liability is held primarily for trading purposes,
- fulfilment of the liability is expected within twelve months after the reporting date or
- the company does not have an unconditional right to postpone fulfilment of the liability by at least twelve months after the reporting date.

In distinction to the preceding definition of current liabilities, all other liabilities are classified as non-current liabilities.

Deferred tax assets and deferred tax liabilities shall be reported as non-current assets or liabilities.

[b] Fair value measurement

The Group measures its equity shares in other companies at fair value at each reporting date. Financial instruments, i.e. financial assets and financial liabilities, are generally to be measured at fair value at initial recognition, whereby an adjustment for transaction costs is required depending on the relevant subsequent measurement method.

The fair value is the price between market participants that was/would be accepted in an orderly business transaction for the sale of an asset, or was/would be paid for the transfer of a liability. When measuring the fair value, it is assumed that the business transaction within which the asset is sold or the liability is transferred
- predominantly takes place on the principal market for the asset or the liability, or
- only if no principal market exists, is applied to the most advantageous market for the asset or the liability.

The prerequisite is that the Group has access to the principal market or to the most advantageous market.

Measuring the fair value of an asset or a liability is based on the assumptions that anonymous market participants would use when pricing the asset or liability, assuming that they act in their economic best interests.

If the fair value is determined for a non-financial asset, the most economically sensible and best possible usage is to be assumed. This perspective also includes the sale of the asset to another market participant, who would be able to put the asset to its most economically rational and best possible use to generate economic benefits.

To determine the fair value, the Group applies appropriate valuation techniques, for which sufficient data are available under the given circumstances. Principal attention is paid to observable input factors, followed by unobservable input factors, to determine the most objective market value possible.

The fair values determined for assets and liabilities or reported in the financial statements are to be classified within the fair value hierarchy below. Categorisation is based on the lowest-level input factor that is significant to the entire fair value measurement:
- Level 1: Immediate derivation of the fair value as quoted price (unadjusted) in an active market for an identical asset or an identical liability,
- Level 2: Determination of the fair value based on valuation procedures, whereby the lowest-level input factor that has significant influence on the fair value can be observed directly or indirectly on the market,
- Level 3: Determination of the fair value based on valuation procedures, whereby the lowest-level input factor that has significant influence on the fair value cannot be observed on the market.

Assets and liabilities measured at fair value on a recurring basis require the assessment as to whether these are to be assigned to another level in the fair value hierarchy at the end of each reporting period. This estimation is based on the lowest-level input factor that significantly influences the determination of the fair value. In addition, an analysis is performed at the reporting date to determine whether the fair values of assets and liabilities that are subject to reassessment in accordance with the Group's accounting policies need to be adjusted. In particular, the main value-determining input factors are examined to determine whether they have changed since the last valuation.
Disclosures regarding the fair value of financial instruments for which a fair value is determined or reported can be found in the following sections of the Notes:
- Information on the Group´s equity shares in external (non-Group), unlisted companies are contained in Note *[12], Financial assets,*
- Quantitative information on the measurement of the fair value by hierarchy level are provided in Note *[25], Reporting on financial instruments.*

[c] Revenue recognition from contracts with customers

As a regulated company, Amprion is responsible, in accordance with its legal mandate, for the non-discriminatory operation of a safe, reliable and efficient energy supply network as well as its maintenance, optimisation, reinforcement and expansion in line with demand. (§ 11 (1) EnWG). The core activity of the Group is therefore the safe operation and demand-driven expansion of the German electricity transmission grid. As a key service, the Group provides its customers with the transmission capacity required for electricity transport within the scope of grid usage. Additionally, system services are provided to comply with the obligation to operate a safe, reliable and efficient transmission grid at all times.

The regulated business activities are usually based on standardised contracts concluded with Amprion's grid customers for an indefinite period of time. These give rise to regulatory and secured compensation claims for the Group in the amount of the grid fee to be paid for the electricity sector, which is calculated from the transport capacity used by the customer multiplied by the relevant regulatory tariff.

Revenue from contracts with customers is recognised when control of the contractually agreed services (goods, services) is transferred to the customer. It is recognised in the amount of the expected consideration, to which the Group is directly entitled in exchange for services rendered. Revenue reductions (e.g. in the form of price discounts) and variable considerations are to be taken into account. Value-added taxes and revenue from intercompany transactions are not reported as revenue in the consolidated income statement.

No economically relevant obligations from customer rights of return or guarantee obligations arise for the Group from the ordinary, regulated business model. Multi-component contracts are not concluded, so that the transaction price to be claimed can be allocated directly and uniquely to each separately identifiable performance obligation.

If a contractual consideration includes a variable consideration component, the Group determines the amount of consideration to which it is entitled for the fulfilment of its performance obligation(s). The variable consideration is to be estimated at contract inception. It may only be included in the transaction price if – as soon as the uncertainty regarding the amount of the variable consideration no longer exists – it is highly probable that the already realised cumulative revenue will not be cancelled.

The Group acts as principal in its revenue transactions – except for various levies – as it usually has power over the services to be provided before these are transferred to the customer.

With regard to various levies (EEG levy, KWKG levy, § 19 StromNEV levy, etc.), the Group collects amounts on behalf of third parties and thus acts as agent. Therefore, levy amounts are not reported as revenue in the income statement, but are netted with the corresponding expenses.

As principal, the Group provides various services in the course of its ordinary business activities and, in exchange for the agreed consideration, enters into contractual performance obligations towards its customers (see Note *[1], Revenue*).

For short-term advance payments from customers, the Group applies the relevant practical expedient whereby the promised consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised service and the payment of the agreed consideration does not exceed one year.

[d] Contract balances

Contract assets

Contract assets are recognised through profit or loss when the Group transfers goods or services to the customer before the customer settles its corresponding payment obligation, without an unconditional right to payment already existing at the time of the transfer to the customer.

In the course of revenue recognition from the construction of shared lines, the Group initially recognises a contract asset, as the receipt of the consideration is initially dependent on the successful and defect-free acceptance of the completed shared line. Since this is a time-period related performance obligation, revenue is recognised proportionally over the period of construction. After construction and acceptance by the customer, the amount recognised as a contract asset is reclassified to trade receivable.

Trade receivables

Receivables are recognised when the Group receives an unconditional right to consideration from its customers, i.e. the receivables automatically become due once a specified period of time expires. The accounting policies for financial assets, here in the form of trade receivables, are explained in section *[m], Financial instruments – initial recognition and subsequent measurement*.

Contract liabilities

Contract liabilities are recognised when a customer either makes a payment or the payment becomes due before the Group has fulfilled its contractual obligation to perform or transferred the agreed goods or services to the customer. Revenue is only recognised once the Group fulfils its contractual obligations, by transferring control of the contractually promised services to the customer.

The Group recognises contractual liabilities in particular from construction cost grants and connection cost contributions received from customers prior to the fulfilment of its performance obligation.

[e] Taxes

Current income taxes

Current income tax assets and liabilities are measured at the expected amount to be recovered from or paid to the taxation authorities. The measurement of current taxes is based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

If actual taxes relate to items recognised directly in equity, these are not recognised in the income statement but also directly in equity. In addition, individual tax matters are regularly assessed to determine whether they are subject to uncertainties due to existing tax regulations and therefore have a scope for interpretation. In individual cases, this can lead to the recognition of tax provisions and the disclosure of a tax-related contingent liability or contingent asset.

Deferred taxes

Deferred taxes are recognised using the liability method for all temporary differences between the carrying amount of an asset or liability in the balance sheet and the corresponding tax base as at the reporting date. This includes deferred taxes from consolidation processes.

Deferred tax liabilities result from future taxable temporary differences, deferred tax assets from future deductible temporary differences, unused tax losses and unused tax credits. The recognition of deferred tax assets also requires sufficient probability that taxable income will be available for offsetting in the future.

Deferred tax assets and liabilities do not include deductible or taxable temporary differences that arise from the initial recognition of an asset or liability in a transaction that is neither a business combination nor, at the time of the transaction, affects accounting profit before tax or taxable profit.

In individual cases, it may be necessary to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If, in the Group' s opinion, this is unlikely, it is required to consider the effect of the uncertainty when measuring its income taxes.

The measurement of deferred taxes is based on the tax rates that are expected to apply in the period in which the underlying asset or liability is realised. Accordingly, the tax rates and tax laws to be applied are those that are enacted or substantively enacted at the reporting date. The tax rate applied in the reporting year is 31.56% (previous year: 31.54%).

Deferred taxes resulting from items with no effect on income are also not affecting income. They are recognised analogously to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities must be offset if the relevant conditions are met at the level of the individual companies or the tax group.

Value-added tax

Expenses and assets are generally recognised after deducting value-added tax from the gross amount. However, if the value-added tax incurred on the purchase of an asset or the use of a service cannot be recovered from the tax authorities, it is part of the acquisition costs of the asset or part of the expenses.

Receivables and liabilities from purchase and sales transactions on target are recognised including the VAT amount contained therein. The amount of VAT to be refunded by or paid to the tax authorities is in this case shown as a counter item in the balance sheet under receivables or liabilities.

[f] Foreign currency transactions and balances

Foreign currency transactions carried out by Group companies are translated into the functional currency at the spot rate applicable at the time the transaction is first recognised in the balance sheet. The functional currency for the Group companies is the Euro. Where the Group has monetary assets or liabilities denominated in foreign currencies, these are translated into the functional currency at each reporting date using the spot exchange rate. Any resulting settlement or translation differences are recognised in profit or loss.

The Group had no monetary assets or liabilities in foreign currency at the reporting date or in the previous year. Foreign currency transactions were also insignificant.

[g] Non-current assets held for sale and disposal groups

If the carrying amount of a non-current asset or disposal group is recovered through a planned sale or exchange transaction rather than through continued use, the Group classifies the asset or disposal group as *held for sale*. In this case, the non-current asset or disposal group is measured at the lower of its carrying amount and fair value less costs to sell. Costs of disposal are incremental costs directly attributable to the disposal of the non-current asset or disposal group, excluding finance costs and income tax expense.

For a non-current asset (disposal group) to be classified as *held for sale*, its sale must be highly probable at the reporting date and it must be available for immediate sale in its present condition at the reporting date. Satisfaction of the probability criterion requires that it is unlikely, based on the actions necessary to complete the sale, that material changes will be made to the proposed sale. Similarly, it must also not be foreseeable that the decision to divest will be reversed. Rather, the management must have decided to implement a planned sale. Furthermore, the sale has to be expected to take place within one year from the date of classification as *held for sale*.

If a non-current asset with a limited or limited determinable useful life is classified as *held for sale* in accordance with the preceding criteria, it is no longer depreciated or amortised. Assets and disposal groups (incl. associated liabilities) classified as *held for sale* are to be reported separately in the balance sheet as current items.

The Group did not have any significant non-current assets or disposal groups *held for sale* neither at the reporting date nor at the comparative dates.

[h] Dividends

The company recognises a liability for the payment of dividends when the distribution has been approved by the shareholders' meeting and is therefore no longer at the discretion of the company. The amount to be distributed is recognised directly in equity.

[i] Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see *[o], Impairment of non-financial assets*). Scheduled depreciation for assets under construction is only incurred from the time of their completion or their transfer to the operational state. Scheduled depreciation, impairment losses and reversals of impairment losses are recognised in profit or loss.

Borrowing costs are capitalised as part of costs for acquisition or production for qualifying assets or long-term construction projects if they can be directly allocated to the acquisition or production and the recognition criteria are met.

If significant parts or components of property, plant and equipment have to be replaced regularly, they are depreciated separately based on their economic useful life. Renewal and maintenance costs are capitalised in the carrying amount of the respective tangible asset if the recognition criteria are met. All other maintenance, servicing and repair costs are recognised immediately in profit or loss.

The acquisition and production costs of property, plant and equipment also include the estimated expenses for obligations in connection with their decommissioning and disposal as well as the restoration and recultivation of land. The corresponding payments are included at their present value in the acquisition or production cost of the corresponding asset if the recognition criteria for a provision are met.

Construction cost grants and contributions to building connection costs paid by customers, as well as investment grants and subsidies, are not taken into account to reduce acquisition costs, but are recognised as deferred income.

Depreciable tangible assets, i.e. other than land and rights equivalent to land, are depreciated on a scheduled basis in accordance with the expected useful life of their individual components. In the year of acquisition, this is carried out pro rata temporis. Depreciation is generally calculated on a straight-line basis, unless the expected consumption of future economic benefits is exceptionally better approximated by another depreciation method for the asset.

Scheduled depreciation is calculated on the basis of the following useful lives, which are uniform throughout the respective Group:

Useful lives by asset group	**in years**
Buildings	30-50
Operations buildings	30
Administrative and other buildings	30–50
Extra-high voltage installations	20–40
Extra-high voltage grid	40
Transformers	35
Extra-high voltage switch panels	35
Station control system	25
Grid control system	25
AC/DC converter	20
Other installations and technical equipment	8–35
Operating and office equipment	3–23
Other assets	10–19

The useful lives and depreciation methods of property, plant and equipment are reviewed annually and adjusted prospectively if necessary.

Property, plant and equipment is derecognised either on disposal (i.e. when control of the item passes to the transferee) or when no further economic benefits are expected from the continued use or disposal of the recognised asset. A derecognition gain is determined on derecognition as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised immediately in profit or loss.

[j] Capitalisation of borrowing costs

Borrowing costs include interest and other costs arising from borrowing external capital funds. Borrowing costs directly attributable to the acquisition, construction or production of a *qualifying* asset are capitalised as part of its cost. An asset is considered to be *qualifying* if a substantial period of time is required (more than twelve months) to bring it to its intended condition for use or sale.

If debt financing is directly attributable to a qualifying asset, the actual borrowing costs incurred are to be recognised. The Group does not have any corresponding dedicated project financing, but only general funding. In the reporting year, the uniform average borrowing cost rate was 1.43% (previous year: 1.58%) throughout the Group. Borrowing costs of €22.2 million (previous year: €19.6 million) were capitalised in the reporting year.

Borrowing costs that are not directly related to the acquisition or production of qualifying assets are expensed as incurred.

[k] Leases

According to IFRS 16, a contractual agreement qualifies as a lease if it entitles a contractual partner to use an identifiable asset for a certain period of time in return for payment of a fee. Whether the respective agreement creates or contains a lease in accounting terms is to be assessed at the inception of the agreement. The Group has decided not to account for leases related to intangible assets as such under IFRS 16, but as intangible assets under IAS 38.

Amprion as lessee

In principle, the Group as a lessee recognises a liability to make lease payments (financial lease liability) and the right to use the underlying leased asset (right-of-use asset) for each contract that qualifies as a lease within the scope of IFRS 16. Short-term leases and low-value leases are exempt from this principle.

Right-of-use assets are capitalised at the date the leased asset is ready for use and are reported as a separate balance sheet item. They are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the related lease liability. The capitalisation amount comprises the amount of the recognised lease liability, the initial direct costs and the lease payments made up to the time of provision less any incentive payments received.

In subsequent measurement, right-of-use assets are amortised on a straight-line basis over the term of the lease. The terms of the leases for technical equipment are generally between two and ten years. The terms of leases for land and buildings can be up to 99 years due to agreements under hereditary building law. The usual duration bands are three to five years for vehicles and operating and office equipment.

In case of a triggering event for an impairment of right-of-use assets, these are to be tested for impairment by means of a quantitative assessment (see *[o], Impairment of non-financial assets*).

Lease liabilities are measured at the present value of the lease payments to be made over the term of the lease. This includes fixed or de facto fixed payments, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid under residual value guarantees. The Group's purchase and termination options must also be taken into account if they are reasonably certain to be exercised. Lease incentive payments received are to be deducted from the amount. Lease liabilities are reported as part of current and non-current other financial liabilities (see Note *[21], Financial liabilities*).

Since the (implicit) interest rates underlying the leases cannot be determined, the present value of the lease payments is regularly determined using the incremental borrowing rate at the date of provision. The following term-dependent incremental borrowing rates were used for newly concluded contractual agreements to be recognised as leases:

Lease interest rates applied: Incremental borrowing rate

Maturities	31/12/2021	31/12/2020	01/01/2020
Less than 5 years	0.00%-0.17%	0.00%-1.26%	0.00%-0.87%
5 to 10 years	0.07%-0.71%	0.20%-1.79%	0.33%-2.01%
10 to 15 years	0.53%-0.97%	0.81%-2.03%	1.02%-2.48%
15 to 20 years	0.81%-1.28%	1.14%-2.36%	1.39%-2.97%
More than 20 years	0.93%-1.39%	1.25%-2.49%	1.54%-3.13%

Lease liabilities are subsequently measured using the effective interest method. The lease liability is increased by the effective interest expense from compounding the liability at the Group's incremental borrowing rate and reduced by the lease payments made. Interest expenses from the periodic compounding of lease liabilities are recognised in the financial result.

The carrying amount of lease liabilities is remeasured if there is a change in the lease, its term, the lease payments or the assessment of an option to purchase the underlying asset.

For short-term leases, i.e. leases with a term of twelve months or less from the date of provision, and low-value leases, the Group recognises the lease payments as an expense on a straight-line basis over the term of the lease in accordance with the relevant exemption rule. In accordance with IFRS 1, the exemption rule for short-term leases was also applied to leases with a remaining term of twelve months or less at the date of transition to IFRS.

Amprion as lessor

Leases in which the Group acts as lessor but does not transfer substantially all risks and opportunities incidental to the ownership of the leased asset to the lessee are classified as operating leases. Consequently, the resulting rental income is to be recognised on a straight-line basis over the term of the lease and, due to its operating character, reported as miscellaneous revenues. The leased asset is reported as a tangible asset and is depreciated over its useful life in accordance with the relevant accounting regulations.

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee under a lease agreement, the lease is accounted for as a finance lease. In this case, the Group recognises a financial lease receivable in the amount of the net investment in the lease by derecognising the leased asset. In subsequent measurement, the lease receivable is amortised pro rata using the effective interest method, under which the lease payments are divided into an interest income and a redemption portion.

In its role as lessor, Amprion only accounts for operating leases.

[I] Intangible assets

Intangible assets acquired for consideration are to be measured at acquisition or production cost upon initial recognition. Internally generated intangible assets are to be capitalised at the amount of their development costs, provided that the relevant recognition criteria are met. In particular, their recognition as an intangible asset requires the generation of documented future economic benefits and the reliable measurement of the development expenditures attributable to the intangible asset. Research expenditures and non-capitalisable development costs are expensed immediately in the period in which they are incurred.

During subsequent measurement of intangible assets, their historical acquisition or production costs are reduced by accumulated scheduled amortisation and accumulated impairment losses. Scheduled amortisation is to be recognised corresponding to the consumption of the expected benefits and, if this is unknown, on a straight-line basis over the economic useful life.

After completion of the development phase, internally generated intangible assets are amortised on a scheduled basis over the period of the expected inflow of benefits from the start of usability. The production costs capitalised during the development phase must be tested annually for impairment (see *[o], Impairment of non-financial assets*). Both the amortisation period and the amortisation method shall be reviewed at least at the end of each reporting period.

The Group amortises its intangible assets on a straight-line basis over their individual useful lives. These are shown in the table below. Amortisation of intangible assets is reported in the income statement under amortisation expense.

Useful lives by asset group	in years
Rights and licenses	20
Patents	20
Software acquired against payment	3–5

The derecognition of intangible assets conceptually follows that of property, plant and equipment. Similarly, any gains or losses realised in the course of derecognising intangible assets are recognised immediately in profit or loss.

[m] Financial instruments – initial recognition and subsequent measurement

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Upon initial recognition, financial assets are to be allocated to one of the measurement categories *measured at amortised cost*, *measured at fair value through other comprehensive income* or *measured at fair value through profit or loss* for the purpose of subsequent measurement, depending on their characteristics and the company's intentions or management.

The starting point for categorisation is the qualification of the financial asset as an equity or debt instrument.

Equity interests in other companies are generally categorised as *measured at fair value through profit or loss*. However, equity instruments may irrevocably be classified as *measured at fair value through other comprehensive income* upon initial recognition, provided they meet the equity definition in IAS 32 "*Financial Instruments: Presentation*" and are not held for trading purposes. This classification option can be exercised individually for each equity instrument. When the option is exercised, all gains and losses from changes in fair value are recognised in other comprehensive income and are not subsequently reclassified to the income statement. Only profit distributions received by the Group from these investments are recognised directly as income in the income statement when the legal claim to payment arises. Equity instruments *measured at fair value through other comprehensive income* are not subject to impairment testing.

The Group has irrevocably applied the classification option to all its equity interests in companies that do not qualify as subsidiaries, joint ventures or associates. These are thus classified as *measured at fair value through other comprehensive income*. There is no active market for any of these investments generally measured at fair value, so that no public price quotations were available for them. In this case, the fair value is to be measured on the basis of the most recent observable market transactions or by means of an appropriate valuation method (e.g. discounted cash flow models). Since the relevant input parameters and thus also the fair value cannot be reliably determined, the Group measures the investments at cost as long as no appropriate fair value indications are available.

The categorisation of debt instruments at initial recognition depends on the characteristics of the contractual cash flows and the Group's business model for managing these debt instruments. Depending on this, the debt instruments are to be allocated for subsequent measurement to one of the three measurement categories: *measured at amortised cost*, *measured at fair value through other comprehensive income* or *measured at fair value through profit or loss*.

The classification of a debt instrument as *measured at amortised cost*, as well as an allocation to the measurement category *measured at fair value through other comprehensive income*, requires that the contractual cash flows of the financial asset qualify exclusively as interest and redemption payments on the outstanding amount (so-called cash flow condition). The corresponding assessment is made at the level of the individual financial instrument. If a debt instrument does not meet the cash flow condition, it must be *measured at fair value through profit or loss*. The same applies if the cash flows of a debt instrument exclusively represent interest and redemption payments, but the entity manages these with the objective of realising cash flows through the sale of the assets (business model: *sell*) If, on the other hand, the business model provides for the exclusive collection of contractual cash flows (business model: *hold*), the financial assets are to be subsequently measured at amortised cost using the effective interest method, provided that the cash flow condition is also met at the same time. If the business model at portfolio level consists of both *hold* and *sell* debt instruments, these assets are to be categorised as *measured at fair value through other comprehensive income*.

The Group generally holds its financial assets to maturity with the sole intention of collecting the contractual interest and redemption payments. Specifically, this concerns loans and advances, trade receivables, other (financial) receivables and lease receivables from operating leases. These are allocated to the measurement category *measured at amortised cost*. Trade receivables result primarily from contracts with customers.

Apart from trade receivables without a significant financing component, which are initially measured at transaction price in accordance with IFRS 15 *"Revenue from Contracts with Customers"*, the Group measures its financial assets at fair value plus transaction costs at initial recognition.

Financial assets carried *at amortised cost* are measured using the effective interest method and are also tested for impairment. Loans and borrowings of the Group bearing interest at market rates are subsequently carried at nominal value.

Income or expenses resulting from modifications, derecognitions or impairments/reversals are recognised in profit or loss.

As almost all financial receivables (trade receivables) have short residual terms and thus no financing component, their book values reported on the reporting date correspond to their fair value. This also applies to the other (financial) receivables reported under current assets (Note *[25], Reporting on financial instruments*).

Impairment of financial assets (debt instruments)

For all debt instruments that are not measured at fair value through profit or loss, an allowance for expected credit losses (ECL) is recognised in accordance with the three stage impairment model of IFRS 9. Expected credit losses result from the difference between the contractually agreed payments and the total cash flows that the Group expects to receive. The corresponding amount is to be discounted with the original effective interest rate. The expected payments include cash flows from the sale of collateral held or other credit protection that is an integral part of the contractual terms.

For level 1 financial instruments, risk provisioning for the expected credit loss for the amount of the 12-month loss is recognised at initial recognition. The 12-month loss indicates the amount of the expected loss that would arise in relation to the respective financial instrument as a result of a default event within the next twelve months. As far as the *probability of default* (PD) has not increased significantly as compared to the time of addition, risk provisioning for the amount of the 12-month loss is also to be recognised for the subsequent periods. For simplification purposes, it may be assumed that financial instruments with an *investment grade* credit rating have a low credit or default risk. In this case, there is generally no need to transfer such instruments to level 2. Where the Group holds debt instruments measured at amortised cost using the effective interest method, it applies this simplification for financial instruments with low credit risk.

If the creditworthiness of the debtor of the financial instrument in question deteriorates significantly compared to its date of acquisition (significant increase in the probability of default), it is to be allocated to level 2. Here, as in level 3, expected credit losses are recognised in the amount of the loss expected over the entire term of the financial instrument (lifetime expected credit loss). This indicates the amount of the total expected loss that would result from a default event within the entire term of the financial instrument (and thus regardless of when the specific default event occurs). A significant increase in credit risk is assumed at the latest when the debtor is 30 days in arrears, unless the findings from the receivables management process suggest or require a different reclassification date. All reasonable and reliable information that is available without undue cost or time is used at each reporting date.

If the creditworthiness of the debtor is actually impaired or an actual default occurs, the financial instrument must be reclassified to level 3. This can be rebuttably assumed if the debtor is at least 90 days in arrears or overdue or if other internal or external events (e.g. the opening of insolvency proceedings) indicate that payment by the debtor is no longer probable. In contrast to levels 1 and 2, where the effective interest income is measured on the basis of the gross carrying amount of the financial instrument, any interest income in level 3 is determined by applying the original effective interest rate to the net carrying amount, i.e. after netting with the risk provision.

For its trade receivables and contract assets, the Group applies the simplified approach to calculate expected credit losses, regardless of their maturity. According to this approach, changes in credit risk do not need to be tracked over time. Instead, the allowance for credit losses is recognised at each reporting date in the amount of the lifetime expected credit loss. To quantify the expected credit losses, the Group uses externally available - as far as possible customer-specific - credit report information and the associated probabilities of default. As current and future-related information is included in such credit report information, no additional corrections of the default probabilities were made.

A write-off of receivables becomes necessary if they are classified as irrecoverable. In this regard, relevant indicators can be, for example, an unsuccessful enforcement order or the filing of an application for insolvency proceedings or the rejection of the opening of insolvency proceedings due to a lack of insolvency assets.

Impairment losses from applying the expected loss model are reported net in the income statement under other operating expenses. Reversals of risk provisions are recognised as other operating income.

For further details on the impairment of financial assets please refer to the following Notes:

- *Significant assumptions, estimates and judgements in the application of the accounting policies*
- *[14], Trade receivables and other receivables*
- *[15], Other financial assets*
- *[25], Reporting on financial instruments*

Financial liabilities

Financial liabilities are to be allocated to one of the two measurement categories *measured at fair value through profit or loss* or *measured at amortised cost* for subsequent measurement at the time of their initial recognition.

The former category includes financial liabilities held for trading (including derivatives that are not part of a hedging relationship) and financial liabilities designated as such at the time of initial recognition. The Group has not designated any financial liabilities as *measured at fair value through profit or loss*.

Financial liabilities categorised as *measured at amortised cost* are initially measured at fair value less directly attributable transaction costs. The Group assigns all current and non-current financial liabilities in the form of trade payables and other liabilities, other financial liabilities and credits and loans (incl. registered bonds, promissory note loans, commercial papers) including overdrafts to this category.

After initial recognition, interest-bearing financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest expense, as well as any expense or income arising from derecognition, is recognised in profit or loss and reported as part of financial expenses. The effective interest expense is calculated by multiplying the carrying amount of the financial liability at the beginning of the period by the debt-specific effective interest rate. The latter is determined on the basis of the nominal interest rate, taking into account a premium or discount as well as directly attributable fees and/or (transaction) costs.

The fair value of the bond listed on the unregulated capital market in Luxembourg is calculated as the product of the nominal value and its price quotation on the reporting date. The fair value of the fixed-interest financial liabilities not traded on the capital market is determined by discounting the contractually agreed cash flows with the term-equivalent market interest rate as at the reporting date. For current financial liabilities, the fair value approximates the reported carrying amount.

Trade payables and other (financial) liabilities are recognised at their repayment amount. As the other (financial) liabilities only have short residual terms, the fair value here generally corresponds approximately to the carrying amount reported on the reporting date. With regard to non-current trade payables and other liabilities, the fair value is determined for disclosure purposes analogously to the financial liabilities by discounting the contractual cash outflows with the market interest rate on the reporting date.

For further information, please refer to Notes *[24], Trade payables and other liabilities* and *[25], Reporting on financial instruments*.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the resulting net amount is recognised in the consolidated statement of financial position when there is a present legal right to set off the recognised amounts and the Group intends to exercise that right. This is assumed to be the case if settlement is to be effected on a net basis or the Group intends to settle the associated liability with the realisation of the asset concerned.

In the reporting year as well as in the previous year, the Group did not offset any financial instruments to a significant extent in accordance with IAS 32. In addition, the Group has not recognised any significant financial instruments that were subject to netting agreements.

[n] Inventories

The Group accounts for inventories at the time of their recognition at acquisition or production cost, i.e. at the costs incurred to bring the inventories to their present location and condition. Raw materials and supplies are valued at moving average prices. They are then valued at the lower of historical cost and net realisable value. The net realisable value is determined by reducing the estimated selling price in the ordinary course of business by the estimated costs of completion and the estimated costs necessary for the sale.

[o] Impairment of non-financial assets

The Group assesses at each reporting date whether there are any *triggering events* for impairment of non-financial assets. If there are such indications, the recoverable amount of the potentially impaired asset or a potentially impaired cash-generating unit needs to be determined. The recoverable amount is the higher of *value in use* and *fair value less costs to sell*.

The recoverable amount shall be determined primarily for each individual non-financial asset that generates cash inflows that are largely independent of those from other assets or groups of assets. If an asset does not generate independent cash flows, it shall be included in the smallest identifiable group of assets (cash-generating unit) that together generate cash flows independent of those from other assets or cash-generating units.

If the recoverable amount is less than the carrying amount of the asset or cash-generating unit tested for impairment, the asset or cash-generating unit is impaired. Accordingly, the carrying amount of the asset or cash-generating unit is written down to the recoverable amount through profit or loss.

The value in use is to be determined on the basis of investment theory as the present value sum of the expected future cash flows before taking into account taxes and financing effects, whereby a discount rate before taxes is to be used consistently for this purpose. This discount rate must adequately reflect current market expectations with regard to the interest effect and the specific risks of the asset.

To determine the fair value less costs to sell, comparable recent market transactions are taken into account. If no such transactions are identifiable, the determination shall be made using an appropriate valuation model, taking into account valuation multiples, quoted market prices of shares in relevant comparable companies or other available (market) indicators of fair value.

As a basis for the quantitative impairment test, Amprion uses its most recent budget and forecast calculations, which are prepared for the individual cash-generating units of the Group.

Impairment losses are recognised in profit or loss in the expense category consistent with the function of the impaired asset in the entity.

For assets that have already been impaired, a review must be conducted at each reporting date to determine whether there is any indication that the previously recognised impairment loss no longer exists or has decreased. If the reason for a previous impairment no longer exists, a write-up is recognised in profit or loss. The upper value limit is the recoverable amount or, if lower, the original amortised carrying amount. This is the value in case that the asset had not been impaired in the past and, if necessary, would have been depreciated according to schedule.

[p] Cash and cash equivalents

The balance sheet item cash and cash equivalents includes cash on hand, bank balances and short-term highly liquid deposits with an original maturity of three months or less, which can be converted into fixed cash amounts at any time and are only subject to an insignificant risk of fluctuation in value.

With regard to the definition of cash and cash equivalents for the cash flow statement, the relevant cash and cash equivalents include the items defined above. Bank overdrafts are not included in the Group's cash and cash equivalents.

[q] Other provisions

Provisions shall be recognised when
a) the Group has a present obligation (legal or constructive) as a result of a past event,
b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
c) the amount of the obligation can be reliably estimated.

Provisions are recognised at the settlement amount, whereby either the expected value or the amount with the highest probability of occurrence is used as the best possible estimate of the obligation amount. Debt-specific risks are taken into account when measuring the obligation amount.

If there is a material interest effect from discounting the obligation amount at a risk-free interest rate before tax on the reporting date, the provision shall be measured at the present value of the settlement amount. A significant interest effect is generally assumed for long-term provisions.

In subsequent measurement, the discounted provision amount is compounded with the risk-free interest rate, whereby the interest expense associated with the corresponding provision increase is recognised in the income statement as part of the financial expenses.

If there is an - at least partial - reimbursement right in connection with a recognised provision that will almost certainly lead to a cash inflow (e.g. in the case of an insurance contract), the reimbursement must be recognised as a separate asset. The expense arising from the recognition of a provision for which a reimbursement claim is virtually certain is reported in the income statement netted with the reimbursement amount.

If the Group is threatened with an economic burden from a pending legal transaction (onerous contract), the current contractual obligation is recognised and measured as a provision. However, before recognising such a provision for contingent losses, the carrying amount of any assets associated with the contract must first be written down.

A contract is considered to be onerous if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the minimum net costs of exiting the contract and are the lower of the contractual performance costs and any compensation or penalties resulting from non-performance.

[r] Provisions for pensions and similar obligations

According to IFRS, a distinction is to be made between *defined contribution plans* and *defined benefit plans* when accounting for pension obligations. While an external (pension) provider bears the actuarial risk in the case of defined contribution plans, this risk lies with the employer in the case of defined benefit plans, even if only to a small extent. Provisions for pensions and similar obligations are recognised for defined benefit plans.

The Group recognises provisions for pensions and similar obligations in connection with its defined benefit plans, which are measured using the *projected unit credit method* in accordance with IAS 19. This forward-looking valuation method takes into account the pensions and entitlements known on the reporting date as well as expected future salary and pension trends, mortality rates, fluctuation and other actuarial parameters. Changes in pension obligations as a result of adjustments to these parameters are recognised in full as actuarial gains and losses in the financial year in which they occur. They are reported as part of other comprehensive income and recognised directly in equity within retained earnings. These amounts are not subsequently reclassified to profit or loss.

The pension obligations are secured by assets held in trust as part of a *contractual trust arrangement* (CTA). To cover the pension obligation, the Group makes regular payments to the trustee of the separately administered fund, which qualifies as plan assets within the meaning of IAS 19. Income from revaluation of plan assets (excluding amounts already included in net interest on the net defined benefit liability) is recognised analogously to actuarial gains and losses in other comprehensive income and thus directly in equity without being subsequently reclassified to profit and loss.

The provision recognised is the net amount of the defined benefit obligation and the corresponding plan assets at the reporting date. The service cost (including past service cost and expenses and income from plan settlements) is recognised as part of personnel expenses. The net interest expense, which results from multiplying the relevant pension interest rate by the balance of the defined benefit obligation and the plan assets, is reported in the financial result.

In contrast to defined benefit pension plans, contributions to defined contribution plans directly represent personnel expenses in the period in which they are incurred.

[s] Contingent liabilities

Contingent liabilities only include possible but not probable obligations to third parties, as well as present obligations for which the outflow of resources is not probable or the amount of which cannot be quantified with sufficient reliability. Therefore, no provisions are recognised for contingent liabilities; the disclosure requirement in this context is met in the Notes to the financial statements.

First-time adoption of IFRS

These financial statements as at 31 December 2021 are the first consolidated financial statements of Amprion GmbH to be prepared in full compliance with those IFRS to be applied in the EU as at the reporting date. Amprion has not prepared consolidated financial statements for financial years ending before or on 31 December 2020, i.e. neither in accordance with IFRS nor in accordance with HGB. To date, both Amprion GmbH and Amprion Offshore GmbH have only prepared and published separate financial statements in accordance with national GAAP (HGB).

The Amprion consolidated financial statements have been prepared in accordance with the IFRS mandatory under EU law as at and for the year ended 31 December 2021. They include financial statement data for the reporting period from 1 January 2021 to 31 December 2021 as well as comparative data for the previous year's period for the financial year ending 31 December 2020. In preparing the financial statements, the opening balance sheet was prepared as at 1 January 2020, the date of the Group's transition to IFRS (transition date).

The key adjustments made by Amprion when converting its annual financial statements prepared under HGB to consolidated financial statements under IFRS are explained below.

Applied exemptions according to IFRS 1

IFRS 1 allows first-time adopters of IFRS to use certain exemptions from the retrospective application of certain IFRS requirements. The Group has applied the following exemptions in preparing its first full IFRS financial statements:

Leases:

The Group has examined all contracts in force as of 1 January 2020 to determine whether they contain a lease, taking into account the contractual conditions applicable at that time. Lease liabilities were measured at the present value of the future lease payments outstanding at the time of transition to IFRS, whereby the term-dependent incremental borrowing rate of Amprion as lessee as at 1 January 2020 was used for discounting. At the time of transition to IFRS, the Group recognised rights-of-use to the leased assets in the amount of the recognised lease liabilities - adjusted, if necessary, by the amounts of lease payments made in advance or deferred that were already recognised in the balance sheet before 1 January 2020.

Lease payments in connection with agreements that ended within 12 months of the date of transition to IFRS and lease payments in connection with leases of assets of insignificant value were recognised as expenses over the term of the lease. Accordingly, no rights-of-use assets and lease liabilities were recognised for these in accordance with the exception rule under IFRS 1.D9D in conjunction with IFRS 16.6.

Lessees are permitted to consider subsequent findings relating to, among other things, the determination of the lease term, on a lease-by-lease basis under IFRS 1.D9D. The Group did not take into account most of the findings under this exemption at the time of transition to IFRS.

Capitalisation of borrowing costs:

The Group has applied the transitional provisions to IAS 23 *“Borrowing Costs”* in accordance with IFRS 1.D23. Therefore, borrowing costs for all qualifying assets were capitalised only from the date of transition to IFRS. This also applies to those qualifying assets or facilities that were already under construction as at 1 January 2020.

Classification of investments in equity instruments:

The Group has exercised the option to classify its investments in equity instruments as *measured at fair value through other comprehensive income* based on the facts and circumstances existing as at 1 January 2020. The Group has irrevocably applied this option to all equity instruments within the scope of IFRS 9. These are exclusively unlisted equity instruments or equity interests held by the Group in the companies TSCNET Services GmbH, Ou Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (H.G.R.T.) and Joint Allocation Office SA (JAO).

Estimates:

Insofar as similar accounting items were affected, the estimates required for the preparation of the consolidated financial statements as at 1 January 2020 and 31 December 2020 are consistent with those made in the preparation of the separate financial statements of Amprion GmbH and Amprion Offshore GmbH under HGB as at 31 December 2019 and 31 December 2020. Under HGB, no estimates had to be made for the following items that require estimates under IFRS:

- Pension obligations and other post-employment benefits: measurement of the pension interest rate at the reporting date
- Impairment of financial assets: measurement of expected credit losses
- Leases as lessee: measurement of the incremental borrowing rate and the term of the lease
- Investments in equity instruments: measuring the fair value of unlisted equity interests

The Group's estimates concerning the aforementioned matters, which were made in order to determine the corresponding amounts in accordance with IFRS, reflect the conditions at the time of transition to IFRS and as at 31 December 2020.

Reconciliations of consolidated equity as at 01/01/2020 (transition date to IFRS) and as at 31/12/2020 and of consolidated comprehensive income as at 31/12/2020

The following reconciliations show the effects from the first-time adoption of IFRS, i.e. from the conversion from HGB to IFRS, on the consolidated equity and on the consolidated comprehensive income of the Group for the conversion year 2020.

The reconciliations presented are already based on the IFRS-compliant structure of the consolidated balance sheet and consolidated income statement. Accordingly, this structure has already been applied to the items under HGB. As a result, the reconciliation statement does not include pure reporting differences or reclassifications that result from the reconciliation of the HGB separate financial statements to the IFRS consolidated financial statements, and which do not affect equity and/or profit or loss.

With these IFRS consolidated financial statements, Amprion has prepared consolidated financial statements for the first time. Consequently, no consolidated financial statements prepared in accordance with HGB or other accounting principles were available for comparison purposes at the time of transition to IFRS. Therefore, any consolidation effects are shown separately in the IFRS reconciliation. This means that effects on the consolidated equity and the consolidated comprehensive income that are purely due to consolidation are presented separately from those conversion effects driven by the transition from HGB to IFRS in the course of the first-time adoption of IFRS.

Quantitative conversion effects of less than €0.1 million are referred to as *marginal* within the notes to the reconciliation statement.

Reconciliation of consolidated equity as at 01/01/2020

ASSETS **in € million**	**Notes: see explanation**	**Summarized financial statements (HGB)** **01/01/2020**	**Revaluation effects** **01/01/2020**	**Consolidation effects** **01/01/2020**	**Consolidated balance sheet (IFRS)** **01/01/2020**
NON-CURRENT ASSETS					
Property, plant and equipment	A	4,571.0	135.3	0.0	4,706.3
Right-of-use assets	B	0.0	499.0	0.0	499.0
Intangible assets	C	19.1	0.2	0.0	19.2
Financial assets		6.5	0.0	-1.0	5.5
Deferred tax assets	H	0.0	0.0	0.0	0.0
Total non-current assets		*4,596.5*	*634.6*	*-1.0*	*5,230.1*
CURRENT ASSETS					
Inventories		55.2	0.0	0.0	55.2
Trade receivables and other receivables	D	1,054.7	17.9	0.0	1,072.6
Other financial assets		13.1	0.0	0.0	13.1
Income tax claims		2.3	0.0	0.0	2.3
Other non-financial assets	G-1	1.5	0.2	0.0	1.7
Cash and cash equivalents		680.3	0.0	0.0	680.3
Total current assets		*1,807.1*	*18.1*	*0.0*	*1,825.2*
TOTAL ASSETS		6,403.6	652.6	-1.0	7,055.3

TOTAL LIABILITIES AND EQUITY **in € million**	**Notes: see explanation**	**Summarized financial statements (HGB)** **01/01/2020**	**Revaluation effects** **01/01/2020**	**Consolidation effects** **01/01/2020**	**Consolidated balance sheet (IFRS)** **01/01/2020**
EQUITY					
Subscribed capital		11.0	0.0	-1.0	10.0
Additional paid-in capital		1,003.0	0.0	0.0	1,003.0
Jouissance rights	E-1	16.9	-16.9	0.0	0.0
Retained earnings	A, C, D, E-2, F-1, F-2, F-3, G-1, G-2, H	916.4	720.5	0.0	1,636.9
Change in accumulated other comprehensive income (OCI)		0.0	0.0	0.0	0.0
Total equity		*1,947.3*	*703.6*	*-1.0*	*2,649.9*
NON-CURRENT LIABILITIES					
Provisions	G-1, G-2	599.7	-490.9	0.0	108.8
Financial liabilities					
Financial debt	E-2	915.0	15.4	0.0	930.4
Other financial liabilities	B	0.0	315.1	0.0	315.1
Non-financial liabilities	F-1, F-2, F-3	307.8	-239.7	0.0	68.2
Deferred tax liabilities	H	138.9	333.2	0.0	472.0
Total non-current liabilities		*1,961.4*	*-66.9*	*0.0*	*1,894.5*
CURRENT LIABILITIES					
Provisions	D, G-1	112.1	-8.2	0.0	104.0
Financial liabilities					
Financial debt		47.2	0.0	0.0	47.2
Trade payables and other liabilities	F-2	2,153.9	-1.4	0.0	2,152.5
Other financial liabilities	B	4.6	183.9	0.0	188.5
Non-financial liabilities					
Income tax liabilities	G-1	44.8	-43.4	0.0	1.4
Other non-financial liabilities	F-3	132.4	-115.0	0.0	17.3
Total current liabilities		*2,495.0*	*15.9*	*0.0*	*2,510.9*
TOTAL LIABILITIES AND EQUITY		6,403.6	652.6	-1.0	7,055.3

Reconciliation of consolidated equity as at 31/12/2020

ASSETS in € million	Notes: see explanation	Summarized financial statements (HGB) 31/12/2020	Revaluation effects 31/12/2020	Consolidation effects 31/12/2020	Consolidated balance sheet (IFRS) 31/12/2020
NON-CURRENT ASSETS					
Property, plant and equipment	A	5,409.9	151.7	0.0	5,561.6
Right-of-use assets	B	0.0	402.5	0.0	402.5
Intangible assets	C	27.9	0.1	0.0	28.0
Financial assets		14.4	0.0	-9.0	5.4
Deferred tax assets	H	0.0	0.0	0.0	0.0
Total non-current assets		*5,452.1*	*554.3*	*-9.0*	*5,997.4*
CURRENT ASSETS					
Inventories		69.2	0.0	0.0	69.2
Trade receivables and other receivables	D	2,676.5	20.7	-0.2	2,697.0
Other financial assets		26.1	0.0	-14.6	11.5
Income tax claims		44.1	0.0	0.0	44.1
Other non-financial assets	G-1	1.2	0.2	0.0	1.4
Cash and cash equivalents		0.0	0.0	0.0	0.0
Total current assets		*2,817.1*	*20.9*	*-14.8*	*2,823.2*
TOTAL ASSETS		8,269.2	575.2	-23.8	8,820.6

TOTAL LIABILITIES AND EQUITY in € million	Notes: see explanation	Summarized financial statements (HGB) 31/12/2020	Revaluation effects 31/12/2020	Consolidation effects 31/12/2020	Consolidated balance sheet (IFRS) 31/12/2020
EQUITY					
Subscribed capital		11.0	0.0	-1.0	10.0
Additional paid-in capital		1,411.0	0.0	-8.0	1,403.0
Jouissance rights	E-1	20.4	-20.4	0.0	0.0
Retained earnings	A, C, D, E-2, F-1, F-2, F-3, G-1, G-2, H	816.4	720.5	0.0	1,536.9
Change in accumulated other comprehensive income (OCI)	G-2, H	0.0	-37.1	0.0	-37.1
Consolidated net income	A, B, C, D, E-2, F-1, F-2, F-3, G-1, G-2, H	216.6	217.9	0.0	434.5
Total equity		*2,475.4*	*881.0*	*-9.0*	*3,347.4*
NON-CURRENT LIABILITIES					
Provisions	G-1, G-2	934.9	-799.8	0.0	135.1
Financial liabilities					
Financial debt	E-2	880.0	18.6	0.0	898.6
Other financial liabilities	B	0.0	183.4	0.0	183.4
Non-financial liabilities	F-1, F-2, F-3	338.7	-278.4	0.0	60.3
Deferred tax liabilities	H	167.0	415.3	0.0	582.3
Total non-current liabilities		*2,320.6*	*-461.0*	*0.0*	*1,859.6*
CURRENT LIABILITIES					
Provisions	D, G-1	84.0	-7.4	0.0	76.6
Financial liabilities					
Financial debt		1,739.2	0.0	-14.6	1,724.5
Trade payables and other liabilities	F-2	1,565.7	-0.5	-0.2	1,565.1
Other financial liabilities	B	1.8	220.9	0.0	222.7
Non-financial liabilities					
Income tax liabilities	G-1	43.4	-43.4	0.0	0.0
Other non-financial liabilities	F-3	39.1	-14.3	0.0	24.8
Total current liabilities		*3,473.2*	*155.2*	*-14.8*	*3,613.6*
TOTAL LIABILITIES AND EQUITY		8,269.2	575.2	-23.8	8,820.6

Reconciliation of consolidated comprehensive income from 01/01/2020 to 31/12/2020

INCOME STATEMENT in € million	Notes: see explanation	Summarized financial statements (HGB) 2020	Revaluation effects 2020	Consolidation effects 2020	Consolidated income statement (IFRS) 2020
Revenue	D, F-1, F-2, F-3, G-1, I	15,542.3	-13,243.0	-23.1	2,276.2
Change in work in progress		0.0	0.0	0.0	0.0
Other own work capitalised		93.4	0.0	9.5	102.9
Other operating income	A, C, G-1, I	9.2	-2.6	-0.5	6.1
Cost of materials	B, G-1, I	-14,724.8	13,696.5	7.2	-1,021.1
Personnel expenses	G-1, G-2, I	-224.3	-3.1	0.0	-227.4
Other operating expenses	A, B, D, E-2, G-1, I	-118.4	8.2	7.0	-103.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		*577.4*	*455.9*	*0.0*	*1,033.4*
Depreciation and amortisation	A, B, C	-208.8	-201.4	0.0	-410.2
Earnings before interest and taxes (EBIT, operating profit)		*368.6*	*254.5*	*0.0*	*623.2*
Financial result		-73.0	62.5	-0.3	-10.8
of which financial income	I	*1.3*	*-0.4*	*-0.4*	*0.6*
of which financial expenses	A, B, E-2, G-1, G-2, I	*-74.2*	*62.9*	*0.0*	*-11.4*
Earnings before taxes (EBT)		*295.6*	*317.1*	*-0.3*	*612.3*
Income taxes	H	-78.7	-99.2	0.1	-177.8
NET INCOME		216.9	217.9	-0.2	434.5

STATEMENT OF COMPREHENSIVE INCOME in € million	Notes: see explanation	Summarized financial statements (HGB) 2020	Revaluation effects 2020	Consolidation effects 2020	Consolidated statement of comprehensive income (IFRS) 2020
NET INCOME		216.9	217.9	-0.2	434.5
Revaluation of defined benefit pension obligation and similar obligations	G-2	0.0	-54.1	0.0	-54.1
Income taxes on income and expenses recognised in equity	H	0.0	17.1	0.0	17.1
Total income and expenses recognised in equity (other comprehensive income)		*0.0*	*-37.1*	*0.0*	*-37.1*
of which not to be reclassified through profit or loss		*0.0*	*-37.1*	*0.0*	*-37.1*
of which to be reclassified through profit or loss in the future		*0.0*	*0.0*	*0.0*	*0.0*
TOTAL COMPREHENSIVE INCOME		216.9	180.8	-0.2	397.5

Notes to the reconciliation of the consolidated equity as at 01/01/2020 and 31/12/2020 as well as the consolidated comprehensive income as at 31/12/2020

A Property, plant and equipment

The Group determined the carrying amounts of property, plant and equipment at (amortised) cost at the date of transition to IFRS by retrospectively applying IAS 16. Valuation differences to the carrying amount determined under HGB are based on differing depreciation methods and useful lives. The corresponding difference of €135.3 million was recognised in retained earnings as at 1 January 2020, increasing IFRS equity.

As at 31 December 2020, the subsequent measurement of the above mentioned items resulted in additional depreciation expenses of €2.5 million to be recognised under IFRS compared to HGB. In addition, due to the valuation differences, other operating expenses were €0.6 million higher under IFRS and other operating income from asset disposals was slightly lower.

Furthermore, interest on qualifying assets was capitalised for the first time in the 2020 financial year. As a result, the IFRS financial result and the IFRS profit before tax as at 31 December 2020 were €19.6 million higher than the profit before tax for this year under HGB.

In total, the accounting for property, plant and equipment as at 31 December 2020 resulted in an IFRS pre-tax profit that was €16.4 million higher than in the HGB financial statements. As a result, the IFRS equity as at 31 December 2020 was €151.7 million higher than the equity under HGB.

B Leases – right-of-use assets and lease liabilities

Under HGB, leases are classified as operating leases or finance leases. The lessee recognises lease payments from operating leases as operating expenses in the income statement over the lease term. In contrast, according to IFRS 16, the lessee must apply a uniform accounting model to all contracts that qualify as leases using the *right-of-use approach*. Only short-term leases and low-value leases are exempt from this uniform accounting approach.

Under the *right-of-use approach*, the lessee recognises a lease liability in the amount of the present value of the contractually agreed future lease payments. On the other hand, a right-of-use asset is recognised at the same time.

At the time of transition to IFRS, the Group applied the exemption of IFRS 1 and recognised its lease liabilities at the present value of the future lease payments still outstanding at that time. The discount rate applied was the term- and risk-equivalent incremental borrowing rate determined separately for each lease. Correspondingly, rights-of-use assets in the amount of the lease liabilities, reduced as necessary by prepaid or deferred lease payments, were recognised at the time of transition to IFRS. In total, lease liabilities of €499.0 million were recognised as at 1 January 2020, which were reported in the balance sheet under non-current and current other financial liabilities. At the same time, rights-of-use assets reported separately in the balance sheet were capitalised to the same extent.

Since no differences arose between the recognised lease liabilities and the rights of use in the course of initial recognition, the adjustments from the IFRS application of the right-of-use approach did not affect group equity at the time of transition.

In the year of transition, the cost of materials and other operating expenses under IFRS decreased by €192.1 million and €6.0 million respectively compared to the HGB separate financial statements, while IFRS depreciation (on right–of-use assets) increased by €198.8 million and IFRS interest expenses increased by €1.1 million compared to the HGB financial statements due to the application of the effective interest method to the recognised lease liabilities. In total, the transition as at 31 December 2020 resulted in a reduction of €1.8 million in the IFRS pre-tax result and thus also in IFRS equity.

C Intangible assets

The Group determined the carrying amounts of intangible assets at the time of transition to IFRS consistently with a retrospective application of the original accounting regulations according to IAS 38 at (amortised) acquisition or production costs. Valuation differences to the amounts determined according to HGB are based on differing depreciation methods and useful lives. The corresponding positive difference of €0.2 million was recognised in retained earnings, increasing IFRS equity.

As at 31 December 2020, the differences between the HGB and IFRS measurement of intangible assets resulted in slightly higher amortisation expenses and slightly lower other operating income from the disposal of intangible assets under IFRS. As a result, the IFRS consolidated pre-tax profit determined for the transition year was €0.1 million lower than the HGB pre-tax profit due to the different valuation of intangible assets. Accordingly, the corresponding equity difference resulting from the IFRS conversion and recognised in retained earnings decreased to €0.1 million.

D Impairment of trade receivables and other receivables

While under HGB impairments on financial assets including trade receivables are to be recognised using the *incurred loss model*, under IFRS a risk provision in the amount of the expected credit loss is to be recognised for financial assets carried at amortised cost (*expected credit loss model*). During the transition to IFRS, the general bad debt allowance recognised under HGB therefore had to be reversed. Instead, according to IFRS, a risk provision in the amount of the expected credit losses over the total term of the receivables (lifetime expected credit losses) was recognised.

The net valuation difference of €16.3 million resulting from the reversal of the general bad debt allowance (€17.9 million) and the recognition of the risk provision for receivables (€1.7 million) was recognised as an increase in IFRS retained earnings at the time of transition to IFRS.

Furthermore, in the 2020 financial year, additions to the general bad debt allowance in the amount of €2.8 million were made in the financial statements under HGB. These were offset by an addition to the risk provision for expected credit losses in the amount of €1.8 million under IFRS. Due to the non-recognition of the general bad debt allowance, the revenue under IFRS was €2.8 million higher than in the separate financial statements under HGB as at 31 December 2020, while the other operating expenses under IFRS rose by €1.8 million compared to the financial statements under HGB as a result of the addition to the risk provision. In total, the IFRS profit before taxes increased by €1.0 million compared to the annual profit before taxes under HGB. Therefore, the difference between the equity reported in the IFRS financial statements and the HGB financial statements as at 31 December 2020 also increased to €17.3 million.

E Financial liabilities

E-1 Jouissance rights

In accordance with HGB, jouissance rights issued by Amprion GmbH are shown as a separate line item within equity in the HGB separate financial statements due to their legal design. The jouissance rights grant the holder, among other things, an ordinary right of termination after the expiry of a holding period of at least five years, whereby the holder receives a payment claim in the amount of the nominal value of the terminated jouissance rights upon termination. According to IAS 32, this conditional financial obligation requires a classification as a debt instrument, which the Group classified as a financial liability measured at amortised cost at the time of transition to IFRS. Accordingly, the jouissance rights were reclassified from equity to financial liabilities under IFRS. There was no additional valuation difference between the HGB and the IFRS valuation in the year of first-time adoption of IFRS.

Due to the reclassification of the jouissance rights from equity to debt, the IFRS equity of the Group was €16.9 million lower than in the HGB financial statements as at 1 January 2020. Since the interest expense from jouissance rights was calculated and recorded in the same way under HGB and IFRS, there were no differences between the HGB annual result and the IFRS consolidated result before taxes from the jouissance rights as at 31 December 2020. Due to the issuance of new jouissance rights in 2020, the equity difference increased by €3.5 million to €20.4 million as at 31 December 2020.

E-2 Application of the effective interest method for financial liabilities

Financial liabilities are to be recognised at their settlement amount under HGB and subsequently measured accordingly. As annual interest expenses, the nominal interest expenses are recognised in profit and loss. Only in case of a premium or discount arising from the issuance of a financial liability, there is an explicit option to either capitalise and amortise the discount on a straight-line basis over the term of the contract or to recognise it in full as interest expense as soon as it arises. Transaction costs incrementally associated with the issuance of a financial liability must be recognised as an expense as soon as they are incurred under HGB.

In contrast, fees directly attributable to the issuance of a financial liability, fees paid, transaction costs and other premiums or discounts are amortised over the expected life of the financial instrument under IFRS. Accordingly, financial liabilities are to be recognised at fair value less the aforementioned directly attributable costs and subsequently measured at amortised cost applying the effective interest method.

The positive difference between the financial liabilities measured at the settlement amount according to HGB and the corresponding IFRS measurement amounted to €1.5 million at the time of transition to IFRS. The resulting effect of €1.5 million, which increased the IFRS equity compared to the annual financial statements under HGB, was recognised in the IFRS consolidated financial statements under retained earnings.

Due to the different valuation of financial liabilities according to HGB and IFRS, there was a higher pre-tax result of €0.3 million under IFRS as at 31 December 2020. This effect on earnings results from a €0.1 million higher effective interest expense under IFRS, which was more than compensated for by including €0.4 million of transaction costs in the carrying amount of the liability, which are expensed under HGB. Under IFRS, equity was thus €1.8 million higher as at 31 December 2020 compared to the HGB annual financial statements.

F Other non-financial liabilities

F-1 Contractual liabilities from construction cost grants and connection cost contributions

Under IFRS, the Group recognises construction cost grants (‘German abbreviation ‘AKB’) and connection cost contributions (German abbreviation ‘BKZ’) paid in advance by customers to Amprion as contractual liabilities, which are released to income over the useful life of the associated assets. Under HGB, these transactions are partly shown under deferred income and partly as a special item presented separately in the balance sheet between equity and liabilities.

In addition to the different balance sheet presentation under contract liabilities required under IFRS, there is also a valuation difference compared to the HGB financial statements due to different reversal periods, which were used as the basis for recognising individual BKZ and AKB in the balance sheet. Under HGB, construction cost grants and connection cost contributions were partially dissolved on a flat-rate basis over a period of 20 years using the straight-line method. According to IFRS 15, these performance obligations are to be released to income consistently over the economic useful life of the associated assets. The differences in carrying amounts between the HGB and IFRS valuations of €6.6 million at the time of transition to IFRS, due to the different periodisation, were recognised in the IFRS financial statements as a reduction in retained earnings.

As at 31 December 2020, the different reversal periods under IFRS compared to HGB resulted in lower net sales of €0.2 million. The IFRS pre-tax profit was thus also lower than the pre-tax profit under HGB by the same amount. As a result, the difference between the equity under HGB and IFRS increased to around €6.8 million as at 31 December 2020.

F-2 Revenue from congestion management (congestion revenue)

Under HGB, revenues generated from the auctioning of cross-border transmission capacities as part of congestion management are recognised as deferred income. This revenue is subject to a restriction on use under public law, so that Amprion uses it for a specific purpose in accordance with the requirements of EU law. The Group reverses the deferred income to income at the same time as the corresponding expenses are incurred. The realised income is reported as revenue.

In contrast to this accounting method under HGB, auction revenues are to be recognised as miscellaneous revenues over time if the Group satisfies its performance obligation in this respect over time by making the auctioned transmission capacity available to the holder of the transmission right and the benefit is thus transferred to the latter. The public-law restriction on the use of the auction revenue represents an obligation detached from the Group's existing performance obligation to the holder of the transmission right, which does not affect the timing of revenue recognition. At the time of transition to IFRS, this difference to accounting under HGB led to a release of the deferred income recognised in the separate financial statements under HGB in the amount of €246.2 million, whereby the corresponding amount was recognised in retained earnings, increasing IFRS equity.

In addition, as a result of a different periodisation of congestion income compared to the separate financial statements under HGB, a liability of €1.4 million, which was reported under other liabilities under HGB, was released and increased IFRS equity. The amount was recognised in retained earnings.

As at 31 December 2020, additional net income of €38.2 million was recognised in the IFRS earnings before taxes due to the described differences between HGB and IFRS accounting rules. The congestion income realised under IFRS in the amount of €48.9 million, which was recognised as deferred income under HGB, was on the one hand offset in the financial statements under HGB by realised income from the pro rata release of deferred income in the amount of €9.9 million and on the other hand increased by additional income of €0.9 million under IFRS due to a remeasurement or different periodisation of congestion income. Accordingly, the IFRS pre-tax profit was €38.2 million higher overall than the pre-tax profit reported in the financial statements under HGB.

In total, congestion management resulted in an increase in IFRS equity of €285.7 million as at 31 December 2020 compared to the HGB financial statements.

F-3 Elimination of balance sheet accruals and deferrals for regulatory obligations

Under HGB, regulatory obligations arising in and before the reporting period from periodic additional revenue, which are to be refunded to the grid customer in the future through adjustments to the revenue caps, are accrued as other liabilities. According to IFRS, the recognition criteria for a corresponding liability are not met.

At the time of transition to IFRS, regulatory deferral liabilities totalling €115.0 million were recognised under other liabilities in the separate financial statements prepared in accordance with HGB. According to IFRS, these liabilities do not qualify for recognition in the balance sheet. Accordingly, the IFRS equity at the time of transition to IFRS was €115.0 million higher than in the separate financial statements under HGB. The corresponding reversal amount was recognised in the IFRS retained earnings.

As at 31 December 2020, accruals and deferrals recognised under other liabilities in the balance sheet in the amount of €100.7 million were reversed to increase revenue and thus the HGB profit before tax. As these regulatory matters cannot be recognised as liabilities under IFRS, both the other liability recognised in the HGB financial statements as at 31 December 2020 and the revenue realised from the partial reversal of this liability were eliminated in the IFRS financial statements. As a result, on the one hand, revenues and thus also the earnings before taxes under IFRS as at 31 December 2020 were €100.7 million lower than in the separate financial statements under HGB. On the other hand, the equity difference between the IFRS and HGB financial statements resulting from this situation decreased to a total of €14.3 million, by which the IFRS equity was higher as at 31 December 2020.

G Provisions

G-1 Other provisions and tax provisions

Provisions were recognised in the HGB separate financial statements, in particular for effects from the regulatory account in accordance with § 5 ARegV, due to the principle of prudence under HGB. However, these provisions recognised under HGB do not fulfil the recognition criteria under IAS 37. Therefore, other provisions and tax provisions totalling €623.0 million recognised in the HGB separate financial statements were derecognised at the time of transition to IFRS. This difference to HGB was recognised in the IFRS financial statements under retained earnings, increasing IFRS equity.

Due to the non-recognition of these provisions, the expenses and income from subsequent measurement of the derecognised provisions recognised under HGB in 2020 did not apply under IFRS as at 31 December 2020. As a result, revenue and cost of materials under IFRS were €333.7 million and €0.6 million higher, respectively, than under HGB. Interest expenses and other operating expenses under IFRS were €3.7 million and €0.1 million lower than in the separate financial statements under HGB. As a result, the IFRS earnings before taxes as at 31 December 2020 were €336.8 million higher than in the HGB financial statements.

Furthermore, there are conceptual differences between the HGB and IFRS measurement of provisions. On the one hand, this concerns the discount rate to be used for the discounting and compounding of long-term provisions: While according to HGB an average term-equivalent market interest rate of the past seven financial years is to be applied, the IFRS measurement is based on a risk-free interest rate. On the other hand, the different accounting methods for partial retirement obligations result in valuation differences, which lead to higher recognised amounts for the corresponding provision under HGB. The overall conversion effect resulting from these procedure- and interest-induced valuation differences amounted to €0.5 million on balance at the time of transition to IFRS. This amount was recognised in retained earnings, increasing IFRS equity. The corresponding subsequent measurement of the provisions resulted in a difference in earnings of €0.7 million as at 31 December 2020, by which the IFRS pre-tax result was lower than the corresponding pre-tax result under HGB. This difference in earnings resulted on the one hand from a €0.1 million lower interest expense under IFRS, which was attributable to the valuation of the other (miscellaneous) provisions. The remaining difference resulted from an IFRS valuation of personnel provisions (excluding pension obligations) that deviated from the accounting principles under HGB. Here, the personnel expenses according to IFRS were €0.3 million higher than in the HGB financial statements. In addition, the IFRS accounting of personnel provisions was associated with slightly lower other operating income, €0.7 million higher other operating expenses and €0.4 million lower interest expenses compared to the separate financial statements under HGB.

Whereas under HGB, top-up benefits in connection with partial retirement obligations are not divided into an earned and a yet-to-be-earned portion, a corresponding division is required under IFRS. This results in advance payments of top-up benefits during the active phase according to IFRS, insofar as the corresponding payments exceed the entitlement earned in the respective period. In contrast to accounting under HGB, the overpaid amount is therefore recognised as an asset in the corresponding amount. This asset-side deferral item is reported under other non-financial assets and is to be reversed pro rata until the top-up payment has been fully vested.

The valuation difference resulting from the asset-side deferral item amounted to €0.2 million at the time of transition to IFRS. The corresponding amount was recognised in retained earnings, increasing IFRS equity.

As at 31 December 2020, the deferral item increased only slightly, as a result of which the other operating expenses were correspondingly lower and the IFRS profit before tax was equally higher. Thus, the difference between the equity reported in the IFRS consolidated financial statements and the equity reported in the HGB separate financial statements as at 31 December 2020 resulting from this matter amounted to €0.2 million.

Taking into account all the effects described above driven by recognition and measurement differences in the accounting for provisions according to HGB and IFRS, the equity difference between the IFRS consolidated financial statements and the HGB financial statements increased to €959.8 million as at 31 December 2020.

G-2 Pension obligations – pension provisions

Under both HGB and IFRS, pension obligations are determined on the basis of consistent actuarial assumptions and parameters and using the *projected unit credit method* as actuarial valuation method. Valuation differences between the HGB and IFRS values of the pension provisions result from deviations between the pension interest rates to be used for compounding and discounting. While a ten-year average interest rate is to be used according to HGB, the pension interest rate according to IFRS is an unsmoothed interest rate as of the reporting date. The resulting valuation difference of €79.3 million between the HGB and IFRS balance was recognised in equity as at 1 January 2020, reducing IFRS retained earnings.

In addition, the adjustments to the pension obligation and the externally funded plan assets resulting from changed actuarial assumptions and parameters as at 31 December 2020 were recognised differently under HGB and IFRS. While actuarial gains and losses or revaluations are recognised directly in the profit or loss of the corresponding period under HGB, they are recognised in other comprehensive income without affecting the income statement under IFRS. In addition, the differing pension interest rates under HGB and IFRS resulted in different levels of service and interest costs, which are recognised in profit or loss for the period.

As a result of the aforementioned effects, the personnel expenses under IFRS as at 31 December 2020 were €7.8 million higher and the interest expenses from compounding pension obligations were €2.7 million lower than in the separate financial statements under HGB. In addition, there was a positive deviation in the income realised from plan assets in the amount of €4.5 million under IFRS. This amount reflects the difference between the actual realised loss on plan assets of €1.5 million recognised in the income statement under HGB and the IFRS interest income from compounding plan assets at the pension interest rate of €3.0 million.

Actuarial losses from interest rate changes in the amount of €28.5 million were recognised in the income statement as part of interest expenses in the financial statements under HGB, whereby corresponding expenses were not reflected in the income statement in the IFRS financial statements. Instead, actuarial losses totalling €54.1 million were recognised in other comprehensive income under IFRS. These resulted in the amount of €49.6 million from an interest-driven increase in the pension obligation and in the amount of €4.5 million from the negative return on plan assets.

In total, the financial result reported as at 31 December 2020 was €35.6 million higher under IFRS than under HGB. The pre-tax profit recognised in the income statement was €27.8 million higher overall under IFRS compared to HGB. However, due to the actuarial loss recognised in other comprehensive income in the IFRS financial statements, the equity difference between the IFRS consolidated financial statements and the separate financial statements under HGB increased by €26.3 million as at 31 December 2020. In total, this led to a € 105.6 million lower IFRS equity compared to the HGB at that date.

H Deferred taxes

The aforementioned recognition and measurement differences described under A to G resulted in additional tax-deductible and taxable temporary differences in comparison to the tax base. Deferred tax assets and liabilities must be recognised for these temporary differences between the IFRS carrying amount and the tax base, taking into account the corresponding recognition and measurement regulations of IAS 12. Therefore, at the time of transition to IFRS, deferred tax assets of €72.1 million were released and additional deferred tax liabilities of €261.1 million were recognised, compared with the deferred taxes accounted for under HGB. This resulted in a net reduction in IFRS equity of €333.2 million compared to the financial statements under HGB. This amount was recognised in the IFRS retained earnings.

As at 31 December 2020, deferred tax assets of €3.8 million and deferred tax liabilities of €85.9 million were newly formed due to the recognition and measurement differences from the reversal and new formation of temporary differences. Accordingly, additional deferred tax expenses of €82.1 million were recognised in the IFRS statement of comprehensive income and in comparison to the financial statements under HGB. This amount consists of €99.1 million in deferred tax expenses recognised in the income statement and €17.1 million in deferred tax income recognised in other comprehensive income in the IFRS statement of comprehensive income. The latter resulted from temporary differences in connection with the accounting of pension obligations.

As a result of the deferred tax expenses recognised in the total net amount in the IFRS statement of comprehensive income for the 2020 financial year, the IFRS equity was in total €415.3 million lower than the equity reported in the separate financial statements prepared in accordance with HGB as at 31 December 2020.

I Revenue in accordance with IFRS 15 - netting of levies

In the processing of various regulatory compensation mechanisms and the associated levies (e.g. EEG, section 19 StromNEV, KWKG), the Amprion Group acts as an agent, taking into account the relevant IFRS 15 requirements, so that the income realised in this role must be reported net with the corresponding expenses. In contrast, under HGB the relevant income from levies is to be reported gross as revenue and is not to be netted with the expenses that are causally related.

The following table illustrates the reporting differences between the consolidated income statements according to HGB and IFRS as at 31 December 2020 resulting from the netting of levies:

Netting of levies	
in € million	2020
Revenue	-13,516.7
Other operating income	-2.5
Cost of materials	13,505.0
Personnel expenses	5.0
Other operating expenses	5.2
Financial result	4.0
TOTAL	**0.0**

The amount of the financial result presented is made up of interest income of €0.4 million and interest expenses of €4.3 million.

Significant assumptions, estimates and judgements in the application of the accounting policies

In the process of applying the accounting policies used in the preparation of Amprion's consolidated financial statements, management makes assumptions, estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities. This concerns both the reported items in the financial statements and the related disclosures in the Notes, including the disclosure of contingent liabilities.

Due to the inherent uncertainties in accounting estimates and assumptions, there is a significant risk that actual results and amounts realised in future periods could require material adjustments to the carrying amounts of the assets and liabilities affected.

Assumptions and estimates about future developments are based on parameters that were available to the Group at the time the consolidated financial statements were prepared, are not within the Group's control and are sometimes sensitive to changes in market movements and conditions. Since assumptions and estimates are uncertain and subject to change, they are reviewed on an ongoing basis, taking into account realised results and experience, trends, forecasts and assessments by experts, as well as other appropriate methods, and are adjusted as necessary. The Corona pandemic and the associated material uncertainties are also included, where relevant, in the assumptions and estimates to be made. In the reporting period as well as in the previous year, however, there resulted no significant adjustments to the carrying amounts of assets and liabilities from the Corona pandemic due to the Amprion-specific business model.

The most important accounting items and financial statement items affected by discretionary decisions, assumptions and estimates from Amprion's perspective are shown in the following table. These are items for which there is a considerable risk that a significant adjustment to the carrying amount could result within the following financial year. In addition, further information on risks and uncertainties can be found in Notes *[25], Reporting on financial instruments, [29], Disclosures on capital management* and, with regard to sensitivity analyses in connection with pension obligations, *[20], Provisions*.

Accounting issue/item	Explanation under	Assumptions, estimates and judgements
Judgements		
Impairment of financial assets	*(a)*	**Accounting judgement** in applying an appropriate method for determining expected credit losses (incl. **assumptions** on the counterparty default risk)
Accounting for commodity futures as pending transactions	*(b)*	**Accounting judgement** in the application of the own use exemption in the context of the forward management of grid losses
Revenue recognition from congestion management	*(c)*	**Accounting judgment** regarding the timing of revenue recognition from congestion management
Assumptions and estimates		
Determination of the net pension obligation (pension provision)	*(d)*	Determination of actuarial **assumptions** (financial, demographic)
Leases: Measurement of right-of-use assets and lease liabilities – estimation of the lease interest rate	*(e)*	**Estimates** of the term-equivalent incremental borrowing rate used to capitalise future lease payments
Recognition and measurement of tax refund claims, tax liabilities and deferred taxes	*(f)*	**Estimates** in connection with the accounting of tax refund claims, the accounting of tax liabilities and the assessment of temporary differences between items in the IFRS financial statements and their tax base (formation of deferred tax assets and liabilities)
Accrual of expenses and liabilities from system services and grid operation	*(g)*	**Estimates** of compensation costs to be recognised as expenses and liabilities from system services and transmission volumes within the scope of grid operation
Revenue recognition – variable transaction price components	*(h)*	**Estimates** of variable charges or transaction price components

The aforementioned judgements, forward-looking assumptions and estimation uncertainties made as at the reporting date are briefly explained below.

(a) Impairment of financial assets

To determine the impairment of financial assets, the default risk of the respective counterparty has to be determined. To calculate this risk and to quantify the related expected credit losses on financial receivables as well as on bank balances and cash investments, the Group uses its accounting judgement with regard to the valuation approach applied here. For this purpose, the Group uses credit ratings from credit agencies and external credit ratings from established rating agencies to derive customer- and bank-specific probabilities of default.

Alternatively, a provision matrix could have been used to quantify the expected credit losses on trade receivables. However, the Group has decided to use external credit ratings and external bank ratings because established credit agencies and rating agencies usually base their external ratings on information that reflects the current company and market situation or industry situation and also - as required by IFRS 9 - includes forward-looking information.

Further information on the expected credit loss model can be found in the corresponding notes on financial instruments in the section *Accounting policies – significant accounting policies*.

(b) Accounting for commodity futures as pending transactions

In case of commodity futures transactions (forward purchase of electricity) concluded by the Group as part of grid loss management, a decision must be made as to whether the corresponding futures transactions are to be accounted for as derivatives in accordance with IFRS 9 or as pending transactions in accordance with the provisions of IAS 37 under the *own use exemption*. The Group only enters into forward or electricity supply transactions with purely physical delivery. These forward transactions serve exclusively to cover grid losses that inevitably occur in transmission grid operations. Against this background, the Group considers the application requirements of the own use exception to be fully met and accounts for the forward transactions concluded as pending legal transactions in accordance with IAS 37.

(c) Realisation of revenue from congestion management

Capacity bottlenecks exist at Germany's borders with various countries which, under EU law, require the auctioning of cross-border transmission capacity as part of a market-based, transparent and non-discriminatory congestion management procedure. Accordingly, daily, monthly and annual auctions are held at the German external borders for the allocation of transmission rights. The Group generates revenue from these auctions, which are subject to restrictions on use in accordance with EU law.

On this basis, the Group has decided, in accordance with the provisions of IFRS 15, to recognise revenue over the period in which it satisfies its performance obligation to the service recipient by providing the auctioned transmission capacity. This is the period over which the Group makes the auctioned transmission capacity available to the entitled party and thus transfers the service to the holder of the transmission right. The additional restriction on use represents a public-law obligation of the Group that exists independently of the performance obligation to the holder of the auctioned transmission right and in this respect does not affect the timing and amount of the revenue recognition.

(d) Determination of the net pension obligation (pension provision)

The expenses for defined benefit pension plans and the present value of the pension obligation are determined using an actuarial valuation method based on various actuarial assumptions. These include, among others, the pension interest rate used for discounting and compounding the pension obligation, future salary and wage trends, the assumed mortality rate as well as future pension trends. The estimated parameters will regularly deviate from their actual future development. Since the pension obligation qualifies as a very complex and very long-term obligation to be valued, the defined benefit obligation reacts very sensitively to changes in actuarial assumptions. This applies in particular to the actuarial interest rate, which the Group determines using the "RATE-Link" method. Further details on pension obligations and the sensitivity of the defined benefit obligation to changes in actuarial assumptions can be found in Note *[20], Provisions*.

(e) Leases: Valuation of right-of-use assets and lease liabilities – estimation of the lease interest rate

For the purpose of initial measurement of the right-of-use asset and the lease liability as well as subsequent measurement of the lease liability, the lessor's interest rate implicit in the lease should be determined. As the Group is unable to determine the lessor's interest rate, it draws on its estimated incremental borrowing rate instead. This is the interest rate that the Group would have to pay to finance an asset comparable to the right-of-use asset in an economic environment similar to that of the lease in terms of risk and maturity. The Group estimates the incremental borrowing rate using observable input factors (term-equivalent risk-free base rate) and expert estimates (risk premium on the base rate). In addition, observable market yields of maturity-equivalent listed bonds of the same rating category are used for validation purposes, if available.

(f) Recognition and measurement of tax refund claims, tax liabilities and deferred taxes

The capitalisation of tax refund claims, the recognition of tax liabilities and the determination of temporary differences between items in the IFRS financial statements and their tax base require estimates. For example, for recognising tax assets and tax liabilities it must be *probable* that the forecasted payments will be received.

Deferred tax assets and liabilities are generally recognised when there are temporary differences between the tax base and the IFRS carrying amounts of items in the financial statements. The recognition of deferred tax assets is subject to the additional condition that the future tax benefits will be realised with sufficient probability or that corresponding deferred tax liabilities exist that offer a corresponding offsetting potential. Furthermore, the valuation of deferred tax assets that can be capitalised require estimates of the timing and the amount of the expected taxable income.

(g) Accrual of expenses and liabilities from system services and grid operation

In connection with the system services provided by the Group (see Note *[1] Revenue*), which comprise the measures taken by the Group to stabilise or secure the energy balance in the electricity grid, the associated expenses (balancing costs) must be recognised as a liability on an accrual basis as at the reporting date. In order to determine the amount of these balancing costs to be accrued in the balance sheet, they need be estimated as at the reporting date. The existing uncertainty results in particular from the total costs across control areas, which are not yet known, as well as from quantities not yet agreed with business partners as at the reporting date. Furthermore, in the course of normal grid operations, there are uncertainties regarding the actual volumes passed through in the most recent billing month, which are therefore also estimated as at the reporting date.

(h) Revenue recognition – variable transaction price components

Variable charges and transaction price components are mainly related to income from balancing group billing and grid charges for which the Group has already fulfilled its performance obligations. Uncertainties in this regard are usually caused by quantities that have not yet been agreed with business partners as at the reporting date and which therefore have to be estimated. The variability of the transaction price results directly from the uncertainty of the expenses incurred in the course of providing the service. Thus, on the respective reporting date, the Group must first estimate the expenses incurred in the course of fulfilling its performance obligation (see *(g), Accrual of expenses and liabilities from system services and grid operation*), which are then accrued as revenue on an accrual basis as a result of the compensation claim of the Group arising directly therefrom. By recognising revenue, the Group neutralizes the expenses it incurs resulting from fulfilling its performance obligation as of the reporting date, based on the Group's direct legal claim to reimbursement of these costs.

Changes to accounting policies

First-time application of amended accounting standards

The IASB had issued amendments to existing IFRS, which the Group had to apply for the first time for its financial year ending 31 December 2021 following their adoption into European law. This concerns the following IFRS/IAS amendments:

- Amendments to IFRS 4 “*Extension of the temporary exemption from applying IFRS 9*” (2020),
- Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16 *“Interest rate benchmark reform – Phase 2”* (2020),
- Amendments to IFRS 16 “*Covid-19-related rent concessions beyond 30 June 2021”* (2020).

These regulations, which are mandatory for the first time for the 2021 financial year, had no effect on the Group as at the reporting date.

Effects of IFRS accounting standards and IFRS IC interpretations published but not yet mandatory as at the reporting date

The amendments to IFRS standards that had been published by the time the consolidated financial statements were prepared but were not yet mandatory are presented below. The Group has not early adopted any new or amended standards of the IASB or interpretations of the IFRS IC that have been published but are not yet effective as at the reporting date. It will apply the amended standards from the time of their mandatory entry into force, provided that they are relevant to the Group in terms of content.

The Group does not expect the application of these new regulations listed below to have any material impact on the Amprion consolidated financial statements.

New or amended IFRS/IAS standards of the IASB and interpretations of the IFRS IC	Time of mandatory application
Amendments to IAS 1 “*Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies”* (2021)	1 January 2023
Amendments to IAS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates”* (2021)	1 January 2023
IFRS 17 “*Insurance Contracts”* (2017) including Amendments to IFRS 17 (2020)	1 January 2023
Amendments to IAS 16 “*Property, Plant and Equipment: Proceeds before Intended Use”* (2020)	1 January 2022
Amendments to IFRS 3 “*Business Combinations: Updating a Reference to the Conceptual Framework*” (2020)	1 January 2022
Amendments to IAS 37 “*Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract*” (2020)	1 January 2022

New or amended IFRS/IAS standards of the IASB and interpretations of the IFRS IC *(continued)*	Time of mandatory application
Annual Improvements to IFRS 2018–2020 (2020) • Amendment to IFRS 1 "*First-time Adoption of International Financial Reporting Standards: Subsidiary as a First-time Adopter*" • Amendment to IFRS 9 "*Financial Instruments: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities"* • Amendment to IFRS 16 "*Leases: Lease incentives*" • Amendment to IAS 41 "*Agriculture: Taxation in Fair Value Measurements"*	1 January 2022

In addition to the aforementioned amendments to standards that have already been adopted into EU law, the following amendments are subject to mandatory adoption by the EU, which has not yet occurred at the time of preparing the consolidated financial statements.

New or amended IFRS/IAS standards of the IASB and interpretations of the IFRS IC *(at the time of preparation of the consolidated financial statements not yet adopted into EU law)*	Time of mandatory application *(subject to adoption into EU law)*
Amendments to IFRS 17 "*Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information"* (2021)	1 January 2023
Amendments to IAS 12 "*Income Taxes: Deferred Tax related Assets and Liabilities arising from a Single Transaction*" (2021)	1 January 2023
Amendments to IAS 1 "*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"* (2020) and *"Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of Effective date*" (2020)	1 January 2023

Of the amendments to IFRS/IAS standards not yet adopted into EU law at the time of preparation of the IFRS consolidated financial statements, only the amendments to IAS 12 "*Income Taxes: Deferred Tax related Assets and Liabilities arising from a Single Transaction*" are expected to have the following effects on the consolidated financial statements and the Group's disclosure requirements in the Notes:

The amendments to IAS 12 restrict the previous scope of application of the *Initial Recognition Exemption* under IAS 12.15(b) and 12.24. Accordingly, the currently existing exemption rule shall no longer apply to business transactions in which deductible and taxable temporary differences arise in the same amount upon initial recognition. In relation to the Group's current accounting practice, this relates in particular to contracts to be accounted for as leases in accordance with IFRS 16. To date, the Group has accounted for deferred taxes on temporary differences between a recognised right-of-use asset and the corresponding lease liability resulting from the different (subsequent) measurement using the *"integrally linked"* approach. The new accounting treatment does not result in any changes in the Group's balance sheet and income statement, as deferred tax assets and liabilities are already recognised on a net basis. However, a separate presentation of the deferred tax asset and deferred tax liability to be recognised separately under the new approach would in future be reflected in the corresponding disclosures in the Notes.

Subject to the pending EU endorsement, the amendments are effective for reporting periods beginning on or after 1 January 2023. They are to be applied to business transactions that occur on or after the beginning of the earliest comparative period presented. In case of temporary differences in connection with leases, the cumulative effects of the first-time application of the new regulations must also be recognised as an adjustment to the opening balance sheet value of retained earnings or other equity components.

Notes to the Amprion Group consolidated statement of comprehensive income, consolidated balance sheet and consolidated cash flow statement

[1] Revenue

Breakdown of revenues

The table below shows the total amount of consolidated revenue from contracts with customers broken down by revenue source and timing of revenue recognition. Also, Group revenue is reconciled to the amounts presented in the segment reporting:

Breakdown of revenues				
Financial year ended 31/12/2021 **in € million**	**Segments**		**Other / consolidation**	**TOTAL consoli-dated**
	Transmission network operation	**Offshore grid connection**		
Revenue from grid fees and grid connection	1,787.3	0.0	0.0	1,787.3
Revenue from system services	533.2	0.0	0.0	533.2
Revenue from offshore grid business	4.9	0.0	0.0	4.9
Other revenues	39.8	0.0	0.0	39.8
Inter-segment revenue	26.1	4.8	-30.9	0.0
Total revenue from contracts with customers	2,391.3	4.8	-30.9	2,365.2
of which control is transferred to a customer at a point in time	*92.2*	*0.0*	*0.0*	*92.2*
of which control is transferred to a customer over time	*2,299.2*	*4.8*	*-30.9*	*2,273.0*
Miscellaneous revenues	206.6	0.0	0.0	206.6
TOTAL revenue	2,597.9	4.8	-30.9	2,571.8

Breakdown of revenues				
Financial year ended 31/12/2020 **in € million**	**Segments**		**Other / consolidation**	**TOTAL consoli-dated**
	Transmission network operation	**Offshore grid connection**		
Revenue from grid fees and grid connection	1,726.3	0.0	0.0	1,726.3
Revenue from system services	369.4	0.0	0.0	369.4
Revenue from offshore grid business	5.0	0.0	0.0	5.0
Other revenues	33.2	0.0	0.0	33.2
Inter-segment revenue	19.2	3.9	-23.1	0.0
Total revenue from contracts with customers	2,153.1	3.9	-23.1	2,133.9
of which control is transferred to a customer at a point in time	*54.8*	*0.0*	*0.0*	*54.8*
of which control is transferred to a customer over time	*2,098.3*	*3.9*	*-23.1*	*2,079.0*
Miscellaneous revenues	142.3	0.0	0.0	142.3
TOTAL revenue	2,295.4	3.9	-23.1	2,276.2

The main types of contracts, performance obligations, transaction price determinations and revenue recognition methods are briefly outlined below.

Revenue from grid fees and grid connection

The Group realises most of its revenue from electricity transmission by making the transmission grid available to customers. Customers include regional distribution network operators, power plant operators and industrial firms. Amprion's main performance obligation with regard to grid usage consists in the provision of the electricity transmission grid infrastructure and the associated possibility to transmit electricity at any time. The performance obligation and corresponding entitlement to consideration are based on standardised contracts and regulatory tariffs defined under German law and monitored by the regulator (Federal Network Agency – BNetzA). As Amprion provides its transmission services on a continuous basis and the benefit is consumed at the same time by customers as the service is provided, the Group recognises the corresponding revenue over time.

Agreements with customers to connect them to Amprion's transmission grid form part of the grid usage fee contract. At the customer's request, the Group provides a physical interface to the transmission network for which the customer pays a subsidy for the network connection (connection cost contribution, German abbreviation 'AKB') and/or bears part of the investment cost for constructing, expanding and/or reinforcing the supply systems as necessary (construction cost contribution, German abbreviation 'BKZ'). Even though this does not transfer control of the asset, the customer receives the right to direct access to the transmission system, which represents an economic benefit for the customer. The Group thus receives compensation in the form of non-refundable contributions made by the customer.

Since Network usage and network access are inseparably linked as customers conclude a network usage contract simultaneously with receiving network access rights, granting network access and providing network usage do not represent separate performance obligations. Accordingly, this constitutes a single performance obligation. As customers receive the associated benefits at the same time as the service is provided, the corresponding revenues are recognised over time. Accordingly, the advance payments received are initially recognised as deferred income. As the contracts with customers are concluded for an indefinite period of time, the revenue associated with BKZ or AKB is recognised pro rata temporis over the useful life of the related asset.

Revenue from system services (measures to maintain energy balance)

As a transmission system operator, Amprion is obliged to take the necessary measures to keep electricity feed-ins (supply) and electricity consumption (demand) in balance at all times, thus ensuring a secure supply of electricity. This requires keeping the frequency, voltage and power load in the electricity transmission network within specific limits at any time.

To fulfil its obligation to stabilise the grid and ensure energy balance at all times, ongoing corrective measures are required by means of various system services provided by Amprion:

- *Compensation for frequency stabilisation measures (balancing energy):* In principle, balancing group managers, who are financially responsible for balancing the supply and demand for electricity of the grid connections in their portfolios, have to jointly ensure a stable frequency in the transmission grid. This involves keeping their responsible balancing groups (virtual energy volume accounts for electricity) in balance. If an imbalance nevertheless occurs, Amprion is responsible for stabilizing the transmission grid frequency and charges the balancing group manager for the costs incurred. As Amprion's primary performance obligation is to continuously stabilise and secure the energy balance and to provide corresponding balancing services reliably on a permanent and continuous basis, revenue is generally recognised over time in the amount of the costs incurred by the Group for the measures taken in this regard.

- *Compensation for voltage support measures*: In addition to power frequency, power voltage also has to be kept within a specific technical range. To avoid voltage dips, Amprion has to take measures for the compensation of grid losses (loss energy) and to compensate for reactive power. The Group provides these services on an ongoing basis, thus satisfying the corresponding performance obligations over time. Accordingly, the corresponding revenues, derived from the costs of the measures taken, are also realised over the contractual service period.
- *Compensation for grid congestion management measures*: Grid congestion management is the practice of taking measures to avoid foreseeable, potential or existing grid congestion by geographically shifting electricity production as instructed by Amprion (redispatch). In addition, in the course of feed-in management, Amprion can, for example, shut down the power feed-in from renewable energy systems if sections of the transmission grid are overloaded, risking grid stability. Amprion has to make compensation payments to the power generation plant operators affected by such measures, for which the Group is, in turn, compensated. Since Amprion's performance obligation is to maintain energy balance continuously at all times, revenue is recognised over time.
- *Compensation for reserve capacity:* To maintain the energy balance, Amprion enters into contracts that ensure the availability of reserve capacity to the Group at all times. The Group is compensated for the costs of contracting these reserve power plants. As the maintenance of the energy balance is provided on a continuous basis, revenue is recognised over time.

Revenue from offshore grid business (offshore grid levy)

Revenues from the offshore grid levy, which is billed as a surcharge on top of grid charges, compensate the transmission system operator for construction-related grid connection costs and for costs of operating the offshore grid connection. This levy also covers costs resulting from disruptions or delays affecting the connection to offshore wind farms. The underlying contracts and tariffs are determined via the regulatory mechanism.

Other revenues

- *Contractual services for third parties (construction of shared lines):* The Group realises revenue from the construction of shared lines used jointly by Amprion and the contracting party upon completion. These shared lines are fractionally owned by the respective parties. The purpose for constructing shared lines is to minimise the negative impact on people and the environment. In addition, within the framework of corresponding agreements, a contractually defined section of the constructed shared line becomes the sole property of the customer. An unconditional payment claim arises through transfer of the completed shared line into the customer's ownership upon successful acceptance by the customer as defect-free. Since the customer receives benefit from the construction work on an ongoing basis as the line is progressively completed, Amprion's performance obligation is satisfied over time. The customer reimburses the Group for the associated construction costs without a profit mark-up. Completion progress is measured on an input-basis according to costs actually incurred relative to total estimated cost (cost-to-cost method). Thus, the Group recognises revenue in the amount of costs actually incurred and billable to the customer within the respective reporting period.

- *Revenue from sales of inventory assets:* Occasionally, the Group sells inventory assets no longer required to external third parties. Corresponding revenue is realised at the point in time when goods sold are transferred to the customer.

Inter-segment revenue

Inter-segment revenue results from intra-group business relationships between Amprion GmbH and Amprion Offshore GmbH. These relate to transactions under the construction and usage agreement and the operating agreement concluded between the two companies. For details, please refer to Note *[31], Related party disclosures – transactions with related-party companies*.

Miscellaneous revenues

The item *miscellaneous revenues* includes income from ordinary business activities of the Group which do not fall within the scope of IFRS 15 and are therefore not revenues from contracts with customers. This mainly relates to contractual agreements classified as operating leases, which the Group has contracted as lessor (Note *[10], Leases*), as well as revenue from cross-border congestion management (congestion revenue). The latter is related to cross-border capacity bottlenecks at the national borders between Germany and certain neighbouring countries. Transmission system operators are obliged under EU law to auction the limited cross-border transmission capacity across the various national borders via a market-based mechanism.

Amprion recognises revenue from auction sales over time, as the performance obligation is satisfied over the period in which the auctioned transmission capacity is made available to the purchaser.

Revenue from outstanding performance obligations and fulfilled contract liabilities

As at 31 December 2021, current and non-current contract liabilities totalled €70.0 million (31 December 2020: €68.9 million; 1 January 2020: €64.0 million), resulting, foremost, from (partially) unfulfilled performance obligations connected with construction cost contributions (BKZ) and connection cost contributions (AKB) (see Note *[22], Non-financial liabilities*). These items relate to non-refundable advance payments from customers that are deferred and released to income over remaining terms of three months to 32 years starting from the reporting date (previous year: between 1 to 30 years). In relation to the opening balance of BKZ and AKB of €51.5 million (previous year: €55.4 million) recognised as at 1 January 2021, €3.0 million was realised as revenue in the reporting year (previous year: €3.8 million).

The contract liabilities reported under non-financial liabilities correspond to the total estimated revenue from existing performance obligations partially or wholly unfulfilled as at 31 December 2021. A large amount of these unsatisfied performance obligations concerns contract liabilities for BKZ and AKB contributions reported under non-current non-financial liabilities. The majority of these will fall due in the long term due to the expected long release periods. Within the next financial year, revenues of €2.4 million (previous year: €3.0 million) are expected from this matter. Revenue from satisfied performance obligations with an original term of one year or less is not included here. Similarly, expected revenue in connection with performance obligations from (framework) contracts concluded with customers for an indefinite period of time is not taken into account.

The Group recognises receivables upon fulfilling its performance obligation or upon completion of the underlying performance period, as it receives an unconditional legal claim to the agreed consideration at this point in time at the latest. For details on the receivables recognised please refer to Note *[14], Trade receivables and other receivables*.

In the reporting period, €70.2 million (previous year: €82.1 million) was recognised as revenue for performance obligations that were fully or partially fulfilled in previous periods. As at 31 December 2021, of this total amount of aperiodic revenue, €16.5 million resulted from grid charges and grid connection revenue (previous year: €4.9 million). The remaining €53.7 million resulted from system service revenue (previous year: €77.2 million).

[2] Other operating income

Other operating income		
in € million	**2021**	**2020**
Income from disposal of assets	1.0	0.8
Miscellaneous	3.0	5.3
TOTAL	4.1	6.1

Other operating income mainly includes income from the valuation or release of risk provisions for expected credit losses in accordance with IFRS 9 (Note *[25], Reporting on financial instruments*) and income from disposals of property, plant and equipment.

[3] Cost of materials

Cost of materials		
in € million	2021	2020
Grid usage expenses	319.2	213.2
System services	1,184.5	696.6
Purchased services	62.8	67.5
Materials and purchased goods	43.2	41.3
Other cost of materials	2.1	2.6
TOTAL	1,611.8	1,021.1

Cost of materials from grid usage (*grid usage expenses*) mainly includes the expenses from passing on the nationwide uniform federal share of grid charges collected by Amprion. The amount passed on to TenneT and, for the first time in 2021, to 50Hertz totalled €320.1 million (previous year: €212.5 million). This €107.6 million rise reflected the increase in the fixed nationwide portion from 40% to 60%.

Cost of materials from system services principally comprise expenses from the provision of control energy and network loss compensation as well as expenses from redispatch measures, feed-in management and reserve capacity. The increase in system service expenses resulted primarily from higher redispatch and control energy expenses. Expenses for reserve power plants also increased, mainly due to the Coal Power Phase-out Act (KVBG).

Cost of materials from purchased services primarily concern third-party plant operation and maintenance services.

The item *Materials and purchased goods* includes own consumption of raw materials and supplies as well as expenses from the resale of purchased goods and raw materials.

[4] Personnel expenses

Personnel expenses		
in € million	**2021**	**2020**
Wages and salaries	187.5	163.1
Social security contributions	30.9	26.2
Pension expenses	49.7	38.2
TOTAL	268.0	227.4

The increase in personnel expenses compared to the previous year is mainly due to the significant increase in personnel at Amprion. This is evident in the year-on-year change in average number of employees, shown below, which increased 11.4% in the reporting year.

Average number of employees (FTE)		
	2021	**2020**
Senior executives	34	33
Employees not covered by collective agreements	419	365
Employees covered by collective agreements	1,665	1,504
TOTAL	2,118	1,902

The preceding table refers to the average number of full time-equivalent employees (FTE) during the financial year. Part-time employees were included proportionately to their regular weekly working hours.

[5] Other operating expenses

Other operating expenses		
in € million	**2021**	**2020**
Auditing, legal and consulting fees	9.7	9.6
Service expenses	56.6	52.6
Other taxes	1.6	1.5
Fees, charges, contributions	5.6	6.9
Losses from disposal of non-current assets	14.4	6.6
Miscellaneous	36.8	26.0
TOTAL	124.7	103.3

Auditing, legal and consulting fees included under other operating expenses relate in particular to commercial, technical and legal consulting services.

Service expenses include IT operating and support services.

Expenses recorded for fees, charges and contributions included membership fees for the European Transmission System Operators Association ENTSO-E.

Losses from disposals of non-current assets consist primarily of book value losses due to scrapping of property, plant and equipment.

The item *Miscellaneous* mainly comprises expenses connected with partial retirement scheme obligations.

[6] Depreciation and amortisation

Depreciation and amortisation		
in € million	**2021**	**2020**
Amortisation on intangible assets	12.5	10.8
Depreciation on property, plant and equipment	235.1	200.6
Amortisation on right-of-use assets from leases	225.8	198.8
TOTAL	473.4	410.2

As in the previous year, no unscheduled depreciation or impairments according to IAS 36 were recognised on property, plant and equipment, intangible assets or right-of-use assets in the reporting year.

[7] Financial result

Financial income and expenses

Financial result **in € million**	**2021**	**2020**
Interest and similar income	0.2	0.1
Negative interest on short-term financing	0.3	0.0
Income from investments	0.6	0.5
Total financial income	1.0	0.6
Financing interest expense	-32.0	-29.2
Capitalised borrowing costs (IAS 23)	22.2	19.6
Negative interest on bank balances	-0.4	0.0
Interest expense from provisions	0.4	-0.4
Other interest and similar expenses	-4.3	-1.3
Total financial expenses	-14.1	-11.4
FINANCIAL RESULT [+ INCOME / – EXPENSE]	-13.1	-10.8

Interest and similar income includes mainly interest earned on current account balances and interest on late payment from customers.

The item *Negative interest on short-term financing* relates to commercial papers issued during the financial year at negative interest rates due to the negative short-term interest rate curve.

Income from investments consists exclusively of dividend income from the Group's equity interests *measured at fair value through other comprehensive income* (see Note *[12], Financial investments*).

Financing interest expense consists of interest expense from current and non-current financial liabilities plus related transaction fees (see Note *[21], Financial liabilities*), lease liabilities (see Note *[10], Leases*) and net interest expense from the Group's pension accounting (see Note *[20], Provisions*).

Negative interest on bank balances relates to custody fees charged by banks for positive liquidity holdings and cash investments due to the negative short-term interest rate curve.

Interest expense from provisions concerns the interest portion of the allocations to other provisions (see Note *[20], Provisions*).

The item *Other interest and similar expenses* mainly includes interest on arrears as well as interest on back tax payments in accordance with § 233 German Tax Code (AO) in the amount of €4.2 million (previous year: €1.3 million).

Financing interest expense

Breakdown of financing interest expense		
in € million	**2021**	**2020**
Interest expense on promissory note loans, registered bonds, bonds, credit and syndicated loans	23.1	24.2
Interest expense from jouissance rights	1.5	1.2
Net interest expense from pension obligations	0.9	1.0
Interest expense from lease liabilities	0.8	1.1
Other finance costs	5.7	1.8
TOTAL	32.0	29.2

Financing interest expense includes effective total interest expense from measurement of non-current financial debt (without jouissance rights) at amortised cost in the amount of €22.6 million (previous year: €22.6 million). These expenses resulted in particular from the subsequent measurement of promissory note loans, registered bonds and the bond issued in 2021.

[8] Income taxes

Income taxes recognised in the income statement		
in € million	**2021**	**2020**
Current taxes on income [+ income / – expense]	-40.2	-50.5
Deferred income taxes [+ income / – expense]	-23.6	-127.3
TOTAL [+ INCOME / – EXPENSE]	-63.8	-177.8

Income taxes recognised in other comprehensive income		
in € million	**2021**	**2020**
Deferred tax expense [–] / tax income [+] from revaluation of defined benefit obligations	-14.5	15.7
Deferred tax expense [–] / tax income [+] from revaluation of plan assets	-0.3	1.4
TOTAL [+ INCOME / – EXPENSE]	-14.9	17.1

The following reconciliation shows the relationship between the effective income taxes and the respective product of earnings before taxes and the applicable tax rate (expected income taxes) for the financial years 2021 and 2020. In the comparative year, significant effects resulted in particular from taxes relating to other periods due to tax audits and changed tax assessments.

The tax rate applied to determine the expected income taxes is derived from the applicable corporate income tax rate of 15%, the solidarity surcharge of 5.5% and the average trade tax rate for the Group.

Tax reconciliation	2021		2020	
	in € million	**in %**	**in € million**	**in %**
Earnings before taxes (EBT)	202.4		612.3	
Expected tax rate		31.56		31.54
EXPECTED INCOME TAXES [+ INCOME / – EXPENSE]	-63.9		-193.1	
Tax effects from:				
Expenses not deductible for tax purposes	-1.4		-0.1	
Trade tax add-ons / reductions	0.1		0.1	
Taxes relating to other periods	1.3		14.9	
Changes in tax rates	-0.1		0.4	
Other	0.1		0.0	
EFFECTIVE INCOME TAXES [+ INCOME / – EXPENSE]	-63.8		-177.8	
EFFECTIVE TAX RATE		31.51		29.04

[9] Property, plant and equipment

Statement of changes in property, plant and equipment - reporting period					
in € million	**Land, land rights and buildings**	**Technical plant and machinery**	**Other equipment, factory and office equipment**	**Plants under construction and advance payments**	**TOTAL**
Historical cost					
Balance at 01/01/2021	762.9	8,366.5	79.4	724.3	9,933.1
Additions	69.8	735.2	11.4	422.1	1,238.4
Disposals	-23.1	-60.6	-1.3	-1.0	-86.1
Transfers	41.0	201.1	0.0	-242.1	-0.1
Balance at 31/12/2021	850.6	9,242.1	89.5	903.2	11,085.4
Accumulated depreciation					
Balance at 01/01/2021	-189.6	-4,132.6	-49.3	0.0	-4,371.5
Additions	-13.5	-213.7	-7.9	0.0	-235.1
Disposals	0.6	45.4	1.2	0.0	47.2
Transfers	0.0	0.0	0.0	0.0	0.0
Write-backs	0.0	0.0	0.0	0.0	0.0
Balance at 31/12/2021	-202.5	-4,301.0	-56.0	0.0	-4,559.4
Carrying amount 31/12/2021	648.1	4,941.2	33.5	903.2	6,526.0

Statement of changes in property, plant and equipment - previous year					
in € million	**Land, land rights and buildings**	**Technical plant and machinery**	**Other equipment, factory and office equipment**	**Plants under construction and advance payments**	**TOTAL**
Historical cost					
Balance at 01/01/2020	686.2	7,595.0	71.1	553.4	8,905.6
Additions	61.5	596.0	10.6	400.4	1,068.4
Disposals	-4.8	-32.9	-2.2	-0.9	-40.9
Transfers	20.1	208.5	0.0	-228.6	0.0
Balance at 31/12/2020	762.9	8,366.5	79.4	724.3	9,933.1
Accumulated depreciation					
Balance at 01/01/2020	-179.4	-3,975.8	-44.0	0.0	-4,199.3
Additions	-11.7	-181.4	-7.5	0.0	-200.6
Disposals	1.6	24.6	2.2	0.0	28.4
Transfers	0.0	0.0	0.0	0.0	0.0
Write-backs	0.0	0.0	0.0	0.0	0.0
Balance at 31/12/2020	-189.6	-4,132.6	-49.3	0.0	-4,371.5
Carrying amount 31/12/2020	573.4	4,233.9	30.0	724.3	5,561.6

Property, plant and equipment were not used as collateral to secure debts with banks or other third parties, neither in the reporting year nor in the previous year.

The Group capitalises borrowing costs for qualifying assets relating to plants under construction, network expansion investments and corresponding advance payments. Borrowing costs capitalised during the financial year ended 31 December 2021 totalled €22.2 million (previous year: €19.6 million). To calculate capitalised interest on borrowings in the reporting year, a borrowing cost rate of 1.43% was applied (previous year: 1.58%). This rate represents the weighted average cost of debt, factoring in interest on all non-current and current Group-external financing, such as effective interest expense from financial liabilities (see Note *[7], Financial result*; for a breakdown of financial liabilities see also *[21], Financial liabilities*), net interest expense from pensions (see Note *[20], Provisions*) and interest expense from leases (see Note *[10], Leases*).

In the reporting year, the Group recognised disposals of property, plant and equipment from decommissioning or scrapping and sales with a net carrying amount of €38.9 million (previous year: €12.5 million). Net income/expense realised from disposals was reported on the income statement as other operating income or other operating expense (see Notes *[2], Other operating income*, and *[5], Other operating expenses*).

[10] Leases

Amprion as lessee

The Group has entered into contracts qualifying as leases according to IFRS 16 for various technical equipment assets concerning transmission system operation, land and buildings, motor vehicles as well as operating and office equipment. The table below shows the development of the carrying amount of right-of-use assets during the reporting and the comparison periods broken down by the aforementioned asset categories.

Statement of changes in right-of-use assets				
in € million	**Technical plant and machinery**	**Land and buildings**	**Other equipment, factory and office equipment**	**TOTAL**
Right-of-use assets Historical cost				
01/01/2020	481.8	16.1	1.1	499.0
Additions	94.5	6.8	0.9	102.2
Disposals	0.0	0.0	0.0	0.0
31/12/2020	576.3	22.9	2.1	601.3
Additions	7.3	0.0	0.5	7.8
Disposals	0.0	0.0	0.0	0.0
31/12/2021	583.6	22.9	2.6	609.1
Right-of-use assets Cumulative depreciation				
01/01/2020	0.0	0.0	0.0	0.0
Additions	-193.0	-5.2	-0.6	-198.8
Disposals	0.0	0.0	0.0	0.0
31/12/2020	-193.0	-5.2	-0.6	-198.8
Additions	-219.3	-5.7	-0.7	-225.8
Disposals	0.0	0.0	0.0	0.0
31/12/2021	-412.2	-10.9	-1.4	-424.6
Right-of-use assets Carrying amount				
01/01/2020	481.8	16.1	1.1	499.0
31/12/2020	383.3	17.7	1.4	402.5
31/12/2021	171.3	12.0	1.2	184.5

In addition to the leases shown in the table above, the Group holds leases within the meaning of IFRS 16 with a term of twelve months or less and low-value leases for IT and communications hardware.

For accounting purposes, the Group utilises the practical expedients granted by IFRS 16, optionally applicable to short-term and low-value asset leases. Accordingly, the Group does not recognise any right-of-use assets and lease liabilities, but recognises the lease payments as expenses on a straight-line basis over the lease term.

The table below shows the development of the carrying amount of the lease liabilities reported on the balance sheet under current and non-current other financial liabilities (see Note *[21], Financial liabilities*).

Change in carrying amount of lease liabilities	
in € million	
01/01/2020	499.0
Additions	102.2
Interest expense	1.1
Lease payments	-198.1
31/12/2020	404.2
Additions	7.8
Interest expense	0.8
Lease payments	-227.1
31/12/2021	185.8
of which current	*43.2*
of which non-current	*142.6*

The following table illustrates the effects of leases entered into by Amprion as lessee on the income statement.

Lease expenses recognised in the income statement		
in € million	**2021**	**2020**
Expenses from short-term leases	0.0	1.3
Expenses from leases for low-value assets	3.4	2.8
Depreciation on right-of-use assets	225.8	198.8
Interest expense incurred for lease liabilities (compounding)	0.8	1.1
TOTAL	229.9	204.0

Expenses from short-term leases in 2020 included contracts with residual terms of less than one year as at the time of first-time adoption of IFRS. This primarily involved a reserve power plant contract, the expenses for which were recognised under cost of materials.

Low-value lease assets include IT and office equipment.

In the cash flow statement, leases were recognised as follows:

Cash outflows from leases recognised in the cash flow statement		
in € million	**2021**	**2020**
Lease payments	227.1	198.1
of which redemption payments on lease liability	*226.3*	*197.0*
of which interest payments on lease liability	*0.8*	*1.1*
Cash outflows from short-term leases and leases for low-value assets	3.4	4.1
TOTAL	230.5	202.2

The redemption as well as the interest portion included in the lease payments are reported in the cash flow from financing activities. Expenses from short-term and low-value asset leases are included in the operating cash flow.

Lease liabilities recorded under current and non-current financial liabilities had maturity profiles as follows as at the end of the reporting year and previous year, respectively, where the amounts reported reflect the nominal interest and redemption portions of the lease payments:

Maturity profiles of lease liabilities			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Due in up to 1 year	143.0	227.1	185.0
Due in 1 to 2 years	33.4	142.8	172.5
Due in 2 to 3 years	1.8	33.2	104.2
Due in 3 to 4 years	0.6	1.6	32.4
Due in 4 to 5 years	0.6	0.6	1.2
Due after 5 years	12.0	12.5	13.0
TOTAL	191.3	417.8	508.3

Single lease contracts – principally for rented land and buildings – have limited extension and termination options which were not factored into initial measurement of the right-of-use assets and lease liabilities. The non-inclusion of these options is based on corresponding discretionary decisions of the management, according to which their exercise was not classified as sufficiently probable.

Amprion has not entered into any agreements on variable lease payments. The Group's obligations under its leases are secured by the lessor's ownership of the leased assets.

Future cash outflows from lease contracts that have not yet commenced because the provision date for the leased asset lies in the future are disclosed in the notes on other Group financial obligations, see Note *[30], Contractual guarantees, contingent liabilities and other financial obligations*.

Amprion as lessor

The Group primarily leases transformers to customers as exclusive-use equipment in accordance with § 19 (3) of the Electricity Network Charges Ordinance (StromNEV). Moreover, Amprion also leases shared rights of use to substations and overhead line masts. The Group has classified all of its leases as operating leases as not all material risks and rewards incidental to ownership of the leased asset have been transferred to the lessee. Income from operating leases amounted to €86.0 million in the reporting period (previous year: €86.7 million). This includes lease contracts for land and buildings in the amount of €1.4 million (previous year: €2.0 million), with original terms ranging between one month and 15 years. Due to their minor significance for the economic situation of the Group, these are not reported separately under property, plant and equipment.

The following table contains the maturity profiles of outstanding undiscounted lease payments under operating leases while taking into account the best estimate of the lease terms.

Maturity profiles of nominal lease payments from operating leases			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Due in up to 1 year	79.4	88.0	84.2
Due in 1 to 2 years	24.1	27.1	23.9
Due in 2 to 3 years	22.4	25.3	20.7
Due in 3 to 4 years	3.2	22.7	19.2
Due in 4 to 5 years	0.2	3.2	19.2
Due after 5 years	0.5	0.7	3.5
TOTAL	129.8	167.0	170.8

[11] Intangible assets

Statement of changes in intangible assets - reporting period					
in € million	**Rights, licenses and patents**	**Software**	**Self-developed software**	**Advance payments**	**TOTAL**
Historical cost					
Balance at 01/01/2021	2.7	59.8	3.0	5.0	70.5
Additions	0.1	15.5	0.6	5.6	21.8
Disposals	0.0	0.0	0.0	-0.2	-0.2
Transfers	0.0	0.0	0.0	0.1	0.1
Balance at 31/12/2021	2.8	75.3	3.5	10.5	92.1
Accumulated depreciation					
Balance at 01/01/2021	-2.7	-38.2	-1.6	0.0	-42.5
Additions	0.0	-12.0	-0.5	0.0	-12.5
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Write-backs	0.0	0.0	0.0	0.0	0.0
Balance at 31/12/2021	-2.7	-50.2	-2.1	0.0	-55.0
Carrying amount 31/12/2021	0.1	25.0	1.4	10.5	37.1

Statement of changes in intangible assets - previous year					
in € million	**Rights, licenses and patents**	**Software**	**Self-developed software**	**Advance payments**	**TOTAL**
Historical cost					
Balance at 01/01/2020	2.7	46.0	2.2	1.0	51.9
Additions	0.0	14.3	0.7	4.8	19.8
Disposals	0.0	-1.3	0.0	0.0	-1.3
Transfers	0.0	0.7	0.0	-0.7	0.0
Balance at 31/12/2020	2.7	59.8	3.0	5.0	70.5
Accumulated depreciation					
Balance at 01/01/2020	-2.6	-28.8	-1.2	0.0	-32.7
Additions	0.0	-10.3	-0.4	0.0	-10.8
Disposals	0.0	0.9	0.0	0.0	0.9
Transfers	0.0	0.0	0.0	0.0	0.0
Write-backs	0.0	0.0	0.0	0.0	0.0
Balance at 31/12/2020	-2.7	-38.2	-1.6	0.0	-42.5
Carrying amount 31/12/2020	0.1	21.6	1.3	5.0	28.0

Research and development expenses for financial year 2021 totalled €7.3 million (previous year: €5.8 million). The IFRS criteria for capitalisation of development costs were not met for these.

[12] Financial assets

In the reporting period and in the previous year, financial assets included exclusively minority interests in other companies, as well as an insignificant amount of long-term loans to Group employees (employee loans).

Financial assets			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Equity investments held as financial investments (< 20% equity share)	5.2	5.2	5.2
Loans	0.1	0.1	0.3
TOTAL	5.3	5.4	5.5

All equity interests in other companies held as financial investment are *measured at fair value through other comprehensive income*. The Group carries loans *measured at amortised cost*.

The table below provides an overview of the minority interests the Group holds in other companies. The Group has no ability to exercise significant influence over these companies or control them jointly with other partner companies. These non-controlling interests are instead held as strategic investments. Thus, the Group permanently classifies these as equity instruments *measured at fair value through other comprehensive income.*

Carrying amounts of equity interests held as financial investment			
Company name and registered office in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Equity interest in Joint Allocation Office SA (JAO), Luxembourg / Luxembourg	0.1	0.1	0.1
[Equity share / shareholding]	[4.0%]	[4.0%]	[4.5%]
Equity interest in TSCNET Services GmbH, Munich / Germany	0.4	0.4	0.4
[Equity share / shareholding]	[7.1%]	[7.1%]	[7.7%]
Equity interest in H.G.R.T. SAS, Paris / France	4.8	4.8	4.8
[Equity share / shareholding]	[5.0%]	[5.0%]	[5.0%]
TOTAL	5.2	5.2	5.2

Equity and income from equity interests held as financial investment*			
Company name	**31/12/2020****		**01/01/2020*****
in € million	**Equity**	**Net income**	**Equity**
Joint Allocation Office SA (JAO)	6.8	0.3	6.5
TSCNET Services GmbH	7.4	0.6	6.8
H.G.R.T. SAS	91.6	9.9	91.7

* The equity and net income figures of the investment portfolio companies for financial year 2021 were not available at the time of preparation of the consolidated financial statements.
** Equity and net income for financial year 2020.
*** Equity for financial year 2019.

Equity interests held as financial investment are exclusively shares in unlisted companies, for which reason there are no price quotations in an active market (level 1 of the fair value hierarchy). The necessary input parameters being unavailable, fair value cannot be reliably estimated applying an appropriate measurement technique. Equity interests held as financial investments are thus carried at acquisition cost until new price information is available indicating that fair value is higher or lower. Such price information may, for example, become available from transactions of the shares in the investee.

In financial year 2021, the Group reported dividends from these investments totalling €0.6 million (previous year: €0.5 million) as financial income (*Note [7], Financial result)*.

[13] Inventories

Vermögenswerte des Vorratsvermögens			
in Mio. €	**31.12.2021**	**31.12.2020**	**01.01.2020**
Roh-, Hilfs- und Betriebsstoffe	58.1	69.2	55.2
GESAMT	58.1	69.2	55.2

In the reporting period and in the previous year, inventory assets consisted exclusively of raw materials and supplies.

Inventory assets are carried at the lower of acquisition cost or net realisable value as at the reporting date. Impairments of €0.1 million were recorded on these assets in the reporting period (previous year: €0.5 million).

[14] Trade receivables and other receivables

Trade receivables and other receivables			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Trade receivables – grid	168.1	243.4	191.8
Trade receivables – EEG	640.4	694.5	662.1
Trade receivables – other	0.3	0.3	0.2
Receivables from companies in which an equity stake is held	5.4	0.5	0.3
Unbilled services	312.7	1,739.9	199.6
of which from grid business	*286.0*	*293.6*	*155.0*
of which from EEG business	*26.7*	*1,446.3*	*44.6*
Trade receivables	**1,126.9**	**2,678.6**	**1,054.1**
Other receivables from levies	74.1	18.0	16.1
Other tax receivables	39.6	0.5	2.5
Other receivables	**113.7**	**18.5**	**18.6**
TOTAL	1,240.5	2,697.0	1,072.6

As at 31 December 2021, current trade receivables totalled €1,126.7 million (31 December 2020: €2,678.4 million; 1 January 2020: €1,053.8 million) while non-current trade receivables came to €0.2 million (31 December 2020: €0.3 million; 1 January 2020: €0.3 million).

The decrease in *trade receivables - EEG* compared to the previous year primarily reflects lower receivables of Renewable Energy Act (EEG) levies. The EEG levy for 2021 was 6.500 ct/kWh as compared to 6.756 ct/kWh for 2020. This reduction was in accordance with the federal subsidy provisions of the Energy and Climate Fund (EKF) economic plan.

The decline in receivables from unbilled services primarily reflects the lower EEG receivables from distributors/energy suppliers subject to the levies.

As at 31 December 2021, current other receivables totalled €113.6 million (31 December 2020: €18.4 million; 1 January 2020: €18.5 million) while non-current other receivables came to €0.03 million (31 December 2020: €0.04 million; 1 January 2020: €0.03 million).

The customary payment due period for billed grid charges and balancing group billing is 14 days from invoice receipt. Deviating from the above however, the payment due period for the various levies varies from case to case between one day (daily clearing bank transfer of EEG marketing revenue) up to an invoice due date for corresponding annual invoices in year t+2 (value date 30 June). The payment due deadline for most levies is the 15th of the following month, based on the respective month of supply.

Trade receivables and other receivables are non-interest bearing.

Expected credit losses of €1.6 million recorded as part of expected loss provisioning for trade receivables and other receivables were reversed and recorded as income in financial year 2021. In the previous year, expected credit losses of €1.8 million had been recorded. See Note *[25], Reporting on financial instruments* regarding default risks, write-downs and changes in expected loss provisioning for expected credit losses on trade receivables and other receivables.

[15] Other financial assets

Other financial assets			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Contract assets	5.8	5.5	5.9
Receivables from margin requirements (initial margins) and collaterals	4.9	5.8	6.9
Loans	0.1	0.1	0.2
Money market investments and time deposits (maturity > 3 months)	1,450.0	0.0	0.0
of which from grid business	*0.0*	*0.0*	*0.0*
of which from EEG business	*1,450.0*	*0.0*	*0.0*
Other	0.5	0.0	0.1
TOTAL	1,461.3	11.5	13.1

Contract assets were recognised on commissioned work for external third parties, primarily concerning the construction of (shared) lines that become the sole or partial property of the customer upon completion (fractional ownership).

Receivables from margin requirements and collaterals stemmed primarily from electricity exchange (EPEX Spot) transactions which require the Group to put up initial margins as collateral. The exchange is only allowed to claim this collateral if the Group fails to meet its payment obligations from transactions on the relevant exchanges.

The recorded loans concern the short-term portion of loans to Group employees.

Money market investments held by the Group in the reporting year had original maturities of around six months. As at the reporting date, all these money market investments were held by the Group for the purpose of settling obligations connected with the EEG equalisation mechanism. As these financial resources, which are tied up in the short term, serve exclusively to finance the EEG, they were subject to restrictions on disposal in the full amount as of 31 December 2021. In this respect, they were not available to the Group for free financial disposition. Expected credit losses of €0.9 million were recorded on money market investments in the reporting year as part of expected loss provisioning.

[16] Income tax claims

Income tax claims			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Corporation tax refund claims	33.4	21.9	0.8
Trade tax refund claims	31.8	22.0	1.3
Other tax refund claims	0.1	0.2	0.2
TOTAL	65.3	44.1	2.3

Due to advance tax payments made in the reporting year, the Group had a corporation tax refund claim of €23.2 million for 2021 (previous year: €12.9 million) and a trade tax refund claim of €23.2 million (previous year: €11.9 million). Final assessments from the tax authorities for previous-year periods were still outstanding in the reporting year, leading to a corporation tax refund claim of €10.2 million (previous year: €9.0 million) and a trade tax refund claim of €8.6 million (previous year: €10.1 million).

The Group companies forming a fiscal unity pay income taxes in Germany. As in the previous year, the corporate income tax rate was 15.0% plus the solidarity pass-on charge of 5.5%. The trade tax rate was 15.731% (previous year: 15.717%). This resulted in an income tax rate of 31.56% (previous year: 31.54%).

Corporation and trade tax returns have been submitted for years up to and including the 2019 tax year. The tax authorities have begun reviewing the returns for financial years 2018 and 2019. The tax audits for financial years 2016 and 2017 were completed in the reporting year.

[17] Other non-financial assets

Other non-financial assets			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Advance payments	4.3	0.7	1.2
Other assets	0.9	0.7	0.5
TOTAL	5.2	1.4	1.7

The increase in advance payments made as at 31 December 2021 mainly reflects payments for IT operation services.

[18] Cash and cash equivalents

Cash and cash equivalents consisted primarily of bank balances invested as fixed-term and overnight deposits. Having original maturities of less than three months, these are subject to minimal value fluctuation risk and thus included as cash equivalents. As at the reporting date and for the previous year, cash and cash equivalents broke down as follows for the purposes of the cash flow statement:

Cash and cash equivalents			
in € million	**31.12.2021**	**31.12.2020**	**01.01.2020**
Cash	0.0	0.0	80.0
Bank balances	2,121.5	0.0	600.2
TOTAL	2,121.5	0.0	680.3

Due to the need to keep funds on reserve exclusively for EEG financing, as at 31 December 2021 cash and cash equivalents in the amount of €2,121.0 million were subject to restrictions (previous year: €0.0 million), thus being unavailable for the Group's free disposal.

Bank balances earn interest at variable rates; these funds are available from day to day. Short-term deposits have varying investment periods ranging from one day to three months, depending on the Group's cash requirements. Short-term deposits earn interest at the respectively contractual short-term deposit rates.

[19] Equity

The development of equity is shown in the statement of changes in equity, taking into account the consolidated comprehensive income. A separate disclosure of the latter Group-relevant components can be found in the statement of comprehensive income.

Subscribed capital

As at 31 December 2021, Amprion GmbH had share capital of €10.0 million (previous year: €10.0 million), consisting of three shares (previous year: three) with nominal amounts of €2.5 million, €6.4 million and €1.1 million. All share capital is fully paid-in. In the reporting year and in the previous year, 74.9% of the shares were held by M31 Beteiligungsgesellschaft mbH & Co. Energie KG, Düsseldorf, and 25.1% by RWE AG, Essen.

Additional paid-in capital

Additional paid-in capital includes the difference between the nominal amount and the amount upon issuance of the shares of Amprion GmbH. In December 2020, shareholders deposited €400 million in the additional paid-in capital.

Retained earnings

Retained earnings include, on the one hand, the equity effect (IFRS 1 reserve) with regard to the recognition and measurement differences resulting from the transition from German GAAP (HGB) accounting rules to IFRS (see Note *First-time adoption of IFRS*). On the other hand, retained earnings are increased by amounts retained from realised consolidated net income and reduced by withdrawals from retained earnings.

By resolution of the Supervisory Board of April 12, 2022, a partial amount of €130.0 million (previous year: €100.0 million) of the HGB net income of Amprion GmbH of €183.6 million (previous year: €216.6 million) realised for the 2021 financial year was distributed to the share-holders. The consolidated surplus of €8.6 million remaining after distribution (previous year: €334.5 million) will be transferred to consolidated retained earnings in the 2022 financial year.

Accumulated other comprehensive income

Accumulated other comprehensive income represents the cumulative total amount of those items that are recorded in other comprehensive income through the end of the reporting period. This concerns particularly changes in the fair value of equity interests in other companies held by the Group as financial investments, for which the OCI option has been irrevocably chosen, as well as remeasurements of pensions and similar obligations (including pension plan assets) and the corresponding deferred tax effects.

The equity interests held – consisting exclusively of shares in unlisted companies – were carried at acquisition cost, due to the lack of reliable determinability of their fair values. Therefore, the subsequent measurement of these investments did not result in any changes in value to be recognised in other comprehensive income, neither in the reporting year nor in the previous year.

Please refer to Note *[20], Provisions* regarding expenses and income from pension obligations recognised in other comprehensive income in the reporting year and the previous year, as well as Note *[8], Income taxes* regarding corresponding tax effects.

The income and expenses from the above-mentioned items recognised in other comprehensive income, including the related tax effects, will not be reclassified subsequently to profit or loss at any time.

Consolidated net income

The consolidated net income is the balance of all expenses and income recognised in the consolidated income statement in a specific period. It represents - together with the amount recognised in other comprehensive income for the respective period - the net increase in the Group's net assets realised during the period that is not attributable to transactions with equity investors.

Paid and proposed dividends

By resolution of the Supervisory Board of 13 April 2021, a partial amount of €100.0 million of the net profit for the financial year 2020 under German GAAP (HGB) was distributed to shareholders (previous year: €100.0 million).

Additionally, a one-off distribution of €23.2 million was made to the shareholder RWE AG pursuant to a shareholder resolution of 26 March 2021. This distribution amount was withdrawn from other retained earnings.

For the appropriation of the 2021 net income of Amprion GmbH, the Management Board proposed a distribution amount of €130.0 million to the Supervisory Board in accordance with Section 16 (1) of the Articles of Association. By resolution dated 12 April 2022, the Supervisory Board approved this proposal.

[20] Provisions

Other provisions

In the following, rather than addressing provisions according to expected maturity as shown on the balance sheet, provisions are presented and explained by the categories of *personnel provisions*, *energy provisions* and *miscellaneous provisions*.

The development of provisions in the reporting year and the comparative year is shown in the following tables:

Statement of changes in other provisions - reporting period				
in € million	**Personnel provisions**	**Energy provisions**	**Miscellaneous provisions**	**TOTAL**
Balance at 01/01/2021	64.6	14.8	26.7	106.1
Increases	42.0	4.4	19.6	66.0
Amounts used	-29.9	-6.2	-8.7	-44.9
Unused amounts released	0.0	-2.8	-3.1	-5.9
Interest accretion	-0.5	0.0	0.0	-0.5
Balance at 31/12/2021	76.2	10.1	34.5	120.8
of which current	*42.6*	*10.1*	*29.4*	*82.2*
of which non-current	*33.6*	*0.0*	*5.1*	*38.6*

Statement of changes in other provisions - previous year				
in € million	**Personnel provisions**	**Energy provisions**	**Miscellaneous provisions**	**TOTAL**
Balance at 01/01/2020	62.1	54.3	17.0	133.4
Increases	30.0	8.2	13.6	51.7
Amounts used	-27.8	-6.1	-3.7	-37.6
Unused amounts released	0.0	-41.5	-0.2	-41.8
Interest accretion	0.4	0.0	0.0	0.4
Balance at 31/12/2020	64.6	14.8	26.7	106.1
of which current	*40.1*	*14.8*	*21.7*	*76.6*
of which non-current	*24.5*	*0.0*	*5.0*	*29.5*

Personnel provisions mainly include obligations arising from partial retirement schemes, employee jubilee obligations, future bonuses and other one-off pay-outs as well as vacation entitlements. The current portion of personnel provisions reported in the balance sheet corresponds to the outflows expected for 2022 (previous year: for 2021). We estimate that 71% of expected outflows for non-current personnel provisions (previous year: 79%) will be utilised between 2023 and 2026 (previous year: 2022–2025), and that 29% (previous year: 21%) will be utilised between 2027 and 2061 (previous year: 2026–2060). The wide maturity range of the expected outflows reflects the long-term projection horizon for partial retirement obligations.

Energy provisions mainly concern set-off obligations between transmission system operators for the maintenance of security of supply. In addition, provisions were recognised for repayment obligations from settlements with electricity-intensive customers.

Miscellaneous provisions mainly comprise provisions for lawsuits. Provisions were also recorded for business document archiving and expected credit losses according to IFRS 9 (expected loss provisioning). The current portion of other provisions carried reflects the outflows expected for 2022 (previous year: 2021). We estimate based on the latest projections that 63% of other non-current provisions will be utilised between 2023 and 2026 (previous year: 2022–2025, likewise 63%). We estimate that the rest of the non-current other provisions will be utilised between 2027 and 2031 (previous year: 2026–2030).

Pension provisions

The Group recognises provisions for pension obligations arising from defined benefit plans in respect of retirement, disability and surviving dependants' benefits. The following pension systems are in place, depending on when employees joined the company:

- Most employees hired before 2001 are in final salary-based retirement systems in which pension benefits are calculated based on years of employment and final pensionable income. The final-salary systems include comprehensive and decoupled pension plans. The pension commitments each define a specific pension target depending on the final salary.
  - With comprehensive (or total retirement earnings) schemes, a specific pension level is guaranteed which includes the statutory pension. The employer thus fills the gap between the target pension and the amount of the employee's statutory pension.
  - The decoupled pension schemes introduced later, which replaced the comprehensive pension schemes for new hires, involve pension commitments that do not factor in the statutory pension.

  As at 31 December 2021, pension commitments from final salary schemes totalled €220.6 million (31 December 2020: €241.9 million; 1 January 2020: €208.8 million).

- For employees hired after 2001, pension commitments are based on a pension components system; benefits are accumulated as annual pension credits. In this system, a pay-based pension contribution is converted into a lifelong pension entitlement applying annuity factors. When benefits are to be drawn, the pension credits accrued each year are added up.

  Fixed-amount commitments from pension settlements are converted into credits under the pension credit system as well. The pension amount is thus based on the underlying settlement amount.

  Obligations under employer-funded pension credit plans totalled €86.6 million as at 31 December 2021 (31 December 2020: €82.3 million; 1 January 2020: €57.0 million).

- In addition to the employer-funded pension commitments, Group employees can also accrue pension credits by funding their own personal retirement accounts through deferred compensation. Pension credits accrue annually based on the same system as under the employer-funded credit-based pension plan. Deferred compensation contributed to the retirement account is converted into a lifelong pension entitlement applying annuity factors.

  Obligations under deferred compensation retirement plans totalled €85.8 million as at 31 December 2021 (31 December 2020: €74.2 million; 1 January 2020: €51.9 million).

Other commitments totalled €11.0 million as at the reporting date (31 December 2020: €11.0 million; 1 January 2020: €9.6 million). These consist mainly of energy price concessions that became effective during the retirement period of employees hired before 2002 as well as deferred compensation plan pension commitments with pledged pension obligation insurance.

The breakdown of staff with prospective pension entitlements, departed employees with a vested pension entitlement and pensioners by the various employer-funded pension plans was as follows as at 31 December of 2021 and 31 December of 2020:

Number of employees						
	31/12/2021			**31/12/2020**		
	Staff with prospective pension entitlements	**Vested pension entitlement**	**Pensioners**	**Staff with prospective pension entitlements**	**Vested pension entitlement**	**Pensioners**
Closed systems dependent on final salary	415	15	225	456	12	189
Pension components systems	1,826	88	10	1,621	66	4
TOTAL	2,241	103	235	2,077	78	193

The pension provisions recognised were calculated via the *projected unit credit method* required under IAS 19 referencing actuarial reports.

The amount of pension provisions represents the net present value of the expected future pension obligations and plan assets recognised exclusively to cover these obligations. In the actuarial determination of the defined benefit obligation, the pro rata benefit entitlements acquired are measured at the respective reporting date. The measurement takes into account actuarial assumptions for, among other things, the discount rate, the compensation and pension trend, the fluctuation rate and life expectancy. The plan assets were recognised in accordance with IAS 19.8 and IAS 19.113-119 and are used exclusively to cover the Group's pension obligations. A *contractual trust arrangement* (CTA) is in place as legal framework model. This is a structured trustee agreement providing for the covering of direct pension commitments by separate assets held in trust outside of the company.

The primary objective of asset management is to cover the pension provisions through the outsourced assets held in trust (plan assets) while accepting low investment risks. In line with this, the investment strategy of the plan assets invested in MI-Fund 87 in the reporting period and in the previous year was to hedge 100% of the value of the pension entitlements recognised in the financial statements of Amprion GmbH under German GAAP (HGB). The pension entitlements determined in accordance with HGB serve as a value reference to fully cover the pension obligations recognised in the balance sheet. Accordingly, the Group's pension obligations are managed on the basis of their measurement in the separate financial statements of Amprion GmbH under HGB in such a way that they are fully funded at the end of a financial year (net pension obligation in the financial statements under HGB of zero). A funding shortfall measured in accordance with HGB is therefore closed at the end of a financial year by a corresponding addition to plan assets. As the measurement of pension obligations under HGB and IFRS differs, the capital management described in the IFRS consolidated financial statements does not generally lead to a matching of plan assets and pension obligations of the Group.

As at 31 December 2021, the CTA plan assets and *deferred compensation* plan assets covered by pension obligation insurance totalled €370.6 million (31 December 2020: €303.8 million; 1 January 2020: €248.0 million).

The expected development of cash flows from the various pension plans is shown in the following table:

Cashflow development of the pension schemes				
in € million	**Cashflow development as of 31/12/2021**			
Year/s	**Closed systems dependent on final salary**	**Pension components systems**	**Other commitments**	**Total**
2022	2.1	0.1	0.1	2.3
2023	2.4	0.2	0.1	2.7
2024	3.2	0.3	0.1	3.5
2025	3.6	0.4	0.1	4.1
2026	4.5	0.5	0.1	5.1
2027 - 2031*	6.3	1.1	0.2	7.5
2032 - 2036*	9.1	2.3	0.3	11.6
2037 - 2041*	10.3	4.0	0.3	14.6
2042 - 2046*	10.6	7.2	0.3	18.2
2047 - 2051*	10.3	11.6	0.3	22.2
2052 - 2056*	9.1	17.3	0.3	26.7
2057 - 2061*	6.9	20.9	0.3	28.1
2062 - 2066*	4.4	21.3	0.2	25.9
2067 - 2071*	2.3	20.4	0.1	22.7
in € million	**Cashflow development as of 31/12/2020**			
Year/s	**Closed systems dependent on final salary**	**Pension components systems**	**Other commitments**	**Total**
2021	1.9	0.1	0.1	2.0
2022	2.4	0.1	0.1	2.6
2023	2.7	0.2	0.1	3.0
2024	3.4	0.3	0.1	3.8
2025	3.9	0.4	0.1	4.4
2026 - 2030*	6.0	0.8	0.2	7.0
2031 - 2035*	9.1	1.9	0.3	11.2
2036 - 2040*	10.6	3.2	0.4	14.1
2041 - 2045*	11.0	5.7	0.4	17.1
2046 - 2050*	10.8	9.3	0.4	20.5
2051 - 2055*	9.6	13.7	0.4	23.7
2056 - 2060*	7.5	16.8	0.4	24.6
2061 - 2065*	4.9	17.2	0.3	22.3
2066 - 2070*	2.6	16.5	0.2	19.2

* Five-year averages

The calculation for the reporting year was based on an average duration of 28.3 years (previous year: 28.6 years).

The company pensions are subject to an adjustment review obligation every three years in accordance with the Act on the Improvement of Company Pensions (Section 16 BetrAVG). In addition, some commitments grant annual pension adjustments that may be higher than the adjustment under the statutory adjustment obligation.

Comprehensive pension schemes may be affected by future reductions in the statutory pension level due to the statutory pension being factored into the guaranteed pension level.

The following key actuarial assumptions were applied for calculation of pension provisions (average values):

Significant actuarial assumptions			
in percent [%]	**31/12/2021**	**31/12/2020**	**01/01/2020**
Actuarial interest rate	1.26	0.84	1.23
Future expected wage and salary increases	3.50	3.50	3.50
Future expected pensions increase	1.00 / 2.10	1.00 / 2.10	1.00 / 2.10

The actuarial interest rate is determined based on the yields on top-rated corporate bonds whose maturities correspond to the respective obligations. The Bloomberg Barclays Classification System (BCLASS) was utilised as basis for determining the interest rate, via the "RATE:Link" method.

The mortality assumptions were based on the company-specific adjusted mortality tables 2018 G by Klaus Heubeck.

The salary increase rate includes expected wage and salary increases, which also take into account increases due to career developments.

An annual pension adjustment factor of 1.00% is stipulated in the pension plan regulations of pension credit schemes. With final salary pension schemes, pension adjustments are either tied to changes in the consumer price index or to collective bargaining pay indexing. Provisions are measured applying an average annual pension increase factor of 2.10%.

Potential changes in the actuarial assumptions would have the following simulated effects on the present value of the defined benefit obligation:

Sensitivity analyses for significant actuarial assumptions						
in € million	**31/12/2021**		**31/12/2020**		**01/01/2020**	
	Closed systems dependent on final salary	**Pension components systems**	**Closed systems dependent on final salary**	**Pension components systems**	**Closed systems dependent on final salary**	**Pension components systems**
Discount rate +/– 50 basis points	–22.0/25.4	–28.3/35.1	-25.4/29.5	-26.2/32.6	-21.8/25.3	-17.8/22.1
Salary trend +/– 50 basis points	9.1/-8.7	0.1/-0.1	8.9/-8.5	0.1/-0.1	9.8/-9.4	0.1/-0.1
Pension trend +/– 50 basis points	18.1/–16.2	-/-	20.6/-18.4	-/-	17.2/-15.4	-/-
Life expectancy +/– 1 year	8.4/–8.4	5.1/-5.0	9.7/-9.7	4.9/-4.9	8.0/-7.9	3.2/-3.2

The above sensitivity analyses reflect a change in one respective assumption, the other assumptions remaining unchanged in each scenario to avoid interactive effects. The methods used to calculate the aforementioned sensitivities and to calculate the pension provisions were applied consistently.

Expenses for pension and similar obligations broke down as follows for the reporting period and the previous year:

Breakdown of pension expenses		
in € million	**2021**	**2020**
Current service cost	35.8	26.6
Past service cost	0.0	0.0
Interest income from plan assets	-2.6	-3.1
Interest costs	3.5	4.1
Recording in the income statement [+ expense / - income]	36.7	27.6
Income [-] / expense [+] from plan assets excluding interest income	-1.0	4.5
Actuarial gains [–]/losses [+] from changes in demographic assumptions	0.0	0.0
Actuarial gains [–]/losses [+] from changes in financial assumptions	-51.0	41.8
Actuarial gains [–]/losses [+] from experience-based adjustments	4.9	7.8
Recording in other comprehensive income (OCI) [+ expense / - income]	-47.1	54.1
TOTAL [+ EXPENSE / - INCOME]	-10.4	81.7

Pension expenses on the income statement include annual pension expenses reimbursable by the Group to RWE AG for obligations under warranty agreements (see Note *[30], Contractual guarantees, contingent liabilities and other financial obligations*). These totalled €13.8 million in the reporting year (previous year: €10.8 million).

The development of pension provisions is shown below, broken down into present value of the defined benefit obligation and fair value of plan assets.

Deveploment of pension provisions		
in € million	**2021**	**2020**
Defined benefit obligation at the beginning of of the financial year	409.4	327.3
Current service cost	35.8	26.6
Interest cost	3.5	4.1
Benefits paid	-1.4	-1.1
Actuarial gains [-] / losses [-]	-46.1	49.6
of which from changes in demographic assumptions	0.0	0.0
of which from changes in financial assumptions	-51.0	41.8
of which from experience-based adjustments	4.9	7.8
Employee contributions	2.8	2.1
Past service cost	0.0	0.0
Reclassifications	0.0	0.7
Present value of the defined benefit obligation at the end of of the financial year	404.0	409.4
Fair Value of plan assets at the beginning of the financial year	303.8	248.0
Interest income	2.6	3.1
Appropriations to [+]- / transfers from [-] plan assets*	63.5	57.4
Benefits paid	-0.3	-0.2
Income [+] / expense [-] from plan assets excluding interest income	1.0	-4.5
Fair Value of plan assets at the end of the financial year	370.6	303.8
Provisions for pensions and similar obligations	33.5	105.6

Contributions to plan assets for the subsequent period starting after 31 December 2021 are estimated to total €68.2 million (previous year: €61.6 million).

Pension entitlements are secured by plan assets, which are primarily invested within the Eurozone in the fund MI-Fund 87. As at the individual reporting dates, the fair values of plan assets by asset class were as follows:

Composition of plan assets transferred to MI-Fund 87 based on fair values			
in %	**31/12/2021**	**31/12/2020**	**01/01/2020**
Fixed income securities (bearer instruments)	74.8	75.2	72.3
Pension funds	21.4	20.1	23.2
Cash and cash equivalents	3.5	4.3	-0.3
Other	0.3	0.4	4.8
TOTAL	100.0	100.0	100.0

The asset class *Fixed income securities (bearer instruments)* consists of bonds, mortgage certificates (Pfandbriefe) and public treasury notes. The asset class *Other* consists chiefly of equity index and bond futures. As at the reporting date the fund equity ratio, which is the ratio of equity market exposure managed via equity futures to fund volume, was 20.4% (31 December 2020: 15.2%; 1 January 2020: 20.7%). The asset class *Cash and cash equivalents* mainly comprises bank balances and money market investments in addition to initial and variation margins.

As at the reporting dates the fair values of securities in the asset classes for *fixed income* were derived from market prices in active markets (level 1 fair values). The same applies for the equity index and bond futures included in the asset class *Other.*

In addition to the financial resources invested in the above described special fund, the plan assets transferred to the CTA as at December 31, 2021 included uninvested cash and cash equivalents of €63.5 million (previous year: €57.4 million), which were transferred to the CTA as at the reporting date to fully cover the pension obligations calculated in accordance with HGB. This allocation took place in due time at the end of the reporting year.

[21] Financial liabilities

Financial liabilities measured at amortised cost as at December 31, 2021, compared with the previous year, were as follows:

Financial liabilities in € million*	31/12/2021	31/12/2020	01/01/2020
Financial debt – non-current	1,889.4	898.6	930.4
Other financial liabilities – non-current	44.6	183.4	315.1
Trade payables and other liabilities – non-current	4,148.1	49.5	713.4
Total financial liabilities – non-current	**6,082.1**	**1,131.5**	**1,958.9**
Financial debt – current	126.0	1,724.5	47.2
Trade payables and other liabilities – current	1,100.3	1,515.6	1,439.1
Other financial liabilities – current	144.5	222.7	188.5
Total financial liabilities – current	**1,370.8**	**3,462.7**	**1,674.8**
TOTAL	7,452.9	4,594.2	3,633.7

* For detailed remarks on credit and liquidity risk, fair value and maturity profiles based on undiscounted cash flows see Note *[25], Reporting on financial instruments*.

Financial debt

The following individual items of current and non-current financial debt were recognised as at 31 December 2021 compared with the previous year:

Financial debt in € million	31/12/2021	31/12/2020	01/01/2020
Promissory note loans – non-current	313.3	113.8	266.2
Registered bonds – non-current	564.9	564.8	447.6
Bank loans (syndicated loan) – non-current	199.7	199.7	199.6
Bonds – non-current	787.3	0.0	0.0
Jouissance rights – non-current	24.2	20.4	16.9
Total financial debt – non-current	**1,889.4**	**898.6**	**930.4**
Promissory note loans – current	0.0	185.0	0.0
Bank credit / overdraft lines – current	116.9	1,528.3	36.5
Terminated jouissance rights – current	0.0	0.0	0.0
Interest liabilities – current	9.0	11.2	10.7
Total financial debt – current	**126.0**	**1,724.5**	**47.2**
TOTAL	2,015.4	2,623.1	977.6

The maturity profiles of non-current financial debt, excluding lease liabilities reported as other financial liabilities (see Note *[10], Leases*), were as follows at the end of the reporting year and the previous year. The amounts stated represent the fixed nominal interest and redemption payments:

Maturity profiles of non-current financial debt (excluding lease liabilities) in € million	31/12/2021	31/12/2020	01/01/2020
Due in up to 1 year	24.3	209.5	22.1
Due in 1 to 2 years	34.4	25.4	213.6
Due in 2 to 3 years	36.7	18.3	16.7
Due in 3 to 4 years	27.3	29.2	16.0
Due in 4 to 5 years	27.8	19.8	26.9
Due after 5 years	2,130.5	1,089.3	912.1
TOTAL	2,280.9	1,391.5	1,207.6

Promissory note loans

As at the reporting date and the beginning and end of the previous year, the Group held the following outstanding promissory note loans (Schuldscheindarlehen), all of which have a bullet repayment structure. All loans issued as at the reporting date are shown as non-current financial liabilities due to their maturities:

Promissory note loans (PNL)						
in € million	**Effective interest rate**	**Due date**	**Redemption**	**Carrying amount**		
				31/12/2021	**31/12/2020**	**01/01/2020**
4,150% PNL €185 million*	4.198%	15/03/2021	at maturity	0.0	0.0	184.9
1,397% PNL €33 million	1.427%	12/07/2027	at maturity	32.9	32.9	32.9
0,929% PNL €9 million	0.965%	09/12/2024	at maturity	9.0	9.0	9.0
1,377% PNL €31 million	1.403%	08/12/2027	at maturity	31.0	30.9	30.9
1.377% PNL €8.5 million	1.402%	08/12/2027	at maturity	8.5	8.5	8.5
1.100% PNL €32.5 million	1.127%	25/11/2030	at maturity	32.4	32.4	0.0
0.900% PNL €27 million	0.933%	23/11/2027	at maturity	26.9	0.0	0.0
1.100% PNL €91.5 million	1.127%	25/11/2030	at maturity	91.3	0.0	0.0
1.302% PNL €31.5 million	1.321%	23/11/2035	at maturity	31.4	0.0	0.0
1.588% PNL €35 million	1.603%	23/11/2040	at maturity	34.9	0.0	0.0
1.869% PNL €15 million	1.880%	23/11/2050	at maturity	15.0	0.0	0.0
PNL - non-current				313.3	113.8	266.2
4.150% PNL €185 million*	4.198%	15/03/2021	at maturity	0.0	185.0	0.0
PNL - current				0.0	185.0	0.0
TOTAL				313.3	298.7	266.2

* A maturity-related reclassification from non-current to current financial debt was recorded as of 31 December 2020.

The promissory note loan in the amount of €185 million which matured in March 2020 was refinanced in 2021 through the issuance of new promissory note loans with a total nominal volume of €199.5 million. The newly issued tranches have various maturities and maturity-dependent nominal interest rates.

Registered bonds

As at the reporting date and compared with the previous year, the Group held the following registered bonds (Namensschuldverschreibungen), all of which are classified as non-current financial liabilities due to their maturities:

Registered bonds (RB)						
in € million	**Effective interest rate**	**Due date**	**Redemption**	**Carrying amount**		
				31/12/2021	**31/12/2020**	**01/01/2020**
1.932% RB €14 million	1.954%	12/07/2032	at maturity	14.0	14.0	14.0
2.154% RB €48 million	2.171%	10/07/2037	at maturity	47.9	47.9	47.9
2.267% RB €65 million	2.282%	10/07/2042	at maturity	64.8	64.8	64.8
2.418% RB €40 million	2.431%	10/07/2047	at maturity	39.9	39.9	39.9
1.914% RB €39 million	1.933%	08/12/2032	at maturity	38.9	38.9	38.9
2.250% RB €34.5 million	2.265%	08/12/2037	at maturity	34.4	34.4	34.4
2.250% RB €15 million	2.265%	08/12/2037	at maturity	15.0	15.0	15.0
2.375% RB €10 million	2.388%	08/12/2042	at maturity	10.0	10.0	10.0
2.500% RB €53 million	2.512%	09/12/2047	at maturity	52.9	52.9	52.9
2.228% RB €30 million	2.234%	10/08/2038	at maturity	30.0	30.0	30.0
2.084% RB €70 million	2.091%	11/01/2039	at maturity	69.9	69.9	69.9
2.200% RB €30 million	2.206%	11/01/2044	at maturity	30.0	30.0	30.0
1.302% RB €34 million	1.322%	23/11/2035	at maturity	33.9	33.9	0.0
1.588% RB €18 million	1.604%	23/11/2040	at maturity	18.0	18.0	0.0
1.869% RB €65.5 million	1.883%	23/11/2050	at maturity	65.3	65.3	0.0
TOTAL				564.9	564.8	447.6

Bank and syndicated loans

Bank and syndicated loans include a long-term, fixed-interest syndicated loan with two banks, one of which is a development bank. This syndicated loan is subject to compliance with a standard market financial covenant. As at the reporting date and in the previous year, the condition for compliance with this financial covenant was met.

A short-term syndicated loan agreement is also in place with a banking consortium which is drawn on for operational transactions and interim financing of investments (credit tranche “Grid”), and to cover liquidity requirements for the EEG equalisation mechanism (credit tranche “EEG”). The loan agreement for the grid loan tranche in place in 2020 was renewed for 2021. In contrast to the renewed loan agreement, the old tranche was linked to compliance with a standard market financial ratio.

The "EEG" loan tranche expiring 15 March 2022 is still subject to adherence with a standard financial covenant, which is reviewed annually on 31 December. As at the reporting date and in the previous year, the conditions for compliance with the financial covenant were met in each case.

Bank loans and syndicated loans						
in € million	**Effective interest rate**	**Due date**	**Redemption**	**Carrying amount**		
				31/12/2021	**31/12/2020**	**01/01/2020**
1.710 % syndicated loan €200 million	1.740%	30/06/2033	from 10/2028	199.7	199.7	199.6
Total loans - non-current				199.7	199.7	199.6
Bank loans - current				116.9	1,528.3	36.5
Total loans - current				116.9	1,528.3	36.5
TOTAL				316.6	1,728.0	236.1

The long-term syndicated loan in the amount of €200 million with a coupon of 1.71% has an original term of 15 years (remaining term as at the reporting date: 11.5 years), and is to be repaid quarterly on an annuity basis by the end of June 2033, starting October 2028.

The €850 million grid loan tranche of the short-term variable-interest syndicated loan granted by a consortium of five commercial and state banks matured in March 2023 but was terminated on an early basis in October 2021. This tranche was replaced by a new variable-interest syndicated loan agreement with eight banks for a total volume of €1,500 million. The interest rate is based on EURIBOR plus a margin. As at the reporting date, €76.9 million in loan credit had been drawn down (31 December 2020: €115.4 million; 1 January 2020: €36.5 million).

As at 31 December 2021, €40.0 million of an uncommitted credit facility was utilised (unutilised as at 31 December 2020 and 1 January 2020). An uncommitted credit line is a non-binding credit line agreement without a definite financing commitment. Credit decisions are made case-by-case per drawdown request, and the borrowing terms are as at the request date. No credit line fees are paid. The interest rate is based on internal bank reference rates.

The EEG credit tranche of the short-term variable-interest syndicated loan maturing 15 March 2022 was reduced to €100 million from a previous €350 million on 30 November 2021. The interest rate is calculated as EURIBOR plus a maturity-based margin. The EEG credit tranche was unutilised as at the reporting date (31 December 2020: €262.7 million; 1 January 2020: unutilised).

The five bilateral credit lines taken out with commercial and state banks in 2020 to secure necessary liquidity in connection with the EEG equalisation mechanism, with original maturities of one year, expired in 2021. The original total volume of these was €1,550 million, of which €1,150.2 million was utilised as at 31 December 2020. The five bilateral credit lines were reduced to one €100 million credit line in January 2021. The interest rates were calculated as EONIA or EURIBOR plus a margin, with various zero-floor provisions in place.

Bonds

At the end of Q3 of the reporting period Amprion GmbH issued a bond with a nominal value of €800 million on the unregulated market in Luxembourg. The nominal bond coupon is 0.625%; the effective interest rate is 0.761%. The bond was issued at a discount of €10.1 million. It is due for final repayment on 23 September 2033 at the nominal value of €800 million and had a carrying amount of €787.3 million as at December 31, 2021.

Jouissance rights

Company employees hold unsecuritised jouissance rights which are non-transferable. These can be terminated after a minimum holding period of at least five years and grant a limited claim to interest on the nominal value depending on company profits, which outranks shareholder entitlement to profits. They do not grant a share in the liquidation proceeds.

In the reporting period, interest expenses of €1.5 million (previous year: €1.2 million) were attributable to jouissance rights. At the end of the reporting year, the following tranches of jouissance rights were outstanding:

Jouissance rights						
in € million	**Effective interest rate**	**Due date**	**Redemption**	**Carrying amount**		
				31/12/2021	**31/12/2020**	**01/01/2020**
Jouissance rights 2011 tranche	7.0%	open-ended	upon termination	0.9	0.9	0.9
Jouissance rights 2012 tranche	7.0%	open-ended	upon termination	1.0	1.0	1.0
Jouissance rights 2013 tranche	7.0%	open-ended	upon termination	1.1	1.1	1.1
Jouissance rights 2014 tranche	7.0%	open-ended	upon termination	1.2	1.2	1.2
Jouissance rights 2015 tranche	7.0%	open-ended	upon termination	2.2	2.2	2.2
Jouissance rights 2016 tranche	7.0%	open-ended	upon termination	2.2	2.2	2.3
Jouissance rights 2017 tranche	7.0%	open-ended	upon termination	2.4	2.4	2.4
Jouissance rights 2018 tranche	7.0%	open-ended	upon termination	2.5	2.6	2.6
Jouissance rights 2019 tranche	7.0%	open-ended	upon termination	3.1	3.1	3.2
Jouissance rights 2020 tranche	7.0%	open-ended	upon termination	3.6	3.6	0.0
Jouissance rights 2021 tranche	7.0%	open-ended	upon termination	4.0	0.0	0.0
Total jouissance rights – non-current				24.2	20.4	16.9
Terminated jouissance rights				0.04	0.03	0.03
Total jouissance rights – current				0.04	0.03	0.03
TOTAL				24.3	20.4	16.9

Jouissance rights terminated as at the reporting date are reported as current. Termination entitles the holder of jouissance rights to an unconditional payment claim which is due in the short-term. Unterminated jouissance rights outstanding as at the reporting date are classified as non-current financial liabilities.

Group obligations to related parties under jouissance rights totalled €1.1 million as at the reporting date (31 December 2020: €0.9 million; 1 January 2020: €0.7 million).

As at the reporting date and for the previous year, unterminated jouissance rights were outstanding in the following denominations and reported as non-current financial liabilities:

Jouissance rights – denomination						
	31/12/2021		31/12/2020		01/01/2020	
Jouissance right nominal amount	Number of	Amount (in € thousand)	Number of	Amount (in € thousand)	Number of	Amount (in € thousand)
€180	129,402	23,292.4	108,006	19,441.1	88,743	15,973.7
€360	16	5.8	16	5.8	16	5.8
€720	284	204.5	285	205.2	286	205.9
€1,220	67	81.7	67	81.7	68	83.0
€1,720	363	624.4	366	629.5	373	641.6
TOTAL	130,132	24,208.7	108,740	20,363.3	89,486	16,909.9

Commercial paper programme

In financial year 2020, the Group launched its first-ever commercial paper programme for short-term financing purposes. This had neither been utilised as at the reporting date of 31 December 2021 nor the end of the previous year. For further information on the commercial paper programme see the discussion of risk management objectives and methods under Note *[25], Reporting on financial instruments*.

Other financial liabilities

Other financial liabilities			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Lease liabilities – non-current	43.2	183.4	315.1
Other financing	1.4	0.0	0.0
Total other financial liabilities – non-current	44.6	183.4	315.1
Lease liabilities – current	142.6	220.9	183.9
Other liabilities	2.0	1.8	4.6
Total other financial liabilities – current	144.5	222.7	188.5
TOTAL	189.1	406.1	503.6

The Group recognises as lease liabilities obligations arising from rental, land lease, service and lease contracts qualifying as leases according to IFRS 16 and that are neither short-term leases nor low-value leases (Note *[10], Leases*).

The decrease in the carrying amount of lease liabilities observed over the reporting period and the previous year is mainly due to the expiry of contracts for reserve power plants to be accounted for as leases under IFRS 16.

Other liabilities primarily represent cash collateral, security deposits and initial margins for spot market electricity trading totalling €0.7 million (31 December 2020: €1.9 million; 1 January 2020: €4.5 million).

[22] Non-financial liabilities

Non-financial liabilities mainly include contract liabilities from construction cost contributions (BKZ) and connection cost contributions (AKB) (see Note *[1], Revenue*) and pre-payments received in relation to contract work and deliveries of goods.

Contract liabilities from BKZ and AKB contributions were recorded in the total amount of €48.6 million as at 31 December 2021 (31 December 2020: €51.5 million; 1 January 2020: €55.4 million). Of this amount, €46.2 million (31 December 2020: €48.6 million; 1 January 2020: €51.5 million) were classified as non-current and €2.4 million (31 December 2020: €2.9 million; 1 January 2020: €3.8 million) as current at the end of the reporting year.

Other non-financial liabilities primarily comprise pre-payments received for operating leases in which the Group is lessor.

Non-financial liabilities			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Other non-financial liabilities – non-current	7.2	11.6	16.6
Contract liabilities – non-current	46.2	48.6	51.5
Non-financial liabilities – non-current	53.4	60.3	68.2
Other non-financial liabilities – current	4.8	4.4	4.8
Contract liabilities – current	23.9	20.3	12.5
Other non-financial liabilities – current	28.6	24.8	17.3
TOTAL	82.0	85.0	85.5

[23] Deferred taxes

Deferred taxes recognised resulting from temporary differences in the measurement of assets and liabilities recognised under IFRS compared with the tax base are composed as follows as at 31 December 2021 and in the previous year:

Breakdown of deferred taxes			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Balance sheet effects			
Non-current assets	-467.4	-387.5	-335.8
Current assets	5.9	3.2	2.7
Special tax items	8.0	8.0	7.9
Non-current liabilities	-149.4	-185.6	-93.9
of which pension provisions	*86.3*	*92.0*	*70.5*
of which other non-current liabilities	*-235.7*	*-277.6*	*-164.4*
Current liabilities	-17.8	-20.4	-53.0
NET AMOUNT DEFERRED TAX ASSETS [+] / DEFERRED TAX LIABILITIES [–]	-620.7	-582.3	-472.1
Effects on comprehensive income			
Non-current assets	-80.0	-51.7	
Current assets	2.7	0.5	
Special tax items	0.1	0.1	
Non-current liabilities	36.2	-91.7	
of which pension provisions	*-5.7*	*21.5*	
of which other non-current liabilities	*41.9*	*-113.2*	
Current liabilities	2.7	32.6	
DEFERRED TAX EXPENSE [–] / TAX INCOME [+]	-38.3	-110.2	

Deferred tax assets were carried in the amount of €100.7 million as at 31 December 2021 (31 December 2020: €104.8 million; 1 January 2020: €81.9 million), set off by deferred tax liabilities of €721.4 million (31 December 2020: €687.1 million, 1 January 2020: €554.0 million). Deferred taxes are offset at the level of the tax group, which is formed by Amprion GmbH as tax group parent along with Amprion Offshore GmbH (tax group company).

Deferred taxes are primarily recognised on non-current assets for temporary differences arising from differing depreciation methods and shorter useful lives of property, plant and equipment under tax accounting rules. Deferred taxes on other non-current liabilities mainly arise, on the one hand, from the non-recognition of regulatory obligations under IFRS. On the other hand, temporary differences in pension provisions result in particular from differing discount rates and the non-inclusion of trend assumptions in the context of tax valuation. Furthermore, the valuation of the corresponding plan assets is limited for tax purposes - unlike under IFRS - to a maximum of the historical cost.

The development of the unnetted and netted carrying amounts of deferred taxes and their recognition in profit or loss and other comprehensive income in the IFRS statement of comprehensive income are shown in the following table:

Deferred taxes recognised in the balance sheet			
in € million	**Deferred taxes**		
	Deferred tax assets	**Deferred tax liabilities**	**After netting**
Carrying amount as at 01/01/2020	81.9	-554.0	-472.1
Tax expense [–] / tax income [+] recognised in the income statement for the period	5.8	-133.1	-127.3
Tax expense [–] / tax income [+] recognised in other comprehensive income for the period	17.1	0.0	17.1
Carrying amount as at 31/12/2020	104.8	-687.1	-582.3
Tax expense [–] / tax income [+] recognised in the income statement for the period	10.7	-34.3	-23.6
Tax expense [–] / tax income [+] recognised in other comprehensive income for the period	-14.9	0.0	-14.9
Carrying amount as at 31/12/2021	100.7	-721.4	-620.7

Tax expenses and income shown in other comprehensive income are exclusively attributable to the recognition of actuarial gains and losses and the remeasurement of plan assets in connection with pension provisions.

[24] Trade payables and other liabilities

Trade payables and other liabilities			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Trade payables – grid	337.9	227.8	291.8
Trade payables – EEG	3.2	1.5	4.0
Payables to companies in which an investment is held	1.9	0.0	0.1
Unbilled services – grid	573.2	562.7	449.5
Unbilled services – EEG	4,216.6	720.8	1,375.8
Total trade payable	5,132.7	1,512.8	2,121.1
Other payables from levies	101.8	37.1	22.4
Other tax liabilities	6.3	10.4	5.0
Other personnel liabilities	7.2	4.5	3.7
Miscellaneous other liabilities	0.3	0.2	0.2
Total other liabilities	115.6	52.3	31.4
TOTAL	5,248.4	1,565.1	2,152.5

As at 31 December 2021, non-current *trade payables* totalled €4,148.1 million (31 December 2020: €49.5 million; 1 January 2020: €713.4 million); current *trade payables* totalled €984.7 million (31 December 2020: €1,463.3 million; 1 January 2020: €1,407.7 million).

The total amount of *trade payables* as at the reporting date included €4,789.7 million in amounts owed from transactions not yet invoiced or outstanding invoices (31 December 2020: €1,283.5 million; 1 January 2020: €1,825.2 million). Of this amount, the vast majority was attributable to EEG compensation obligations in the reporting year.

All *other liabilities*, totalling €115.6 million, were due in the short-term in relation to the respective reporting date (31 December 2020: €52.3 million; 1 January 2020: €31.4 million).

Trade payables and other liabilities are generally non-interest bearing.

Trade payables for investments and operational supplies are due within varying periods of up to 30 days from the end of the month of performance. In addition, depending on the underlying transaction, the due dates range from ten working days after the document is created, through due dates on the 15th of the month following the month of performance, to due dates in year t+2 with a value date of June 30 of the respective year (annual invoices).

[25] Reporting on financial instruments

Financial instruments include both primary and derivative financial instruments. Primary financial instruments within the scope of application include financial investments, financial assets, trade receivables and cash and cash equivalents. Financial instruments carried on the liabilities side include financial debt, miscellaneous financial liabilities, trade payables and other financial liabilities. In the reporting year and in the previous year, the Group neither held any standalone derivatives or derivatives designated as hedging instruments nor any non-current financial assets *measured at fair value through profit or loss*.

Fair value disclosures

The table below shows carrying amounts, fair values and fair value hierarchy levels of the financial instruments of the various categories recognised. This does not apply to financial assets and financial liabilities whose carrying amounts reasonably approximate their fair values.

In the opinion of the Group's management, the fair values of cash and short-term deposits, trade receivables, bank overdrafts and other current (financial) liabilities approximate their carrying amounts due to their short maturities.

The fair value of the bond issued by the Group in 2021 on the unregulated capital market is based on quoted prices as at the reporting date (level 1 fair value).

To determine the fair values shown in the table, which are classified as level 3 of the fair value hierarchy, the Group applied the following approach and assumptions:

- The fair value of long-term promissory note loans, registered bonds, bank loans and non-current liabilities not traded on an active market is estimated using the discounted cash flow method.
- The discount rate applied is a debt interest rate determined for debt instruments of comparable maturities, default risk and term to maturity. This rate reflects the issuer's borrowing interest rate at the end of the financial year. As in the previous year, default risk as at 31 December 2021 was classified as low in view of the Group's *investment grade* rating.
- The risk-free interest rate factored into the maturity-equivalent discount rates was determined from swap rates observed at the respective reporting date. The derived risk-free interest rate was then increased by a maturity- and risk-equivalent credit spread, the determination of which was essentially based on bank indications that were condensed to their mean value in the corresponding maturity bands.

Financial instruments: Carrying amounts and fair values

in € million		Carrying amount			Fair value			Level of fair value hierarchy
		31/12/2021	31/12/2020	01/01/2020	31/12/2021	31/12/2020	01/01/2020	
Financial assets								
Financial investments and loans	(*)	5.3	5.4	5.5	-	-	-	-
Trade receivables and other receivables	(**)	1,240.5	2,697.0	1,072.6	1,240.5	2,697.0	1,072.6	-
Other financial assets	(**)	1,461.3	11.5	13.1	1,461.3	11.5	13.1	-
Cash and cash equivalents	(**)	2,121.5	0.0	680.3	2,121.5	0.0	680.3	-
Financial liabilities								
Registered bonds		564.9	564.8	447.6	480.0	707.2	485.2	Level 3
Promissory note loans		313.3	298.7	266.2	291.6	315.8	285.2	Level 3
Bonds		787.3	-	-	765.5	-	-	Level 1
Bank loans		316.6	1,728.0	236.1	306.5	1,751.5	243.6	Level 3
Interest liabilities	(**)	9.0	11.2	10.7	9.0	11.2	10.7	-
Jouissance rights	(**)	24.3	20.4	16.9	24.3	20.4	16.9	-
Lease liabilities	(***)	185.8	404.2	499.0	-	-	-	-
Trade payables and other liabilities		5,248.4	1,565.1	2,152.5	5,187.9	1,565.1	2,151.6	Level 3
Other financial liabilities (excluding lease liabilities)	(**)	3.3	1.8	4.6	3.3	1.8	4.6	-

(*) Financial instruments *measured at fair value through other comprehensive income* are financial investments in equity instruments (investments) for which there is no quoted price in an active market (i.e. hierarchy level 1) and whose fair value cannot be reliably determined. Since the fair value of these investments cannot be reliably determined, no corresponding disclosure is required (IFRS 7.29).

(**) The carrying amount recognised at the reporting date is a reasonable approximation of fair value.

(***) According to IFRS 7.29, disclosures on the fair value of lease liabilities are not required.

Financial instrument risk management objectives and methods

Notes on the risk management system

As at the reporting date, the Group had exposure to financial risks from financial instruments due to its business activities as a transmission system operator and in connection with interim holdings of money market investments. Such exposure primarily includes default, liquidity and refinancing risk as well as, to an insignificant extent at present, market risks. Risk management is the responsibility of Group management, which reports on the risk situation to the audit committee and the Supervisory Board of Amprion GmbH.

The Risk Management Committee, consisting of the managing directors and department managers, is responsible for managing and monitoring the Group-wide risk management system, whose objective is to identify, assess and monitor risks at an early stage and to limit, avoid or pass on risks through targeted risk management measures (control).

The measures involved in managing the Group’s financial risks are primarily designed to ensure solvency at all times, maintain a financially appropriate equity base and generate stable annual profits. The focus of financial risk management is therefore on earnings and liquidity risks as the primary management parameters. This relates to market price, liquidity and default risks. Appropriate risk management measures are designed to ensure that the Group is able to generate a return on equity in line with the market for its shareholders while maintaining business operations at all times.

Risk management responsibilities and processes (risk identification, assessment, control, monitoring and reporting) are documented in an internal risk management guideline approved by management. The risk management manual, which is an annex to the risk management guideline, outlines risk management processes and procedures in detail. The manual is updated on an ongoing basis by Risk Management, revisions being subject to adoption by the Risk Management Committee. In addition, the overarching objectives, general principles, tasks and responsibilities of Group-wide financial management are set out in an internal Group financial guideline adopted by the management.

The Group's approach to managing financial risks is presented in this section of the Notes, taking into account specific disclosure requirements under IFRS. These disclosures include for example maturity analyses of financial liabilities based on undiscounted future cash flows, which include contractual interest and redemption payments.

The Finance department manages the Group’s funding and liquidity risk in accordance with requirements under the Group-internal risk management and finance policies. The implementation of appropriate (re-)financing measures and the target-oriented management of financial risk are intended to contribute to the achievement of the company's financial and strategic objectives.

To date, the Group does not use derivative financial instruments for risk management purposes. Trading in financial instruments (including derivatives) for speculative purposes is currently not permitted as a result of internal Group regulations documented in the financial guidelines. Accordingly, only financial instruments approved by the CFO may be used for risk management purposes, with the corresponding list of approved financial instruments being managed by the Finance department.

There have been no significant changes since the previous year in the risks arising from financial instruments or in the methods used by the Group to measure and manage risks.

Market risk

Market price risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. It generally comprises interest rate risk, currency risk and the risk of other price changes, e.g. in the form of commodity price risk.

Price risks for Amprion generally result from interest rate fluctuations on the money and capital markets as well as from commodity price fluctuations (especially electricity, coal and gas). Financial instruments exposed to such risks which could affect earnings and equity are limited on the asset side of the balance sheet to equity interests in other unlisted companies measured at fair value in other comprehensive income. On the liability side, these are limited to variable-interest current financial liabilities. Due to the immateriality of the above-mentioned items in terms of their potential impact on equity and earnings, the sensitivities to existing interest rate risks are not presented here.

Any effects from changes in relevant market variables or financial actuarial parameters on the carrying amounts of pension obligations are outlined in Note *[20], Provisions*.

Interest rate risk

Interest rate risk concretises itself in changes in the fair value of future cash flows from a financial instrument due to fluctuating market interest rates. The Group is exposed to such interest rate risk, with potential effects on earnings and equity, through current variable-rate liabilities with banks. The Group is only exposed to interest rate risks on positions denominated in euros.

Amprion's exposure to earnings risk due to interest rate changes was very minor as at the reporting date for the reporting period and the previous year due to measures taken to avoid and reduce interest rate risk to the extent possible. To meet this financial policy objective, the Group bases its portfolio of long-term financing on fixed-interest agreements to the greatest possible extent. In line with this, non-current financial liabilities as at 31 December 2021 consisted exclusively of fixed-interest debt instruments, as in the previous year.

As the Group was not exposed to any significant interest rate risks, neither at the reporting date nor in the previous year, the simulated effects of interest rate changes on profit before tax and equity are not presented here.

Currency risk

Currency risks generally result from changes in exchange rates and manifest themselves in exchange rate-induced fluctuations in the fair value or future cash flows of financial instruments. The Group is not exposed to any significant currency risks due to its operating activities being limited to the Eurozone.

Commodity price risk

Group operations can be significantly impacted by price volatility in certain commodities. The Group has to purchase electricity to properly fulfil its legal responsibilities as transmission system operator, for example to compensate for grid losses that inevitably occur. Accordingly, the Group is exposed to the risk of price fluctuations in its forecast electricity purchases. To hedge this commodity price risk, the Group concludes forward contracts based on the forecast grid loss profile within the framework of weekly tenders. These forward contracts are exclusively for physical delivery in the context of the Company's usual purchase, sale or usage requirements. They are therefore not accounted for as financial instruments under IFRS 9 in application of the *own use exemption* and are therefore not taken into account with regard to the requirement to conduct sensitivity analyses in relation to price risks. With regard to these contracts, which are to be accounted for as pending legal transactions, and the future financial obligations associated with them, we refer to Note *[30], Contractual guarantees, contingent liabilities and other financial obligations*.

Price risk with unlisted equity instruments

Unlisted equity instruments held by the Group as financial investments (see Note *[12], Financial investments*) are subject to market price risk resulting from the uncertainty of the future performance of the shares. The Group holds these as long-term financial investments based on existing business relationships with the investees concerned. Therefore, the existing risk of price changes, which from the Group's point of view can be regarded as immaterial in terms of its magnitude, is of only minor importance for the economic situation of the Group. There is no active management and assessment of this risk.

As with their fair value, the sensitivities from price change risks cannot be reliably determined for these unlisted equity instruments, so no quantification is provided here. Subsequent measurement of these equity instruments classified as *measured at fair value through other comprehensive income* does not have any effect on profit or loss before tax. Any – in this case immaterial – price risks only affect other comprehensive income and consolidated equity.

Default risk

In the course of its operating activities, the Group is exposed to default risks from its financial receivables (in particular trade receivables), cash investments and bank balances and deposits with banks. For Amprion, default risk is the potential that a customer or business partner cannot or does not meet its financial obligations and that the Group incurs a financial loss from the partial or complete non-fulfilment of agreed services. Nevertheless, the risk of default by customers and business partners is limited to some extent by contractual provisions that allow the Group to demand appropriate collateral or advance payments in justified cases. In addition, the vast majority of network charges are collected by the distribution network operators, who are also subject to regulation, which means that the risk of insolvency is currently considered to be very low.

With regard to some of the outstanding receivables that are subject to a significant risk of default, information on the creditworthiness of the business partners is regularly obtained and monitored in order to reduce the risk. This serves as a further basis for decisions on any measures to be taken (see notes below on the default risk of trade receivables).

Financial and money market transactions are only entered into with business partners who are approved under company finance policies and conform with defined investment limits thereunder.

The Group's maximum default risk exposure is the total carrying amount of the individual financial assets (debt instruments) carried on the balance sheet as at the reporting date and also as at the beginning and end of the previous year. The items specifically concerned are loans reported under *[12], Financial investments* as well as *[14], Trade receivables and other receivables, [15], Other financial assets* and *[18], Cash and cash equivalents*. The total maximum amount at risk as at 31 December 2021 was €4,823.4 million (31 December 2020: €2,708.7 million; 1 January 2020: €1,766.3 million).

Trade receivables and other receivables

The default risk from receivables from network customers and balancing group managers is monitored on the basis of the Group's standardised default risk management procedures and controls. Bad debt insurance is not taken out due to the associated cost-benefit ratio. Instead, the creditworthiness of network customers and balancing group managers is assessed on the basis of regularly obtained external credit reports from an established credit agency or, if no credit report is available or if it is slightly below or above a relevant threshold, (additionally) on the basis of an individual credit assessment. Based on these credit assessments, a decision is then made on further measures that may need to be taken on a case-by-case basis.

Default risks exist in the context of balancing group settlement in the event of non-payment of receivables by a balancing group manager. Appropriate security deposits may only be demanded in justified cases that are limited to ex ante recognisable or probable defaults on receivables (e.g., in the event of enforcement measures against the balancing group manager, application for the opening of insolvency proceedings, or in the event of justified concern of non-performance of the contract due to insufficient creditworthiness). Comprehensive hedging of default risks by means of security is therefore not possible or permissible.

Amprion counters default risks by monitoring the schedule registration of the balancing group management in a timely manner and by demanding collateral on a case-by-case basis. In accordance with the provisions of the balancing group contract, in addition to a bank guarantee, the directly enforceable guarantee of a creditworthy third party as well as account pledges and, if necessary, cash collateral can be provided as security. If the permissible trading volume of a balancing group manager is exceeded, an increase in the collateral to be deposited is usually requested.

To determine the need for impairment losses on receivables, the probability of default of the counterparty is calculated using the expected loss model required by IFRS 9 and external credit ratings. The lifetime expected credit loss is calculated by multiplying the exposure at default by the individual probability of default and the loss given default. The individual default rate is calculated as the share of the receivable amount reduced by the collateral deposited in the individual case in the total receivable amount. Interest effects are negligible due to the generally short-term maturity of the receivables. The Group applies the simplified impairment approach to these trade receivables, which do not contain a significant financing component.

The impairment loss determined in this manner is recalculated at each reporting date on the basis of updated parameter values. As the external credit assessments take into account past events, current circumstances and expected developments, the impairment loss requirement has not yet been further adjusted or calibrated.

As a result of the credit collateral deposited by balancing group managers, the Group's expected credit losses from trade receivables and other receivables decreased by a total of €0.1 million as at the reporting date (previous year: €0.3 million).

Due to the nature and degree of diversification of the customer structure and business partners, the Group considers the risk concentration in trade receivables to be low.

Money market investments and deposits with banks and financial institutions

The risk of default on short-term deposits and on balances with banks and financial institutions is managed by the Finance department in accordance with the Group's financial guidelines. This includes the measurement, limit monitoring and management of counterparty risks, with a daily counterparty risk determination for banks.

As part of the management of counterparty default risks, risk diversification of bank balances and cash investments among various banks is ensured, taking into account economic aspects and compliance with limits. Risk limitation includes the definition of approved counterparties on the one hand and the establishment and, if necessary, adjustment of the limits applicable to the approved counterparties on the other. External long-term deposit ratings from established rating agencies, the bank's equity base and current credit default swaps are used to assess bank limits. The counterparty limits are reviewed on a daily basis before any financial transactions are entered into. Transactions involving (potential) counterparty risk may only be carried out within the limits set for the respective counterparty.

Value adjustments and expected loss provisioning on receivables and other financial assets

The value adjustments on financial assets in the form of trade receivables, other receivables as well as cash investments and bank balances, which are each subsequently measured at amortised cost, developed as follows from the beginning of the previous year to the end of the reporting period:

Loss allowance for financial assets				
in € million	**Trade receivables and other receivables**	**Unbilled services**	**Money market investments and bank balances**	**TOTAL**
As at 01/01/2020	1.3	0.3	0.0	1.6
Additions	0.3	1.9	0.0	2.2
Amounts used	0.0	0.0	0.0	0.0
Unused amounts released	-0.4	0.0	0.0	-0.4
As at 31/12/2020	1.3	2.2	0.0	3.4
Additions	0.5	0.5	0.9	1.9
Unused amounts released	0.0	0.0	0.0	0.0
Amounts released	-0.4	-2.1	0.0	-2.5
As at 31/12/2021	1.3	0.5	0.9	2.7

The significant increase in expected credit losses on money market investments and bank balances reflects the substantial rise in money market investment holdings in the reporting year. The high amount of expected loss provision reversals was primarily due to significantly reduced unbilled services connected with the EEG equalisation mechanism in the reporting period compared to the previous year.

Liquidity risk

Through its current financial obligations, Amprion is exposed to liquidity risks, of potentially not being able to meet its payment obligations in full or on time. Therefore, a key objective of the Group is to ensure full solvency at all times through centralised liquidity management. To this end, measures are taken to ensure a continuous balance between the coverage of short-, medium- and long-term financial requirements and to maintain financing flexibility through the use of overdrafts, bank loans, promissory note loans, registered bonds, leasing contracts and, more recently, financing via the public capital market. Against this background, Amprion GmbH launched its first *Debt Issuance Program* (DIP) in 2021 with a total financing framework of €6,000 million. The Group successfully placed its first bond with a total nominal value of €800 million (IFRS effective interest rate: 0.761%; coupon: 0.625%) on the unregulated capital market in Luxembourg. The planned use of the public capital market in the future will significantly reduce the Group's dependence on bank financing.

Amprion's cash management includes the centralised execution of payment transactions, bank accounting, liquidity management and liquidity balancing including cash pooling under a corresponding agreement with Amprion Offshore GmbH (see Note *[31], Related party disclosures*).

To monitor liquidity risk and avoid liquidity shortfalls, Amprion uses central liquidity planning tools and takes the measures described below:

Liquidity planning

Group liquidity planning is a set of processes building upon the primary objective of ensuring solvency at all times that are aimed at optimising the capital structure and the financial result. Achieving this requires not only determining the short-term liquidity trend, but also that of the forecast year as well as the liquidity trend within the framework of the long-term planning process.

The Group's short-term liquidity is planned and monitored on a rolling basis with a forecast time window that extends from the respective point in time under consideration to the end of the following financial year.

Liquidity planning and the future liquidity trend are updated at regular intervals through integration in the general corporate planning process. Liquidity planning thus factors in actual figures, current and forecast data, market data and corporate planning. As Amprion GmbH operates a cash pooling system with Amprion Offshore GmbH, this is also included in the Group liquidity planning.

In addition to its responsibilities as transmission system operator (grid business), Amprion is also responsible for settlement of accounts for the EEG equalisation mechanism within its balancing area (EEG business). The associated clearing activity of Amprion has a significant impact on the short-term liquidity requirements for this, which need to be financed separately for regulatory reasons. Accordingly, in addition to the liquidity planning for the grid business, Amprion maintains a separate EEG liquidity planning based on monthly updated data for the current and, if necessary, the following financial year.

Monitoring liquidity risk and ensuring sufficient liquidity

With the accounting separation of the EEG and grid business, liquidity management and liquidity risks are also considered separately. To control and monitor liquidity risks, the planned liquidity development for the EEG and grid business is determined along with stress-test scenarios. For the grid liquidity risk, the risks at company level are used for the stress test. Stress testing for EEG liquidity risk is carried out under scenario risk parameters specified by an independent expert. The change in liquidity indicated in stress testing is compared against the available cash and cash equivalents and credit lines so as to identify a possible liquidity shortfall early in advance. Top level and second level management and the Supervisory Board receive regular reporting on the liquidity situation and stress testing findings in order to assess the Group's liquidity risk.

Grid business

The Group addresses liquidity risk by maintaining revolving credit facilities for €1,500 million as at the reporting date (previous year: €850 million). These funds are available for general corporate purposes and ordinary business activities. As at 31 December 2021 an amount of €76.9 million had been drawn down from these credit facilities (previous year: €115.4 million). As at 31 December 2021, the Group had another €400 million in uncommitted short-term credit facilities utilisable for both the grid and the EEG businesses (previous year: €300 million). As at 31 December 2021, €40.0 million of these facilities had been drawn down (previous year: €0.0 million).

Amprion turned to the public capital market for the first time in 2020, introducing a commercial paper programme within a financing framework of €900 million. This programme, which can be used to finance the EEG business as well, was utilised for interim financing in 2021 under an adjusted maximum volume of €440 million, whereby Amprion was able to finance itself at negative short-term interest rates due to the ongoing low-interest phase.

EEG business

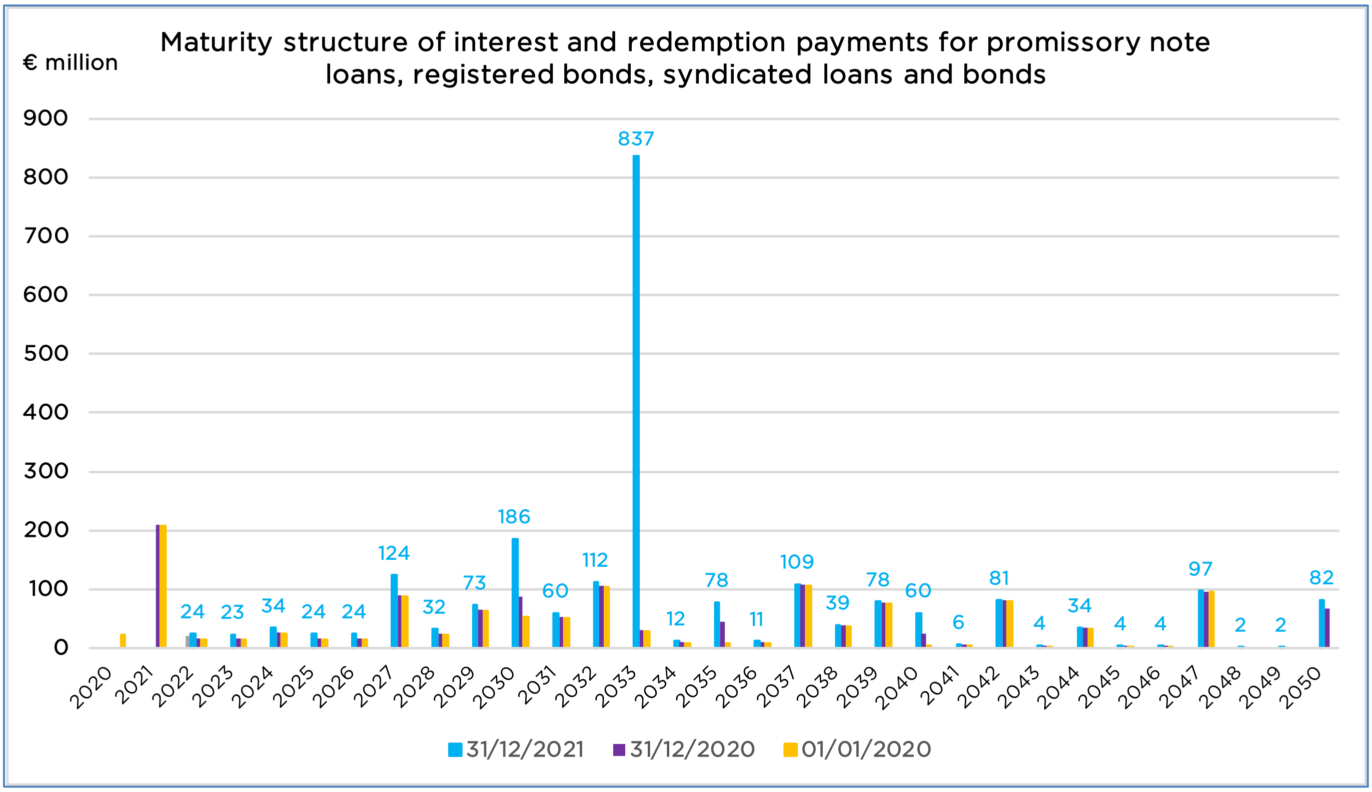
In principle, the EEG settlement can result in liquidity risks for the Group. In this respect, the EEG levy provides for a liquidity buffer accruing to the transmission system operators in order to avoid potential negative EEG account balances resulting from Amprion's clearing activities as well as additional short-term transitional financing.

Amprion has secured short-term credit facilities of €100 million to manage its liquidity risk in connection with EEG clearing (previous year: €1,900 million), covering temporary liquidity requirements. Unlike uncommitted credit facilities, committed credit facilities are contractually guaranteed and available to the borrower at any time with a contractually fixed credit spread. The borrower typically pays a credit line fee for the latter. The Group had not drawn on its committed short-term credit facilities as at 31 December 2021, whereas at the end of the previous year the amount of €1,413.0 million had been drawn.

Amprion received funds under the 2030 Climate Protection Programme for EEG financing in 2021. Of the total of €10.8 billion paid out to Germany's four transmission system operators under this programme, Amprion received a share of €3.6 billion (33%). The Group used this amount to finance the payments to be made to the EEG plant operators. In 2022, Amprion will receive a further €1.073 billion, which the Group is currently scheduled to receive in three equal instalments in October, November and December.

Ensuring a balanced liability maturity structure

The chart below shows the maturity profiles of the promissory note loans, registered bonds, syndicated loan (development loan) and listed bond issue carried on the consolidated balance sheet as non-current financial debt as at the reporting dates 31 December 2021, 31 December 2020 and 1 January 2020, based on the total of contractually agreed, non-discounted interest and redemption payments. This does not include payment obligations from contracts recognised as leases under IFRS 16 or payment obligations connected with jouissance rights (see Note *[10], Leases* and *[21], Financial liabilities*).



The maturity profiles reveal a diversified maturity structure of non-current financial debt utilised for Group financing (see Note *[21], Financial liabilities*), which is beneficial for reducing both long-term liquidity and funding risks.

The table below shows the aggregated maturity structure of all recognised current and non-current financial liabilities and other liabilities, individually for each of the following five financial years and in total for financial years beyond that horizon.

Maturity profiles of financial liabilities (excluding lease liabilities)			
In € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Due in up to 1 year	1,250.5	3,264.5	1,508.4
Due in 1 to 2 years	4,182.5	74.9	900.6
Due in 2 to 3 years	36.8	18.3	43.2
Due in 3 to 4 years	27.4	29.2	16.0
Due in 4 to 5 years	27.9	19.8	26.9
Due after 5 years	2,131.5	1,089.3	912.1
TOTAL	7,656.6	4,496.1	3,407.2

Financing risk

The Group has significant funding requirements in the coming years to finance its onshore and offshore investment projects. There is a risk that the liquidity required for this might not be available either at attractive conditions or through external - neither public nor private - financing channels. Events having a negative impact on national and international capital markets can adversely affect the general availability of funds and the Group's financing costs.

If Amprion were unable to procure the planned financing, it would be at risk of not being able to carry out the planned investments or not to the extent planned. The associated negative impact on the feasibility of the strategic plans could have an adverse effect on business, financial positions and net profit. If, in an extreme scenario, the capital markets were not available even for a longer period of time, sufficient access to external sources of financing might not be ensured. This would entail the risk for the Group of not being able to meet its financial obligations in full or on time.

In addition to debt financing, the considerable investment volume of the years to come will require additional equity capital in order to secure a stable credit rating in the investment grade range targeted by the Group. As a non-listed company, refinancing risks for Amprion result from the potentially limited possibility to sustainably finance itself through external equity injections. Therefore, the Group holds regular discussions with its shareholders about possible injections of additional equity and about the scope and timing of such injections. Nevertheless, the risk remains that equity may not be available in sufficient amounts or in a timely manner and that Amprion may not receive further equity commitments. This could adversely impact investment plans and thus the Group's business activities, financial situation, earnings as well as credit ratings.

Amprion takes the measures outlined below in managing its financing risk:

(1) The Group pursues an active financing strategy to maintain an *investment grade* credit rating, striving to create and maintain an optimally sustainable capital structure based on long-term forecast investment portfolio.

(2) Additional capital requirements for long-term investment projects are proactively coordinated with Amprion shareholders in timely fashion to ensure sufficient available equity and debt capital at the times required, while adhering to the planned capital structure.

(3) Amprion maintains a high degree of flexibility for securing financing for its long-term investment projects through diversification of its external financing instruments, including bank loans, promissory note loans, registered bonds and the open bond market in addition to equity financing sources.

(4) Amprion remains in continuous dialogue with government to ensure that the regulatory system/framework provides an appropriate basis for the Group to completely fulfil its tasks and obligations as transmission system operator while generating a fair market return for existing and potential shareholders.

Risk concentration

Risk concentrations can arise from significant transactions with individual clients or business partners or from transactions of a significant volume conducted with several business partners with similar economic characteristics. Such homogeneous groups may be impaired in their ability to meet their contractual obligations on time and in full due to changes in the economic or political situation as well as other - especially regulatory - (framework) conditions, which would expose the Group to concentrated default risks and thus also to liquidity risks.

Based on the existing receivables structure of the Group, a significant concentration of risk can be identified in the bundling of receivables with distribution grid operators. However, it should be noted that these distribution grid operators also operate within the regulatory framework and also have a large number of end consumers. Therefore, the Group assesses any default and liquidity risks from risk concentration as low as at the reporting date and in the previous year, due to the nature of its customers and the existing customer structure.

[26] Segment reporting

In line with corporate management structures, the Group is divided into the two segments *transmission grid operation* and *offshore grid connections*. These are distinguished as being subject to different regulatory regimes formed by different incentive regulation systems, which significantly shape the economic framework conditions and business activities of the two segments and thus also of the Group as a whole.

Activities in the *transmission grid operation* segment are conducted by Amprion GmbH as legal entity while Amprion Offshore GmbH is the independent legal entity conducting operations in the *offshore grid connections* segment.

Activities in the *transmission grid operation* business segment revolve around the safe, reliable and efficient operation and provision of the transmission network in the Group's balancing zone as codified in the Energy Management Act (EnWG). In addition to providing non-discriminatory access and ensuring system security at all times, the Company is also responsible for expansion of the transmission network as demand requires. Business activity is influenced by incentive regulations forming the legal framework.

Activities in the *offshore grid connections* segment are likewise influenced by a regulatory incentive framework, revolving around the construction, commissioning, maintenance, repair and intra-group leasing of grid connection systems lying outside the scope of the existing onshore transmission grid.

No business segments were combined to form the two business segments reported.

Due to the proximity to the calculatory standards of the incentive regulation, the net profit of Amprion GmbH and Amprion Offshore GmbH, which is determined in accordance with national GAAP, and the property, plant and equipment to be taken into account in the two business segments serve as the key internal control parameters of the Group. In the context of external capital market communication and the external ratings, *Net debt* determined in accordance with IFRS is also utilised as key metric for Group management. Due to the current centralised Group financing, debt to third parties outside the Group only arises at the level of the *transmission grid operation* segment. Therefore, the segment key figure corresponds to the Group-wide net debt figure. For the quantitative derivation of Group *net debt,* please refer to Note *[29], Disclosures on capital management*.

The following segment reporting reconciles the segment key figures used as internal metrics and calculated under German GAAP (HGB) with the figures determined under IFRS recognition and measurement rules applied in the consolidated financial statements. In addition to revaluation effects, the table column *Revaluations and reclassifications* also includes adjustments that are solely due to different presentation structures between the HGB annual financial statements and the IFRS consolidated financial statements. Internal revenues are revenues generated between the two companies comprising the Group. These intra-group revenues, which equally reflect the transactions between the two segments, are eliminated for consolidation purposes and are shown in the *Consolidation* column. Intercompany charges between the business segments do not include any profit margins. *Investments in non-current assets* represent additions to property, plant and equipment as well as to intangible assets and financial assets.

Segment reporting - reporting period

Business segments 2021	Transmission system operation	Offshore grid connections	Total for the business segments	Remeasurements and reclassifica-tions	Consolidation	Amprion Group
Accounting system in € million	**German GAAP (HGB)**			**International Financial Reporting Standards (IFRS)**		
External revenue	12,476.1	0.0	12,476.1	-9,904.3	0.0	2,571.8
Intra-group revenue	26.1	4.8	30.9	0.0	-30.9	0.0
Total revenue	12,502.2	4.8	12,507.0	-9,904.3	-30.9	2,571.8
Other income	134.9	0.0	134.9	-31.1	17.7	121.5
Operating expenses	-12,029.4	-2.9	-12,032.3	10,014.6	13.3	-2,004.5
Depreciation and amortisation	-243.5	0.0	-243.5	-229.8	0.0	-473.4
Investment result	2.3	0.0	2.3	0.0	-1.8	0.6
Interest income	-7.2	0.0	-7.2	7.8	-0.1	0.5
Interest expenses	-95.5	-0.1	-95.6	81.4	0.1	-14.1
Income tax expense	-80.3	-0.6	-80.8	16.5	0.6	-63.8
Expenses from profit/loss transfer	0.0	-1.2	-1.2	0.0	1.2	0.0
Segment result	183.6	0.0	183.6	-45.0	0.0	138.6
Total property, plant and equipment	6,298.9	58.0	6,356.9	169.1	0.0	6,526.0
Investments in non-current assets	1,222.8	33.2	1,256.0	22.2	-18.0	1,260.2

Segment reporting - previous year

Business segments 2020	Transmission system operation	Offshore grid connections	Total for the business segments	Remeasurements and reclassifica-tions	Consolidation	Amprion Group
Accounting system in € million	**German GAAP (HGB)**			**International Financial Reporting Standards (IFRS)**		
External revenue	15,484.9	0.0	15,484.9	-13,208.7	0.0	2,276.2
Intra-group revenue	19.2	3.9	23.1	0.0	-23.1	0.0
Total revenue	15,504.1	3.9	15,508.0	-13,208.7	-23.1	2,276.2
Other income	145.3	0.0	145.3	-45.3	9.0	109.0
Operating expenses	-15,072.4	-3.6	-15,075.9	13,709.9	14.2	-1,351.8
Depreciation and amortisation	-208.8	0.0	-208.8	-201.4	0.0	-410.2
Investment result	0.8	0.0	0.8	0.0	-0.3	0.5
Interest income	0.4	0.0	0.4	-0.4	0.0	0.1
Interest expenses	-74.2	0.0	-74.2	62.9	0.0	-11.4
Income tax expense	-78.6	-0.1	-78.7	-99.2	0.1	-177.8
Expenses from profit/loss transfer	0.0	-0.2	-0.2	0.0	0.2	0.0
Segment result	216.6	0.0	216.6	217.9	0.0	434.5
Total property, plant and equipment	5,385.0	24.8	5,409.9	151.7	0.0	5,561.6
Investments in non-current assets	1,051.8	24.8	1,076.6	19.6	-8.0	1,088.2

Significant revaluations resulting from the reconciliation from HGB to the consolidated IFRS values relate in particular to the netting of regulatory levies, higher depreciation due to the capitalisation of right-of-use assets within the scope of lease accounting as well as lower interest expenses from the accounting of personnel and pension provisions and capitalised borrowing costs.

The tables below provide – proceeding from the respective sums of the segment amounts – the reconciliations of revenues, net profit and property, plant and equipment calculated under HGB to the corresponding consolidated values under IFRS:

Reconciliation of revenue		
in € million	**2021**	**2020**
Total segment revenue (German GAAP [HGB])	12,507.0	15,508.0
Netting of levies	-9,802.6	-13,524.8
Regulatory items	-105.1	312.6
Other provisions	4.1	0.0
Intra-group revenue	-30.9	-23.1
Other	-0.7	3.5
Consolidated revenue (IFRS)	2,571.8	2,276.2

Reconciliation of earnings		
in € million	**2021**	**2020**
Total segment earnings (German GAAP [HGB])	183.6	216.6
Regulatory items	-124.4	272.0
Personnel provisions	33.1	27.1
Property, plant and equipment	17.3	16.4
Other provisions	-3.3	3.3
Deferred taxes	20.5	-99.2
Bond issue discount	10.1	0.0
Other	1.6	-1.7
Consolidated net income (IFRS)	138.6	434.5

Reconciliation of property, plant and equipment			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Total property, plant and equipment of the segments (German GAAP [HGB])	6,356.9	5,409.9	4,571.0
Cumulative measurement effect from deviating depreciation and capitalisation of borrowing costs	169.1	151.7	135.3
Total consolidated property, plant and equipment (IFRS)	6,526.0	5,561.6	4,706.3

[27] Auditor fees

The table below shows the fees of the Group's auditor *BDO AG Wirtschaftsprüfungsgesellschaft* recognised as expenses, broken down by service type:

Audit fees		
in € thousand	**2021**	**2020**
Statutory audit	357	122
Other attestation services	385	296
Tax advisory services	4	0
Other services	0	3
TOTAL	746	421

BDO AG Wirtschaftsprüfungsgesellschaft audited the separate financial statements of Amprion GmbH and Amprion Offshore GmbH and the IFRS consolidated financial statements of Amprion GmbH. In addition, non-statutory assurance services were performed with regard to financial information for quarterly reviews and voluntary IFRS individual and consolidated financial statement audits.

Mandatory audit opinions were furthermore obtained, some of which are legally required under energy regulations (EEG, KWKG, AbLaV, EnWG).

In connection with the first-time bond issue of Amprion GmbH, confirmation services not required by law were provided for a comfort letter.

[28] Notes on the cash flow statement

The cash flow statement is broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities, depending on the source and application of cash and cash equivalents. The overall balance from these three positions represents the change in the Group's cash and cash equivalents, which totalled €2,121.5 million at the end of the reporting period (previous year: €-680.2 million).

Cash and cash equivalents consist almost exclusively of bank balances, most of which were invested as time and overnight deposits with maturities of less than three months. They were therefore only subject to an insignificant risk of fluctuation in value.

Cash flow from operating activities, calculated applying the indirect method, came to €5,779.6 million for the reporting year (previous year: €-1,334.1 million). Of this amount, €788.9 million (previous year: €751.5 million) stemmed from the Group's grid business and €4,990.7 million from EEG clearing (previous year: €-2,085.6 million). Income taxes paid by Amprion included in the operating cash flow amounted to €61.5 million in the reporting year (previous year: €93.6 million).

Other non-cash income and expenses relating to the operating cash flow are shown in the following table:

Other non-cash expenses and income		
in € million	**2021**	**2020**
Income from the reversal of construction cost contribution	3.0	3.8
Recognition and reversal of impairments	-6.2	3.9
Other	-0.7	-0.6
TOTAL	-4.0	7.1

The financial liabilities included in the cash flow from financing activities can be reconciled to the carrying amounts in the balance sheet as shown in the table below.

Other financial liabilities stated in that table consist of the jouissance rights shown as financial liabilities and of other financing shown as other financial liabilities. Liabilities to banks include the promissory note loans and registered bonds issued by the Group as well as bank credit lines and loans.

The Group recognises interest and dividends paid within cash flow from financing activities, while interest and dividends received are recognised within cash flow from investing activities.

In the reporting year, the Group invested a total of €1,238.4 million in property, plant and equipment (previous year: €1,068.4 million). This investment amount was offset by depreciation of property, plant and equipment amounting to €235.1 million (previous year: €200.6 million).

Reconciliation of financial liabilities included in cash flow from financing activities to their carrying amounts

in € million	Liabilities to banks	Bonds	Other financial debt	Lease liabilities	TOTAL
As at 01/01/2020	960.7	0.0	16.9	499.0	1,476.6
Cash-effective changes	1,619.7	0.0	2.8	-197.0	1,425.5
Non-cash-effective changes	22.3	0.0	0.6	102.2	125.2
of which additions to accrued interest	*22.7*	*0.0*	*0.0*	*0.0*	*22.7*
of which additions to lease liabilities	*0.0*	*0.0*	*0.0*	*102.2*	*102.2*
of which other changes	*-0.4*	*0.0*	*0.6*	*0.0*	*0.2*
As at 31/12/2020	2,602.7	0.0	20.4	404.2	3,027.3
As at 01/01/2021	2,602.7	0.0	20.4	404.2	3,027.3
Cash-effective changes	-1,423.0	800.0	4.6	-226.3	-844.7
Non-cash-effective changes	24.2	-12.7	0.7	7.8	20.0
of which additions to accrued interest	*24.6*	*0.3*	*0.0*	*0.0*	*24.9*
of which additions to lease liabilities	*0.0*	*0.0*	*0.0*	*7.8*	*7.8*
of which other changes	*-0.5*	*-13.0*	*0.7*	*0.0*	*-12.8*
As at 31/12/2021	1,203.85	787.3	25.6	185.8	2,202.5

[29] Disclosures on capital management

The Group pursues a policy of maintaining a balanced mix of debt and equity financing at all times. In this respect, the management of the capital structure (capital management) is primarily aimed at

- ensuring a solid equity base for the Group to buffer effects from changes in the regulatory environment as well as unpredictable economic fluctuations and events.
- generating a market-appropriate risk-adjusted target return on equity for shareholders. This is a key prerequisite for the Group to have sufficient equity capital available to implement the substantial investment programme and to maintain the target rating it is striving for.
- ensuring the Group's access to the organised capital markets at favourable financing conditions in order to be able to complete the investment programme in full and on time.

The Group's capital structure is managed in accordance with existing regulatory requirements, amendments to the regulatory framework and the aforementioned objectives.

The majority of the Group's planned investment programme will be financed by borrowings in the form of bank loans, promissory note loans and registered bonds as well as bonds listed on the international capital market.

In order to ensure that access to the organised capital market remains available in the future while at the same time offering favourable financing conditions, the Group's capital management is based on the three primary objectives of the Group and complies with the following secondary conditions:

(1) Maintaining an investment grade credit rating over the long term.
(2) Ensuring that Amprion hits its key financials in order to maintain the target rating.
(3) Compliance with financial covenants under existing credit agreements.
(4) Maintaining a balanced maturity profile of Group financial liabilities to reduce financing risks.

(1) Maintaining an investment grade credit rating over the long term:

Amprion receives solicited external corporate ratings from the two internationally established rating agencies Moody's Investors Service and Fitch Ratings. As at 31 December 2021, the Group had a long-term investment grade rating of Baa1 and BBB+, which is in line with its capital management policy and target rating.

External corporate credit ratings				
Rating agency	**Forecast horizon**	**31/12/2021**	**31/12/2020**	**01/01/2020**
Moody's Investors Service	Long-Term Rating	Baa1	Baa1	A3
	Short-Term Rating	P-2	P-2	-
	Outlook	Negative	Stable	Negative
Fitch Ratings	Long-Term Rating	BBB+	BBB+	BBB+
	Short-Term Rating	-	-	-
	Outlook	Stable	Stable	Stable

(2) Ensuring that Amprion hits its key financials to maintain the target rating

In order to ensure the target rating in the investment grade area, the Group takes into account the relevant rating requirements for the financial risk profile as part of its capital management. These requirements chiefly pertain to specific key performance indicators which have to meet certain levels to earn an investment grade rating. Net debt is a ratio of key importance, focused on by rating agencies in assessing a company's financial risk profile.

In view of its practical relevance for Amprion, the Group attributes particular importance to the net debt parameter as part of its capital management. Its calculations for the Group's grid business (i.e. excluding EEG transactions) for the 2021 reporting year and comparison year are shown below:

Net debt - grid business				
in € million		**31/12/2021**	**31/12/2020**	**01/01/2020**
	Financial debt	2,012.9	1,210.0	977.6
+	Lease liabilities	185.8	404.2	499.0
+	Other financing	1.4	0.0	0.0
+	Pension provisions (net pension obligation) and similar obligations	60.1	123.1	98.3
-	Cash and cash equivalents	-0.5	0.0	-3.6
=	*Net debt*	**2,259.7**	**1,737.3**	**1,571.4**

The Group's pension obligations are managed on the basis of their measured value under German GAAP (HGB), so as to ensure that these are fully funded as at the end of the financial year (net pension obligation of zero in the HGB separate financial statements of Amprion GmbH). Accordingly, a coverage gap existing at the end of the financial year is completely closed by a corresponding allocation to the plan assets externally outsourced to a fund. This is structured as a Contractual Trust Arrangement (CTA) and is thus protected from access by the Group or other creditors. It serves exclusively to cover the pension claims of the employees.

Due to differing valuations, pension obligations under IFRS are valued higher compared to HGB as a result of the application of a lower discount rate in the reporting period and the previous year. They are therefore – in contrast to HGB – not fully funded and show a corresponding funding gap in the IFRS consolidated financial statements (see Note *[20], Provisions*).

(3) Compliance with financial covenants under existing credit agreements

Based on the primary objectives set out above, the Group manages its capital on the secondary condition that it complies with all agreed financial covenants for interest-bearing debt. In the event of non-compliance with such agreements, the contracting counterparties may immediately terminate the credit agreement extraordinarily and declare the outstanding capital amount due and payable in its entirety at short notice. As with the rating, the net debt indicator is of particular importance in this context for the Group, and is therefore also taken into consideration with regard to compliance with financial covenants.

As another contractual feature, the syndicated loan agreement for short-term financing, which expired in October 2021, contained a rating trigger. The new syndicated loan agreement then concluded in October 2021 did not feature a rating trigger, but rather a margin grid, under which changes in the interest margin are contractually tied to rating changes. In the reporting year and the previous year, the Group complied with all financial covenants for its interest-bearing loans.

(4) Maintaining a balanced maturity profile of Group financial liabilities to limit financing risk

In view of the considerable borrowing requirements resulting from the investment programme, the Group aims to keep the refinancing risk of the Group as low as possible by maintaining a balanced maturity profile of its long-term interest-bearing financial liabilities. For further information in this regard, see the remarks on Group liquidity risk management under Note *[25], Reporting on financial instruments*.

As at 31 December 2021, there had been no changes in the Company's capital management objectives, policies or processes vis-à-vis the previous year.

[30] Contractual guarantees, contingent liabilities and other financial obligations

The following information on contingent liabilities and other financial obligations is based on nominal values.

Contractual guarantees and contingent liabilities

Contingent liabilities are only entered into after a thorough examination of the associated risks and within the scope of the Group's business activities. Based on the information available up to the preparation of the consolidated financial statements, it is assumed that the liabilities underlying the contingent liabilities can be fulfilled by the respective principal debtors and that a claim is therefore not currently expected. Accordingly, no provisions were made for these liabilities as at the reporting date or in the previous year.

The Group's contingent liabilities exclusively comprised obligations from warranty agreements in the total amount of €270.6 million (31 December 2020: €294.8 million; 1 January 2020: €279.2 million) whose occurrence cannot be completely ruled out. Of this amount, €265.9 million (31 December 2020: €290.2 million; 1 January 2020: €274.0 million) relates to the assumption of debt for pension obligations recognised by the shareholder RWE AG (Schuldbeitritt). Amprion bears the economic burden and relief from these pension obligations. As in the past, a claim against Amprion by the pension beneficiaries is currently not expected and therefore does not qualify as a contingent liability under IAS 37. The same applies to the total amount of the Group's remaining contingent liabilities of €4.7 million (31 December 2020: €4.6 million; 1 January 2020: €5.2 million), which mainly relate to unlikely obligations of Amprion GmbH from various bank guarantees.

Due to the transfer of certain pension obligations of Amprion GmbH to RWE Pensionsfonds AG in previous years, the company has a statutory obligation to make additional contributions in its capacity as employer in the event of a future shortfall in the pension fund. As in previous years, there is currently no shortfall in funding. In view of the current level of coverage of the minimum coverage provision and the level of coverage realised in previous years, it is highly probable that such a shortfall will not occur, but it cannot be completely ruled out for the future.

The Group is not exposed to any significant risks in connection with contingent liabilities from lawsuits or passive proceedings that were ongoing as at the reporting date. Insofar as such obligations had already been sufficiently substantiated as at the reporting date, provisions were recognised for them, which in this case are reported under other provisions (Note *[20], Provisions*).

Financial collateral provided by the Group

The Group has deposited financial collateral (initial margins) as required to engage in electricity trading on EPEX Spot and trading on other exchanges. These security deposits are reported under *other financial assets* (Note [15], *Other financial assets*).

As at 31 December 2021, the fair value of the margin funds provided as collateral was €4.9 million (31 December 2020: €5.8 million; 1 January 2020: €6.8 million). Margin collateral is released when the Group has met its payment obligations to fully and promptly settle exchange trades.

Other financial obligations

As at 31 December 2021, the Amprion Group had financial obligations from the forward purchase of electricity totalling €239.6 million in connection with over-the-counter electricity forward transactions (forwards) concluded as part of grid loss management and falling under the *own use exemption* for accounting purposes. (31 December 2020: €200.6 million; 1 January 2020: €239.3 million). Of this total, €128.7 million is due in financial year 2022 and €110.9 million in the following year.

The Group has concluded service agreements with RWE Generation SE and Gaskraftwerke Leipheim GmbH & Co. KG in November 2020 and February 2021 for the provision and operation of special grid devices (Besondere netztechnische Betriebsmittel). These agreements qualify as leases for accounting purposes in accordance with the provisions of IFRS 16, with the provision dates for the special grid devices being October 2022 and October 2023. The future payments from these non-cancellable contracts, which do not accrue until after the provision date, amount to a total of €515.4 million for the years 2023 to 2026 and a total of €883.1 million for the period thereafter.

Other financial obligations from purchase commitments totalled €593.4 million as at 31 December 2021 (31 December 2020: €370.3 million; 1 January 2020: €283.8 million). These are primarily commitments to purchase property, plant and equipment in the amount of €323.2 million (31 December 2020: €255.5 million; 1 January 2020: €209.4 million). Future payments under the purchase commitment will come due as follows:

Maturity profiles of purchase commitments			
in € million	**31/12/2021**	**31/12/2020**	**01/01/2020**
Due in up to 1 year	243.9	195.5	163.8
Due in 1 to 2 years	133.1	87.4	101.3
Due in 2 to 3 years	181.6	77.9	7.9
Due in 3 to 4 years	2.6	6.4	10.3
Due in 4 to 5 years	3.6	0.0	0.7
Due after 5 years	28.7	3.1	0.0
TOTAL	593.4	370.3	283.8

The total amount of the rest of the other financial obligations recorded was €63.6 million for the reporting year (31 December 2020: €5.4 million; 1 January 2020: €20.0 million) and relates to concluded land purchase agreements whose legal and economic transfer will not take place until after the reporting date, as well as obligations from the construction of a property (Amprion project house).

There was no collateralisation of the Group's outstanding loans, neither in the reporting year nor in the previous year.

In connection with the management of cross-border grid constraints, the Group generates congestion income that is subject to restrictions on use in accordance with EU law. As at 31 December 2021, financial obligations under public law amounted to €97.5 million in this context (31 December 2020: €52.0 million; 1 January 2020: €61.8 million).

[31] Related party disclosures

Transactions with related party companies

During the reporting year, transactions in the form of distributed dividends were made between the Group and the shareholders of the Group parent company, M31 Beteiligungsgesellschaft mbH & Co. Energie KG and RWE AG. On the other hand, transactions with companies of the RWE Group were carried out as part of Amprion's ordinary business operations. By resolution of the Supervisory Board of 13 April 2021, a partial amount of €100.0 million of the net profit for the financial year 2020 under German GAAP (HGB) was distributed to shareholders (previous year: €100.0 million). Additionally, a one-off distribution of €23.2 million was made to shareholder RWE AG pursuant to a shareholder resolution of 26 March 2021. This distribution amount was withdrawn from other retained earnings.

As part of its grid and EEG businesses, the Group recognised income and expenses with RWE Group companies totalling €50.3 million (income) and €450.8 million (expenses) (previous year: €34.1 million and €260.3 million respectively). In the reporting year, RWE AG charged Amprion €8.6 million for pension settlements in connection with the assumption of debt for pension obligations recognised by the shareholder RWE AG. (previous year: €6.4 million).

Amprion GmbH maintains business relations with Amprion Offshore GmbH under various agreements governing the contractual and legal rights and obligations between the parties. These include a construction and usage transfer contract between the two companies, an operational management agreement, a control and profit & loss transfer agreement and a cash pooling agreement.

In the financial year, Amprion GmbH commissioned Amprion Offshore GmbH with the construction, commissioning, maintenance, servicing and leasing of offshore grid connection systems. The contractual basis for this is the construction and usage transfer agreement, in which Amprion GmbH acts as the lessee. The resulting expenses for Amprion GmbH and the corresponding income for Amprion Offshore GmbH totalled €4.8 million in the reporting year (previous year: €3.9 million).

Amprion Offshore GmbH on the other hand contracted with Amprion GmbH in the financial reporting year for the provision of management and technical services in the construction and operational phases for the offshore grid connection systems, based on the operational management contract. Amprion Offshore GmbH was billed a total amount of €26.1 million under this contract in the reporting period (previous year: €19.7 million).

Under the control and profit & loss transfer agreement in place Amprion Offshore GmbH transferred €1.8 million to Amprion GmbH in the reporting year (previous year: €0.3 million).

Under the cash pooling agreement Amprion GmbH granted Amprion Offshore GmbH credit lines totalling €60 million (previous year: €30 million) in the reporting period. Of the total credit available, €28.1 million was utilised in the reporting year (previous year: €14.3 million).

Transactions with related party individuals and their total remuneration

The Management and Supervisory Board members of Amprion GmbH were classified as related parties for financial year 2021 and the previous year in view of the key governance positions they hold in the Amprion Group. The following information is provided in fulfilment of the disclosures of total remuneration paid to such parties required under IAS 24 and of the Group's receivables and liabilities from/to these individuals.

The table below shows total remuneration paid to Management Board members of Amprion GmbH expensed in the reporting year and the previous year, broken down by remuneration component:

Remuneration of the Board of Management		
in € thousand	**2021**	**2020**
Short-term remuneration	1,537.0	785.8
Long-term remuneration	443.2	400.0
Post-employment benefits (service cost)	427.2	411.4
Total	2,407.5	1,597.2

Interest expense from jouissance rights held by Management Board members amounted to €78.8 thousand for the reporting year (previous year: €60.5 thousand).

As at the end of the reporting year, the Group's obligations to (former) managing directors and their surviving dependants in the form of pension claims and jouissance rights totalled €7.0 million (31 December 2020: €8.8 million; 1 January 2020: €8.2 million). The Group also had warranty obligations to (former) managing directors in connection with the assumption of pension obligations, which are recognised as liabilities in the balance sheet of the shareholder RWE AG (see Note *[30], Guarantees, contingent liabilities and other financial obligations*). The amount covered by the Group in this regard amounted to €5.9 million at the end of the reporting year (31 December 2020: €4.4 million; 1 January 2020: €4.1 million).

In the reporting year, Supervisory Board members received a fixed total remuneration of €356.7 thousand for their respective duties (previous year: €300 thousand).

[32] Events after the reporting period

As a result of the Russia-Ukraine war, energy prices rose sharply in the period up to the preparation of the consolidated financial statements. This circumstance led to a significant increase in the costs of system services. The exact effects for fiscal year 2022 cannot be forecasted at present. Overall, this event will not have any impact on the company across accounting periods, as the increased costs can be refinanced via future grid charges.

In connection with the planned construction of the converter stations for the DolWin4 and BorWin4 offshore grid connection systems, the contract was awarded by Amprion in July 2022. The contractually agreed order volume in this regard amounted to around €2.3 billion at the time the consolidated financial statements were prepared.

Dortmund, 29 August 2022

The Management Board

Hans-Jürgen Brick

Peter Rüth

Hendrik Neumann

DR. HANS-JÜRGEN BRICK

PETER RÜTH

DR. HENDRIK NEUMANN

INDEPENDENT AUDITOR'S REPORT

To Amprion GmbH, Dortmund

AUDIT OPINION

We have audited the consolidated financial statements of Amprion GmbH, Dortmund, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated income statement 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 presentation of the recognition and measurement policies.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 e (1) HGB [Handelsgesetzbuch: German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the group as at December 31, 2021 and of its financial performance for the financial year from January 1, 2021 to December 31, 2021

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.

BASIS FOR THE AUDIT OPINION

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB 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" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in compliance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

REFERENCE TO AN OTHER MATTER

The consolidated financial statements prepared by the executive directors of the company, which comprise the consolidated statement of financial position as at December 31, 2020, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2020 to December 31, 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies have not been audited by an auditor, because these IFRS consolidated financial statements are the first consolidated financial statements of Amprion GmbH.

RESPONSIBILITIES OF THE MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of IFRS as adopted by the EU and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, 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 controls as they, in accordance with German Legally Required Accounting Principles, 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 provided no actual or legal circumstances conflict therewith.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB 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.

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 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, and intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements 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 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 § 315 (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 the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Düsseldorf, 5 September 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Reese	signed Dirks
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Amprion GmbH
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44263 Dortmund

September 2022