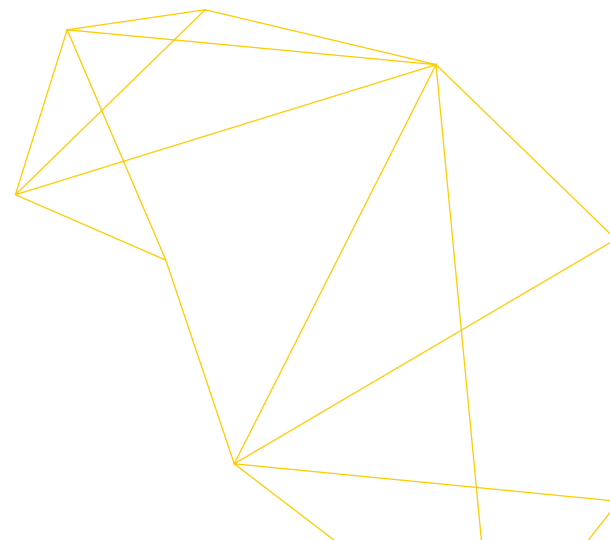


VNG AT A GLANCE

More than 20 companies, more than 1,400 employees, more than 60 years of experience in the industry: VNG, headquartered in Leipzig, is a strong group of companies with a broadly based service portfolio in gas and infrastructure. The Group has gained its expertise in gas with its German and European companies and holdings almost along the entire value chain.

VNG combines activities in the business areas of trading & sales, transport, storage and biogas. Based on this core expertise, the Group's "VNG 2030+" strategy and its strategic vision "Green. Digital. With Gas" place a growing focus on the development of new business segments in green gases and digital infrastructure.

In addition, VNG is following an ambitious roadmap in its commitment to renewable and climate-neutral gases, driving forward the transformation of the energy system. The issue of security of supply is at the forefront of everything we do. For VNG, this means procuring natural gas today and green gases tomorrow from secure sources of supply and at competitive conditions for our customers.



ANNUAL REPORT 2021

Dear reader,

Russia's attack on Ukraine has caused outrage all over the world. The current developments will fundamentally change the European and German energy system. This will also have an impact on VNG's business activities. The consequences are still not fully foreseeable, which makes forecasts and specific statements about our business or for future planning difficult.

Please be aware that this annual report may not reflect the latest developments in relation to the war in Eastern Europe, as the content of the report was completed on 30 April 2022. If, in the meantime, new developments or energy policy decisions have arisen that make some of the content or formulations appear outdated or inaccurate, we therefore apologise in advance.

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TRADING & SALES

Gas trading is one of the Group's core activities. VNG offers services related to gas, electricity and energy. The spectrum ranges from full supply to individual and highly flexible supply concepts. With the regionally organised **VNG Handel & Vertrieb GmbH**, its trading companies and holdings, VNG ensures the reliable supply of regional utility companies, industrial users as well as commercial and household customers at home and abroad.

TRANSPORT

With the distribution of gas and the provision of network-related services, the Transport business segment is a guarantor for security of supply in Germany. As an independent transmission system operator, **ONTRAS Gastransport GmbH** provides its customers non-discriminatory network access and – together with its subsidiaries – contributes to an efficiently functioning European gas market. ONTRAS is also a pioneer of green energy in the German gas network. One focus is the development of future options for the sustainable use of gas infrastructure in the new energy world.

STORAGE

Underground storage facilities are central to the gas infrastructure and also indispensable in the energy system of tomorrow. As the third largest gas storage operator in Germany, VNG – through its subsidiary **VNG Gasspeicher GmbH** – ensures the reliable, safe and efficient storage of gas, backed by comprehensive know-how stretching from operation through to maintenance and the marketing of storage capacities. The range of services includes intelligent and flexible storage products as well as special engineering services.

BIOGAS

Since 2020, VNG has bundled its biogas and biomethane activities in its biogas business segment. Biogas is one of the most important growth areas. **BALANCE Erneuerbare Energien GmbH** currently operates 38 biogas plants in eastern and northern Germany. The focus of activities is the optimisation of such plants and successive enhancement of added value as the plant operator. In the future, VNG wants to open up additional opportunities to increase the share of renewable energies in the gas network.

A SUCCESSFUL 2021 WITH MANY CHALLENGES

EARNINGS

In 2021, the German economy recovered from the coronavirus setback of the previous year thanks to government economic aid and measures to contain the pandemic. This was also the case for VNG: In addition to higher gas demand in the market, the successful integration of the Gas Union portfolio also contributed to increased trading volumes. Together with the price increase for energy products in the second half of the year, this led to rapid growth in sales and had a positive effect on earnings.

RESULTS

Both the adjusted EBIT, i.e. the adjusted operating result, and the consolidated result came in significantly higher than in the previous year. Despite extremely volatile markets and the associated challenges as well as a generally demanding business environment, all business segments were able to contribute to VNG's positive result. This reflects the strong operational performance within the Group and is proof of the solid development of the business.

PERSONNEL

Our team has expanded in numbers again this year. A key factor was the first-time inclusion of GDMcom GmbH in the consolidated balance sheet. With numerous initiatives and programmes, VNG promotes further training opportunities for its employees, also with a view to facilitating the transformation of the energy system and the company itself. The wide range of skills and specialist know-how of all employees continues to be the foundation for VNG's success.

Financial KPIs

in € million	2021	2020
Billed revenue ¹	18,479	9,827
Adjusted EBIT ²	225	179
Consolidated result	141	46
FFO ³	221	192
Gross investments	197	392
Net investments	174	314
Net financial liabilities	699	665
Gearing (%) ⁴	9	20

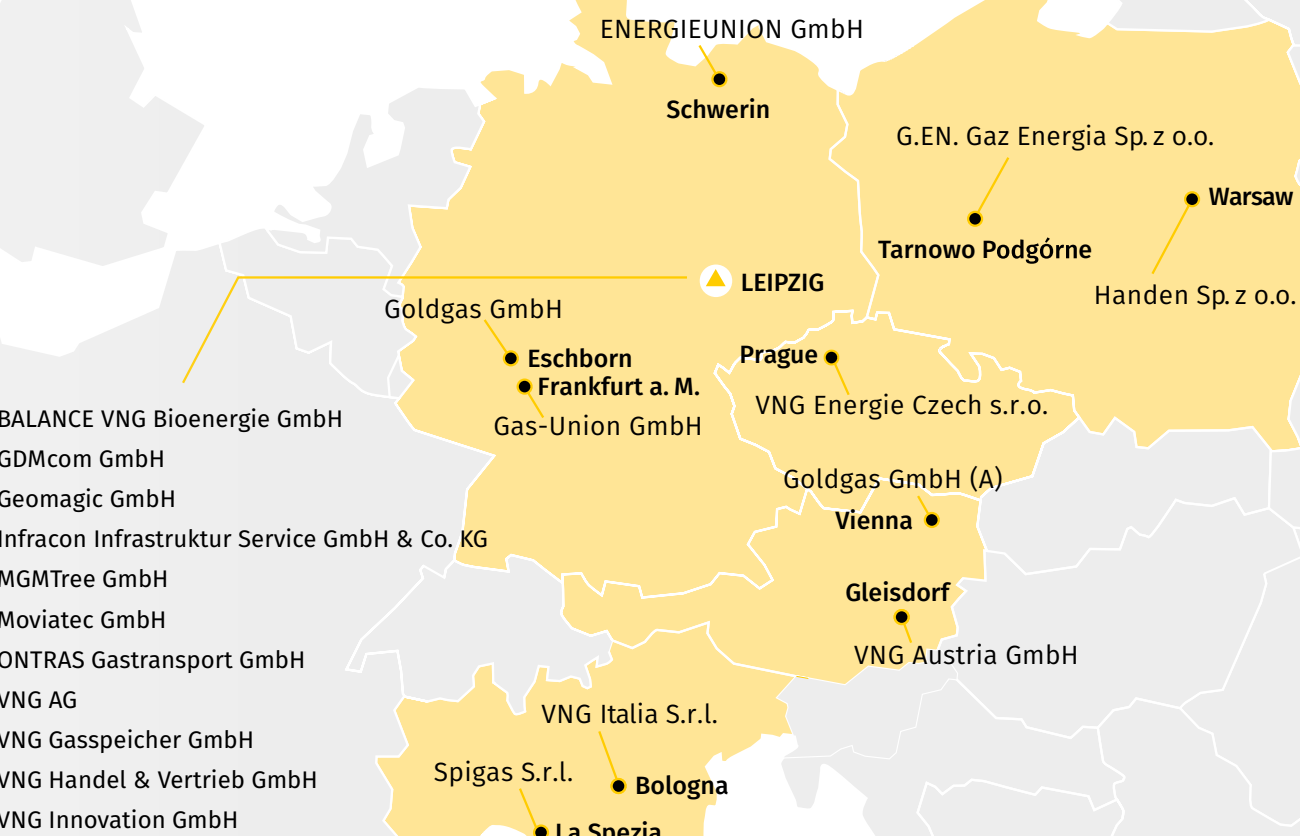
¹ Before application of the IFRIC Agenda Decision on IFRS 9.
² EBIT adjusted for extraordinary and one-off effects on results.
³ Funds from operations, i.e. consolidated earnings adjusted for non-cash expenses and income as well as gains/losses from the disposal of fixed assets.
⁴ Unadjusted equity ratio, decline mainly due to derivatives-related factors.

Group snapshot

	2021	2020
Number of employees as at end of year ¹	1,462	1,305
Group companies and holdings	73	69
Number of European countries with VNG holdings	5	5
Gas sales in billion kWh	762	599
Pipeline network in km	7,700	7,500
Storage capacity in billion m ³	2.2	2.2

¹ Total employees of all fully consolidated companies; as of: 31 December 2021

OUR LOCATIONS



“GREATER TEMPO IN THE TRANSFORMATION”




“WE WILL CONTINUE TO ACCELERATE OUR EFFORTS TO DIVERSIFY OUR SOURCES OF NATURAL GAS”

ULF HEITMÜLLER

Chairman of the Executive Board

- With the company since 2016
- Education: graduate in electrical engineering (Dipl. Ing.).
- Among other things Honorary Consul of Norway and Vice President of the BDEW e.V. (National Association of Energy and Water Management)

 Find out more about the Executive Board

2021 was an extraordinary year for VNG and a good year in terms of financial performance. Despite the coronavirus pandemic, the raising of European and national climate targets and the steep increase in the price of natural gas, VNG performed exceptionally well and posted good results. However, at the beginning of 2022, the events and developments of the previous year were overshadowed by Russia's invasion of its neighbour, Ukraine. In this interview, the three Board members report on how VNG is dealing with the new challenges and the role the Group sees itself playing in the energy system of the future.

Russia has, to date, been one of VNG's most important trading partners. How do you assess the events in February and March 2022?

Ulf Heitmüller We are deeply shocked and strongly condemn the military action of the Russian government in Ukraine. We clearly state this position in our talks with politicians and the public, in discussions we have internally with our employees and also with our contacts on the Russian side. Nothing can justify this flagrant violation of international law and the sovereignty of the Ukrainian people.

Were you surprised by the harsh approach of Vladimir Putin's government?

Bodo Rodestock To be frank, yes, I was. At VNG, we can look back on close and trusting cooperation with our Russian partners, which has deepened over the decades. This relationship has developed in spite of all the political influences and fluctuations in the political relationship between Russia and Germany. 2023 would have marked the 50th anniversary of an uninterrupted German-Russian gas supply

partnership. Natural gas was first imported from Russia to former East Germany and, a little later, to the Federal Republic of Germany. That's why we were shocked and upset at VNG by how recklessly the Russian government jeopardised the continuation of this tradition. But that's just a side effect: The main victims are the courageous people of Ukraine. The suffering of this people is beyond our understanding. These people are worthy of our deepest respect and sympathy.

Hans-Joachim Polk Russian gas exports were maintained in the weeks after Russian troops invaded Ukraine and continue to do so to this day: Deliveries have been stable since then. The Russian side has fulfilled its contractual obligations in this regard. That being said, since 24 February 2022, this unfortunately no longer applies to Russia's contribution to peace and understanding in Europe and the world.

Ulf Heitmüller Immediately after Russia invaded Ukraine, we reviewed all our activities with or connected to Russia. As a result, we have put all cooperation projects on ice. The natural gas supply contracts are not affected by this – security of supply is a valuable asset and we are fully aware of our responsibility towards our customers, the people and companies in this country.

Criticism of Russia's role in the gas market was already being heard in some quarters back in 2021. It was said that an artificial shortage of Russian supplies had at least encouraged the huge increase in gas prices in the second half of the year. Has Russia met its contractual delivery obligations throughout 2021?

Ulf Heitmüller In 2021, Russian gas deliveries to Germany approached pre-coronavirus levels. On this basis, we assumed until recently that we would continue to develop the successful cooperation with our Russian partners in the long term. This applied, for example, to the production and import of renewable and decarbonised hydrogen and to further scientific and technical collaborations, for example in climate protection and the reduction of methane emissions. The basis for future cooperation has, of course, been changed as a result of the dreadful escalation in 2022. We will now press ahead even more vigorously with the diversification of our supply sources for natural gas and with our transformation toward green gases.

How have VNG employees reacted to the development?

Bodo Rodestock The dismay was immediately apparent. In many conversations that I have had, I have noticed the shock and sympathy for the people in Ukraine, combined with a feeling of helplessness and also of personal concern. With great gratitude we have seen how many colleagues wanted to help personally with donations in kind and money. We have promoted the exchange of offers of assistance. We also employ people from Ukraine and Russia, who are naturally particularly affected by this deeply regrettable development. Concerns about VNG as a company receded into the background in these moments, but still could also be felt.

What consequences will the escalation have in the long term for the importance of Russian natural gas in our energy supply and therefore also for VNG's corporate strategy?

Bodo Rodestock Diversification of natural gas sources is essential. Whether and how we will continue to trade with Russia is initially a political question. Russia's considerable deposits of raw materials will continue to exist in the future. The question is how and to what extent we want and will be able to use them in the future.

Ulf Heitmüller The answer to this question is ultimately political. But one thing is already clear: As the importance of natural gas for our energy system decreases in the long term, import volumes of Russian gas to Germany will also probably decrease quite quickly. It is also clear, however, that in the interim, we will only be able to successfully manage the energy transition – the implementation of which finally really got going in 2021 – with natural gas. Natural gas allows us to compensate for the decreasing energy production from coal and nuclear power and create security of supply.



“WHEN IT COMES TO SECURITY OF SUPPLY, WE CAN CONTRIBUTE: AS A TRADER, WITH OUR NETWORK AND STORAGE INFRASTRUCTURE AND WITH AN ACCELERATED TRANSITION TOWARD GREEN GASES.”

HANS-JOACHIM POLK

Member of the Executive Board,
Infrastructure/Engineering

- With the company since 2013
- Education: graduate engineer (Dipl. Ing.) specialised in deep drilling technology, oil and gas extraction
- Among other things Chairman of the Supervisory Board of ONTRAS Gastransport GmbH

 Find out more about the Executive Board

Hans-Joachim Polk Supply gaps in the market could be filled in the short term with LNG, i.e. liquefied natural gas from the USA or from the Middle East, and the quantities of gas still available in storage facilities.

However, this cannot completely replace the volumes of Russian gas that Germany and the rest of Europe need. Nor can the significant price difference between LNG and pipeline gas be completely ignored.

Bodo Rodestock In addition, Germany is not only a sales market for Russian gas, but also a transit country. So we always have to keep an eye on how supply concepts and energy systems are developing

in our European neighbours. Against this background too, an immediate and complete exit from Russian gas is unrealistic. This process will take some time: On the one hand for the development of other sources

“NO ONE CAN HOPE TO MASTER THE HUGE CHALLENGES OF THE ENERGY TRANSITION ALONE. THAT’S WHY WE ARE OPEN TO FAR-REACHING COOPERATION MODELS.”

BODO RODESTOCK

Member of the Executive Board,
Finance/Human Resources

- with the company since 2000
- Education: Banker, business administration studies
- among other things member of the Supervisory Board of Leipziger Messe GmbH

 Find out more about the Executive Board

of supply for fossil gas, and on the other for the continuous transition toward green gases.

The conflict in Eastern Europe has also given discussions surrounding the energy transition a new impetus in a different direction: Even greater importance is being attached to the issue of security of supply. What does that mean for VNG?

Ulf Heitmüller As of January 2022, the assumption is that demand for natural gas in Germany will be stable, increasing slightly in the medium term. We will increasingly rely on gas-fired power plants that will initially be natural gas fired. This is necessary to secure the supply in view of the increasing share of renewable energies on the electricity generation side. With a view to security of supply, three aspects are particularly important to us. Firstly: For VNG, we continue to see our task in procuring and transporting gas with a secure supply and at competitive conditions for our customers and making supplies more flexible via our storage facilities. We see ourselves explicitly as a basic service and in this respect also as being of systemic importance. Secondly: A national storage reserve for gas can be a sensible way to ensure security of supply, even if the flexibility of the market is likely to be impaired as a result. But this is something we can deal with. And thirdly: Security of supply and climate protection must go hand in hand. We stand full square behind the political goal of climate neutrality by 2045.

Hans-Joachim Polk The issue of security of supply has become even more important due to the terrible events. We will play our part: in our role as a trader with diversification of our sources of supply, with our network and storage infrastructure and also with an accelerated transition toward green gases.

Bodo Rodestock Switching to climate-neutral hydrogen as quickly as possible will also contribute to security of supply. And we know what we’re talking about: we have played an active role in shaping the energy transition process in the past. Things that we have taken for granted up to now – trading, transport and storage of

fossil natural gas – no longer fit into the desired picture for the future. That is why we as a Group are also undergoing a transformation process with increased emphasis on green gases such as biogas and hydrogen, towards new business segments in a decarbonised energy system and in the digital infrastructure. With this transformation and our commitment to the energy transition, we are also driving structural change in central and eastern Germany.

Ulf Heitmüller At VNG, we are in an excellent position to play a role in the part of the future energy system using hydrocarbons directly as fuel, similar to the one we have played so far with natural gas. The importance of molecule-based energy (i.e. hydrocarbon fuels) should not be underestimated: According to AG Energiebilanzen (a working party sponsored by the German energy industry), around 500 terawatt hours of electricity were consumed in Germany in 2021 as final energy, compared to around 2,000 terawatt hours of molecule-based energy. The business models will vary in detail. But we will be able to leverage our expertise as an importer, trader and operator of critical infrastructure. We see opportunities for this in the decarbonised energy flows of the future, especially in the hydrogen business.

To what extent is VNG prepared for the ramp-up of the hydrogen economy?

Bodo Rodestock We are now very well positioned. At the end of 2017, for example, we only had a few hydrogen experts at VNG. A large number of colleagues in all business segments are now working in hydrogen-related areas. We have added a number of specialists to the team and brought many more up to speed for these areas that will be important in future through training and further education. And what really impresses me is that the entire hydrogen team acts with incredible passion. Many other employees are infected by this enthusiasm. These are very good conditions, which will also carry us through these times. The war in Ukraine will once again increase the pressure within the organisation for innovation. This is where we need and indeed already have a skilled team.

Where did VNG make progress in 2021 on the way to the energy system of the future?

Hans-Joachim Polk We have taken a giant step with our flagship project “Bad Lauchstädt Energy Park”. The complete hydrogen value chain is modelled here: green electricity generation from wind power, electrolysis, gas storage, transmission lines, consumers. We have successfully steered the Energy Park through the approval phase as part of a stable consortium. In 2021, the German federal government elevated the Energy Park to the status of a “regulatory sandbox for the energy transition”. That was a very important step and a very emotional moment for everyone. In 2022, we will come to the final investment decision and complete the other concepts together with our partners. After that we can start ordering the material. The construction phase will then start in 2023. We are very proud of the project because the Energy Park makes the energy transition into something tangible. This is important, also for regional development in central Germany. We are also actively promoting acceptance of this important project among the local population.

Ulf Heitmüller However, this project – a large scale “real engineering laboratory” – also shows the obstacles that still exist. One example is the speed of approval processes: We hear from our project partners in various areas that the necessary permits – as important as they are – require an enormous bureaucratic effort and therefore take a lot of time. If we want an even faster transformation of the German energy system, then we urgently need approvals to be simplified and accelerated.

Bodo Rodestock The Energy Park is also a promising project for VNG in another respect: No one can hope to master the huge challenges of the energy transition alone. That’s why we are open to far-reaching cooperation models with other companies. Our approach to collaborations will also change as a result. The basis for all our efforts is the social consensus that the energy transition is necessary – but this has to go hand in hand with the required degree of honesty: Achieving this goal will demand a lot from each and every one of us.

Ulf Heitmüller Here too, this is ultimately a political matter. But if the objective is clear, also with regard to Germany’s future gas supply sources, the focus must be on its implementation and the applicable conditions as soon as possible. Climate change does not pause because political or territorial conflicts must first be resolved. Things that we don’t tackle now because of this, cannot be fixed later on.

What can VNG specifically do so as not to lose any time in the transformation?

Bodo Rodestock For example, if we look at the time dimension for converting or expanding the infrastructure required for hydrogen, then we will have to tackle things now – with all commercial prudence – without the perfect framework conditions being in place.

Ulf Heitmüller The honesty that Bodo Rodestock has rightly called for includes, for example, accepting that it will not be possible to convert the heating supply market in the space of a year. We need a continuous transformation, and in our opinion this can best be achieved with the use of green gases, i.e. with blue, turquoise and above all green hydrogen as well as with biomethane.

It is all the more important that green gases are ready for the market. What is VNG doing on the technical side, but also in the development of new business areas and the further development of existing ones, for example in biogas?

Hans-Joachim Polk In political discussions surrounding natural gas, the importance of biogas as a climate-neutral alternative is repeatedly underlined. So far, biogas has managed without imports and the dependencies that are always associated with these. In addition to regional production, biogas offers other advantages: It provides a stable base load, can compensate for load fluctuations in other renewable energies and support the urgently needed heat transition.

In 2021, with our subsidiary BALANCE, we acquired fewer biogas plants than in previous years; market conditions were not favourable for this. However, we took advantage of this situation and pressed ahead with the integration of systems, personnel and processes from the acquisitions of previous years. We can guarantee operationally efficient and secure operation. Through our BALANCE subsidiary, VNG is now one of the largest biogas producers in Germany, and we are therefore making an active contribution to security of supply. And we are happy to see that our counter-cyclical approach when purchasing plants is now paying off. The market has woken up and is sometimes almost desperately looking for biomethane, especially in the mobility sector.

In 2022, we will also make further progress on the subject of hydrogen. We are involved with two pilot plants. We want to show that we can produce turquoise hydrogen. In addition, we would like to use a special process to prove that we can also produce hydrogen from biogas. The third important topic relates to infrastructure, i.e. pipelines and storage. Our independent transport subsidiary ONTRAS, together with several partners, wants to convert three sections of the current gas network from natural gas to hydrogen.

“IN THE HEATING MARKET WE NEED A CONTINUOUS TRANSFORMATION WITH AN INCREASING SHARE OF GREEN GASES.”

ULF HEITMÜLLER

Ulf Heitmüller These examples show that we have been dealing with the transformation of VNG in many areas for a long time. We are aware that events in Eastern Europe will have a destabilising impact on this transformation. We must not completely ignore the realities in Germany and in the existing market and infrastructure. Natural gas covers 27 per cent of primary energy consumption. Almost half of all existing buildings in Germany are heated with natural gas. Industry in Germany consumes significantly more natural gas, for example in the manufacture of glass, metals or chemical products. Fundamentally important process and supply chains and also many thousands of jobs depend on it.

Russian aggression against Ukraine in early 2022 has overshadowed much of what has been achieved over the past year. VNG can actually look back on a very successful financial year. What were the reasons for this?

Bodo Rodestock At €18,479 million, sales by the VNG Group in 2021 were almost twice as high as in the previous year. The reasons for this were, in particular, the increased energy prices in the second half of the year and the increased trading volumes thanks to the successful integration of the Gas Union portfolio. With an adjusted EBIT of €225 million, we clearly exceeded expectations – including our own. It is particularly gratifying that all business areas made their contributions to the positive result.

Ulf Heitmüller Conditions were not easy in 2021. The coronavirus pandemic continued to have a strong impact on our work as a team. In addition, we also had to cope with the enormous price increase and volatility in the second half of the year. I can therefore only take my hat off to the achievements of our organisation. 2021 was a challenging year in which we performed very well, achieving, bottom line, a very good result.

"IN 2021 WE SIGNIFICANTLY EXCEEDED OUR OWN EXPECTATIONS. ALL BUSINESS AREAS CONTRIBUTED TO THE POSITIVE RESULT."

BODO RODESTOCK

Hans-Joachim Polk Our thanks therefore go to the people who are primarily responsible for this good result: our employees, but also our customers, partners and shareholders. The result also reflects the great trust that the Supervisory Board of VNG AG has placed in us as the Executive Board.

Ulf Heitmüller Especially in these turbulent times, we have to earn this confidence and that of our employees again and again. The number of "tests" will certainly not decrease in 2022, as the first few months have unfortunately shown. Our tasks will also change. Our company is under even more intense public scrutiny. We are aware of this and we are dealing with this issue responsibly.

In March 2022, VNG applied for a credit line from the KfW bank. What prompted you to take this step?

Bodo Rodestock Security of supply is one of our core tasks, because our company is responsible for part of the critical infrastructure. We must therefore also be prepared for potentially extreme market scenarios that may go beyond the turbulence of the recent past. Our financial situation is comfortable, also due to the very good result from 2021. We want to use the backup credit line we have applied for from the KfW to take precautions in the form of additional security measures so that we can counteract short-term developments at any time.

In the next few years, VNG is likely to face a process of rapid change again, especially with regard to the long-standing supply partnership with Russia. What gives you the hope that VNG will manage this process successfully?

Bodo Rodestock Our performance in 2021 has shown that our Group is very well structured, that we are very cost-conscious when using our resources and that we can deal with difficult environmental conditions. In addition, the people who work at VNG are driven by a conviction and a passion for this business and are willing to constantly review workflows and processes and adapt them to new conditions. We benefit from our distinctive transformation culture.

Ulf Heitmüller As far as the relationship with Russia is concerned, we see a consensus in society: With its behaviour, the Russian leadership is fundamentally challenging the established economic relations between our countries and its suitability as an energy supplier. Not only do we recognise this changing consensus, we also expressly support it. In 2022, one of our most urgent tasks will be to adjust to these new conditions and to adapt our strategy and our daily actions accordingly.

Hans-Joachim Polk We can also build on the sustainability strategy that we successfully started in 2021. We have defined key topics and goals and laid down a strategic field of action for each area and linked it to concrete targets. This includes the classic reduction of our greenhouse gas emissions, as well as maintaining and promoting the health of our employees, open communication and sustainable material procurement.

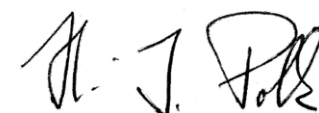
Ulf Heitmüller We are glad that we have already initiated the transformation of VNG towards sustainability. Appreciating the necessity for this change is deeply embedded in the collective consciousness of our company, without causing us to neglect our core tasks. For us, these are above all the establishment and maintenance of profitable trade relationships, the operation and expansion of efficient infrastructures and the reliable supply of our customers with energy. – A basic prerequisite for this is and remains peaceful coexistence in Europe and the world. We very much hope and we are committed to ensuring that together we can return to non-violent and respectful and thus to healthy economic relations for the benefit of the people: in Ukraine, in Europe and everywhere in the world where people long for peace.

The Executive Board



Ulf Heitmüller

Chairman of the Executive Board



Hans-Joachim Polk

Member of the Executive Board,
Infrastructure & Engineering



Bodo Rodestock

Member of the Executive Board,
Finance/Human Resources

REPORT BY THE SUPERVISORY BOARD

The Supervisory Board was informed by the Executive Board comprehensively and promptly about the development and the situation of the Group as well as about significant business transactions, both verbally and in writing. Based on these reports and the information provided, the Supervisory Board monitored the management and, in doing so, considered in particular the development of the business areas, the financial situation of the company, questions of financial, investment and personnel planning and all measures that require the approval of the Supervisory Board in accordance with the Articles of Association.

The Supervisory Board held a total of four meetings and one extraordinary meeting in the financial year 2021. The main areas of focus included:

- ▶ the annual and consolidated financial statements 2020,
- ▶ medium-term planning for 2022–2024,
- ▶ the signing of another gas procurement contract by VNG Handel & Vertrieb GmbH,
- ▶ consideration of the reorganisation of the structure of the holding in Italy,
- ▶ the decision-making in the biogas division on the BIOVIA project,
- ▶ consideration of individual developments in the field of digital infrastructure, in particular the decision in regard to the acquisition of the IBZ Neubauer Group and review of another project to expand the fibre optic network in eastern Germany,

- ▶ consideration of reports on developments in the area of green gases, in particular in relation to the master plan for hydrogen in eastern Germany, the company's R&D strategy and the presentation of the "Bad Lauchstädt regulatory sandbox" project and numerous other hydrogen projects,
- ▶ consideration of various reports on the tax administration proceedings at HANDEN Sp. z o.o. as well as
- ▶ consideration of detailed, ongoing reports on the sanctions at EU and U.S. level and their possible effects on the VNG Group.

In particular, in the 4th quarter the Supervisory Board was informed comprehensively about price developments on the European commodities markets, their effects on earnings, liquidity and possible risks for the Group.

In connection with its advisory and monitoring responsibilities, the Supervisory Board also reviewed the activities of all business areas of the Group. In addition, the Board considered in detail the Group's other holdings.

Based on these deliberations and on the reports submitted and the information provided by the Executive Board, the Supervisory Board is satisfied that the management of the Group is being conducted appropriately.

The annual and consolidated financial statements of VNG AG make provision for the intention to take out a credit facility with the KfW Bank, as a safeguard against future extreme market fluctuations as a result of the war in the Ukraine. This potential credit line led to an adjustment of the Executive Board's original profit appropriation proposal as well as the annual and consolidated financial statements entailing

a supplementary audit by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

Ernst & Young GmbH has audited the annual financial statements of VNG AG as of 31 December 2021 as issued by the Executive Board and also the management report for the financial year 2021, including the bookkeeping and compliance with the accounting obligations in accordance with Section 6b (3) EnWG (German Energy Industry Act), and endorsed these with an unqualified approval. In addition, the consolidated financial statements prepared in accordance with IFRS as of 31 December 2021 and the Group management report was also reviewed. The auditor issued an unqualified audit opinion for these, too. The audit reports were presented to all members of the Supervisory Board. The Supervisory Board duly noted and approved the result of these audits.

The Supervisory Board reviewed the annual financial statements of VNG AG and the management report as well as the consolidated financial statements and the Group management report. After the final result of the Board's review thereof, no objections were raised. The auditor attended the balance sheet meeting of the Supervisory Board and reported to the Supervisory Board on the main results of his audit. The Supervisory Board approved the annual financial statements as of 31 December 2021 as issued by the Executive Board. The annual financial statements were thus formally adopted. In addition, the Supervisory Board endorsed the consolidated financial statements of VNG AG as of 31 December 2021 and the Group management report.

The Supervisory Board concurred with the Executive Board's proposal for the appropriation of retained earnings.

The report on relationships with affiliated companies of VNG AG to be drawn up by the Executive Board in accordance with Section 312 AktG (German Companies Act) has been presented. The auditor reviewed this report and issued the following unqualified audit opinion in accordance with Section 313 (3) AktG:

"According to our due examination and assessment, we confirm that

1. the factual information in the report is correct,
2. the payments by the company for the legal transactions listed in the report were not unreasonably high and
3. subsidiaries and sub-subsidiaries were not disadvantaged by the measures initiated by VNG."

Based on its review, the Supervisory Board endorses the auditor's assessment.

Following the final result of its review, the Supervisory Board raised no objections to the Management Board's statement at the end of the report on relationships with affiliated companies.

With regard to the composition of the Supervisory Board and its committees, there were no personnel changes in the committees in 2021.

The Supervisory Board expressed its gratitude and recognition for the Executive Board and all employees for their work in the financial year 2021.

Leipzig, 31 March 2022

The Supervisory Board



Thomas Kusterer
Chairman



NATURAL GAS: ELEMENTARY BUILDING BLOCK IN THE ENERGY SUPPLY

Natural gas is a mainstay in the energy mix and currently provides almost 27 per cent of the energy consumed in Germany. Almost every second household is heated with natural gas. 1.8 million commercial and industrial companies use the climate-friendly energy source, e.g. for the generation of process heat or industrial electricity.

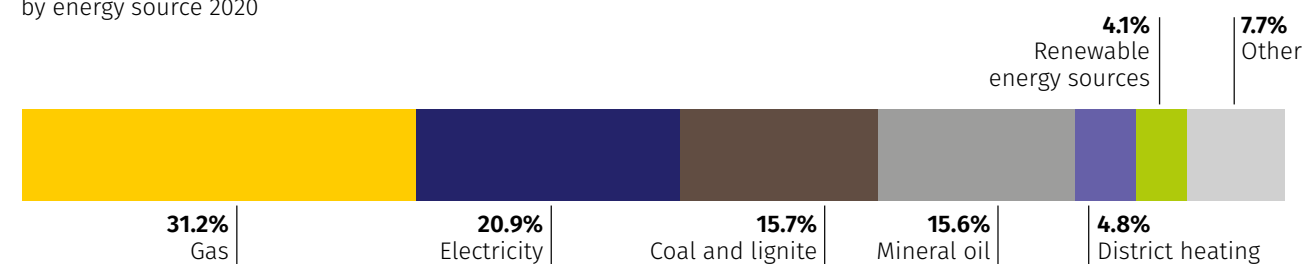


Along with renewable energy sources, natural gas has steadily gained in importance in recent years – also due to the requirements of climate protection. Natural gas is significantly lower in emissions than coal or oil and can immediately contribute to climate protection and considerable CO₂ savings as an energy source for heating energy in the heating market, in gas-fired power plants to generate electricity, and as a fuel in transport.

Natural gas is, in fact, the most important energy source and currently an indispensable part of numerous processes for the manufacturing industry in Germany. The glass and ceramics industries in particular are dependent on natural gas, as an energy source that can generate the temperatures of up to 1,500 °C and maintain temperatures at this level,

ENERGY USE IN INDUSTRY

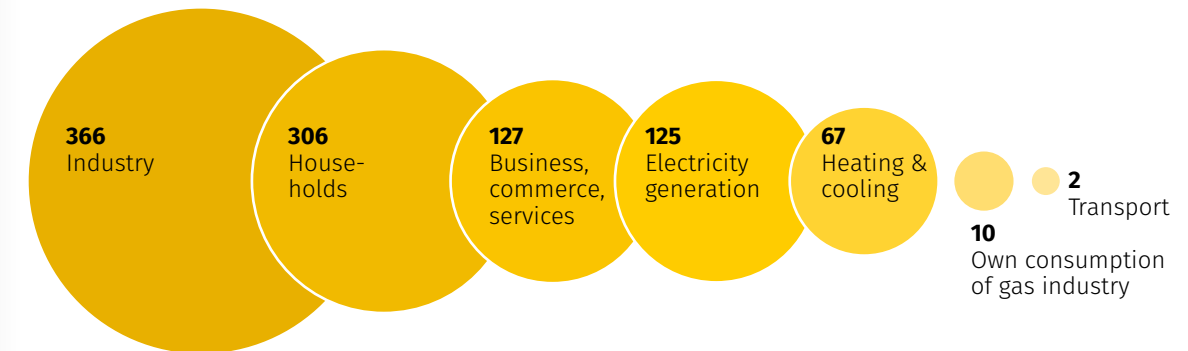
by energy source 2020



Source: German Federal Statistics Office, 2021

NATURAL GAS SALES BY CUSTOMER GROUP 2021

Total natural gas consumption: 1,003 billion kWh

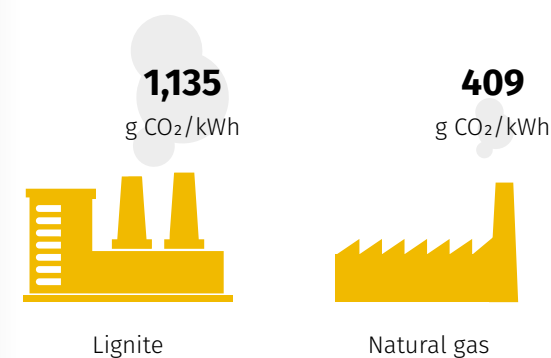


Source: BDEW (German Assoc. of Energy and Water Industries); forecast values for 2021; data in TWh

which is essential in many thermal processes. For the chemical industry, natural gas is the number one energy source and is used, among other things, in the production of fertilisers and in oil refineries – in 2021, 120 billion kilowatt hours of gas energy were consumed. Nor is there any substitute available at present in the steel industry for natural gas.

Natural gas also plays an important role in the electricity market: Modern gas-fired power plants emit up to 70 per cent less CO₂ than lignite-fired power plants. By switching from coal to gas, around 120 million tonnes of CO₂ emissions could be saved each year. Gas power stations are the perfect complements to volatile renewables and help secure the electricity supply. They are flexible and can compensate for the fluctuating generation of wind and sun energy.

CARBON FOOTPRINT OF ELECTRICITY GENERATION



The great importance of natural gas is also amplified by the well-developed infrastructure: Gas network and gas storage facilities are the backbone of the energy supply system and contribute to system stability in Germany and Europe.

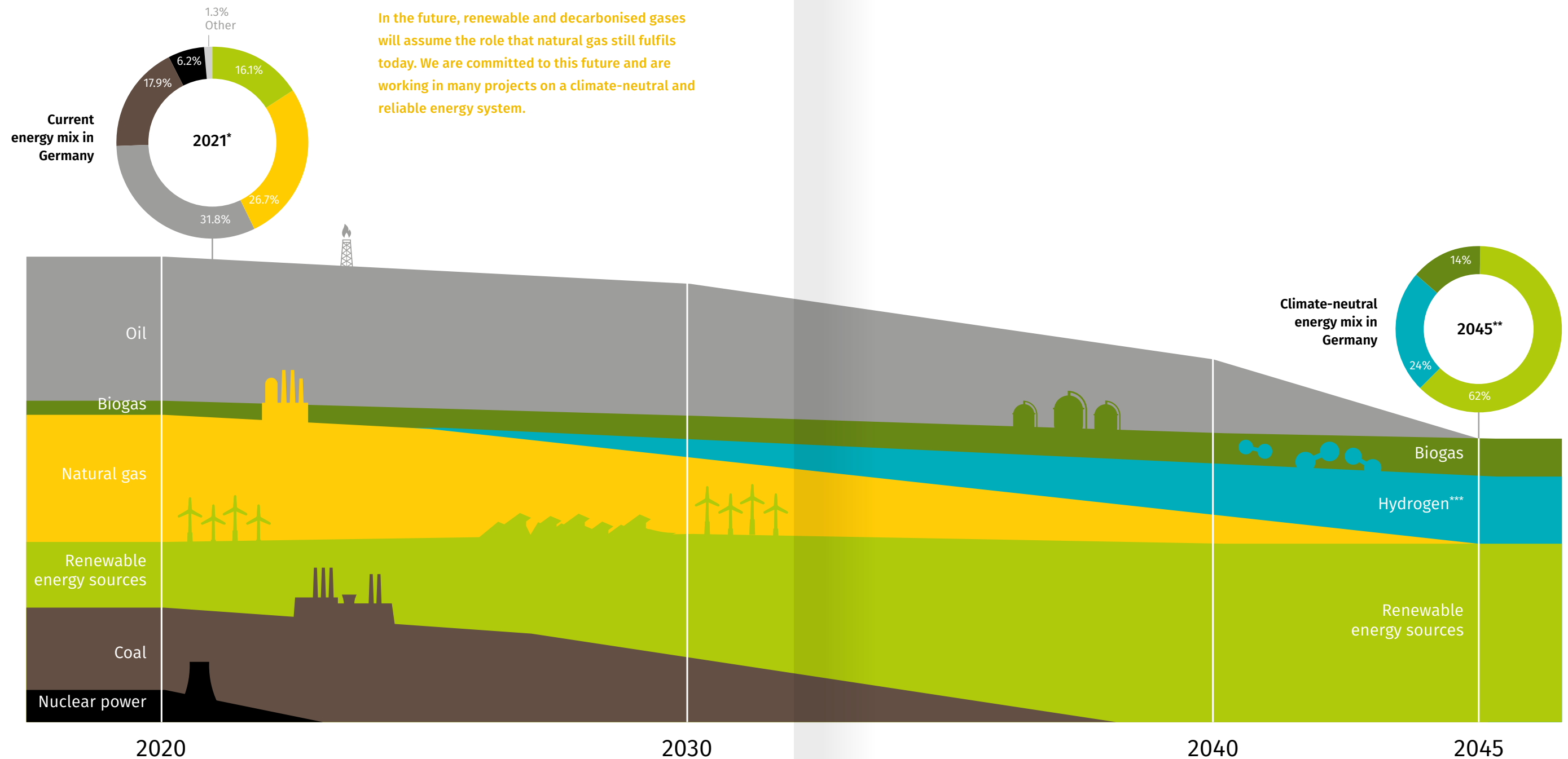
DECARBONISATION OF NATURAL GAS CONTINUES TO GAIN IN IMPORTANCE

As climate-friendly as natural gas is, for a climate-neutral lifestyle and production, the energy source must continue to develop, just like its infrastructure and applications. The transformation of the gas economy has already started. Hydrogen and biogas are set to replace today's natural gas and, together with renewable electricity, to provide climate-neutral power for households and industry. We are actively involved in this transformation that is essential to secure all our futures.

49.5%

Germany heats with natural gas: According to the BDEW, natural gas meets personal heating requirements in around half of all households in Germany. New gas heating systems are particularly efficient: These reduce energy consumption and CO₂ emissions. According to the Federal Association of the German Heating Industry ("BDH"), almost 1 million new heating systems were installed in 2021. Around 70 per cent of these are fired by natural gas.

THE FUTURE LIES WITH GREEN GASES



Germany is to become climate neutral: By 2045 at the latest, there are to be no more net CO₂ emissions in generation, transport and use of energy – and therefore in all areas of the economy and everyday life. This means that in all sectors of our economy, only renewable or decarbonised energies will be used.

At VNG, we are doing everything we can to develop solutions for a climate-neutral future with green gases. Fossil natural gas is gradually being replaced by biogas and hydrogen.

Green gases and the gas infrastructure will provide answers to many questions of the energy transition, for example how renewable energy can be stored

for extended periods and in sufficient quantities to reliably and securely supply households and businesses even in times when not enough renewable electricity is available. Biogas can be produced regionally, and hydrogen can be imported from many different countries to supplement domestic production. This will result in a diversification of energy sources and increased security of supply.

Together we want to further accelerate the transformation. VNG has been involved for some time in various projects for a future climate-neutral gas supply, especially since the “VNG 2030+” strategy was adopted, and is working with many partners on the green energy future. A selection of projects is briefly presented on the following pages.

This simplified schematic representation shows the forecast development of energy supply by energy source in Germany.

* Primary energy consumption 2021; Source: AG Energiebilanzen, as of: December 2021

** Climate-neutral energy mix from 2045; Source: own projections and estimates

*** This relates to green, blue and turquoise hydrogen.

ACHIEVING MORE TOGETHER: GREEN GAS PROJECTS

Natural gas and biogas today, hydrogen tomorrow: In the coming years, VNG aims to transform itself into a company that operates with green gases in all areas – from generation to transport and storage to trading.

Green gases are important factors in the climate-neutral energy supply of tomorrow's Germany and Europe. Along with our partners, we are continuously driving forward the transformation of the energy system.

Together we are making an important contribution to the success of the energy transition and thus actively shaping the energy world of tomorrow. First of all, this applies to the area of biogas. The renewable gas is already available regionally in large quantities and offers great potential for assuring a CO₂-neutral energy supply. As one of the largest biogas producers in Germany, we supply around 50,000 households with renewable electricity and more than 49,000 households with green gas.

In addition, hydrogen will play an essential role in the future climate-neutral energy system. We want to be H₂-ready in all business areas by 2025. This means: The technological applications and the business models for the generation, storage and transport of hydrogen must be developed to such an extent that they can be scaled up for market needs without further preparatory work. Our well-developed infrastructure will store and transport an increasing proportion of green gases through the increasing admixture of hydrogen. The "Bad Lauchstädt Energy Park" will be one of the first projects in which the entire hydrogen value-added chain becomes a concrete reality.

CURRENT PROJECTS (SELECTION)

BioVia
Construction and operation of a biomethane liquefaction plant for the production of bio-LNG.
www.balance-envitec-bio-lng.de/en

BioHydroGen
On-site production of green hydrogen from raw biogas using a specially modified steam reforming plant.

CapTransCO₂
Feasibility study for the development of climate-neutral industry in central Germany through a networked CO₂ transport infrastructure for CCU/CCS.

Bad Lauchstädt Energy Park
Production scale regulatory sandbox for intelligent production, storage, transport, marketing and use of green hydrogen.
www.energiepark-bad-lauchstaedt.de

HyTur (location undetermined)
Construction of a pilot plant for methane pyrolysis to produce turquoise hydrogen.

GRID PROJECTS

- A** doing hydrogen
- B** Green Octopus Central Germany
- C** LHyVE: Leipzig Hydrogen Value chain for Europe

**Biogas facilities of
BALANCE Erneuerbare Energien GmbH**
www.balance-vng.de

RENEWABLE GAS, PRODUCED LOCALLY

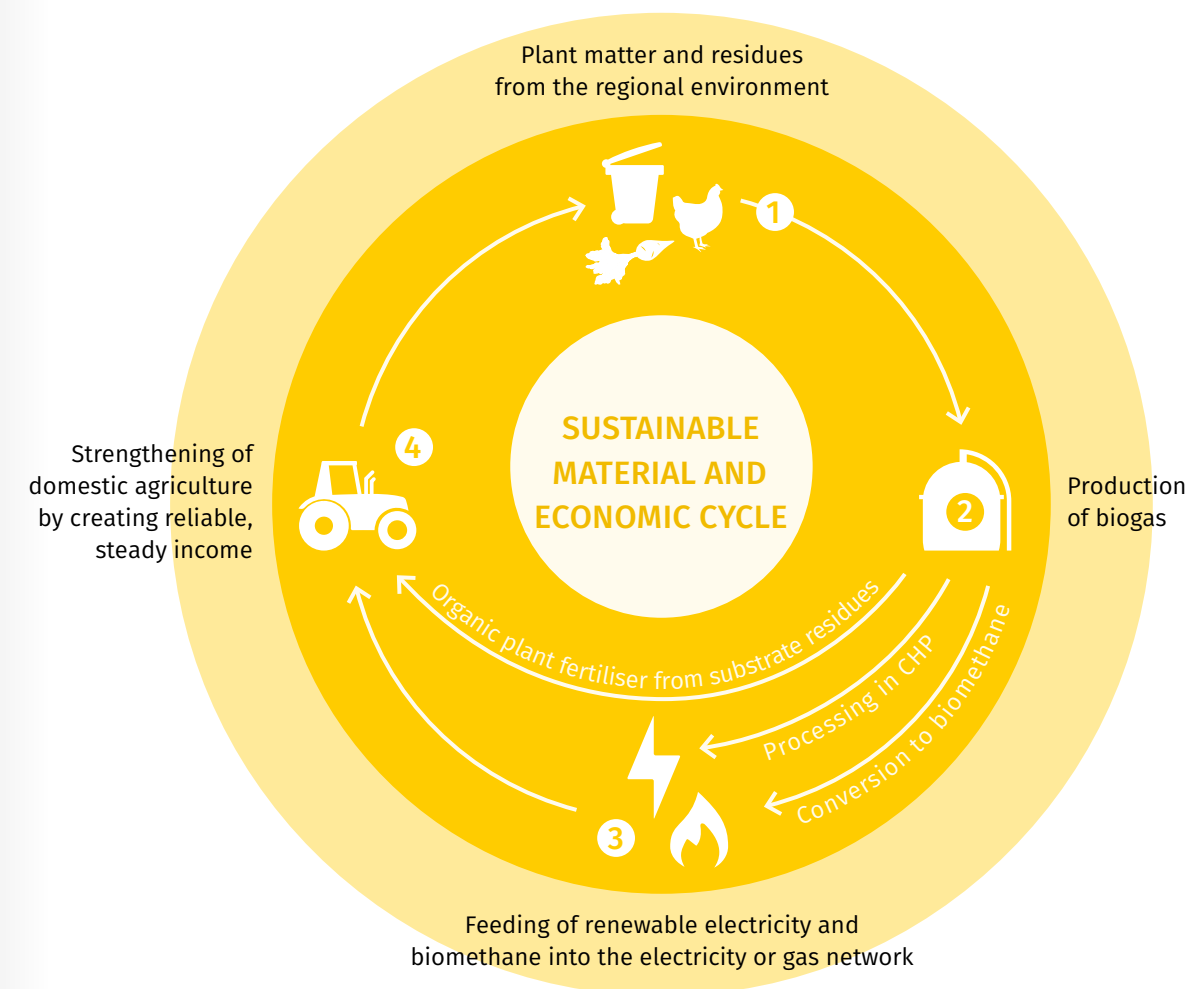
The VNG subsidiary **BALANCE Erneuerbare Energien GmbH** produces biogas and biomethane at 38 locations. Renewable gas is already making an important contribution to climate protection and security of supply.

Biogas and biomethane will play an increasingly important role in the decentralised supply of electricity and heat. The capacities of biogas production in Germany are far from exhausted. As part of VNG's green gas strategy, the subsidiary BALANCE has been developed to become one of the leading biogas plant operators in Germany. Since 2017, the company has nearly quintupled its asset portfolio and now provides 157 MW_{FTC} of renewable energy.

In 2021, BALANCE has once again expanded its facility portfolio. In parallel, existing facilities were optimised and partially expanded and prepared for future sustainability certification. This proves that the requirements for sustainability as well as

environmental and social standards are met for the production of the raw materials used.

Furthermore, the joint venture BALANCE EnviTec Bio-LNG GmbH laid the foundation for the liquefaction of biomethane. With bio-LNG, the joint venture will provide a renewable, low-emission fuel alternative for road goods transport under the auspices of the BioVia project. Depending on the composition, the biomethane from our own plants could provide negative greenhouse gas emissions in accordance with the Renewable Energy Directive RED II, as is already the case with biomethane produced from agricultural waste.



SUSTAINABLY PRODUCED

The generation of climate-neutral energy is continuous, i.e. independent of the time of day or season. Compared to energy from wind and sun, biogas is easily stored and can be used to generate a base load, promoting the development of regional material and economic cycles. Energy production happens behind the scenes: The plant's fermenters are fed with a substrate mixture consisting of plant materials such as green maize and whole-plant silage as well as residues such as dry chicken manure from the surrounding farms.

The resulting biogas is fed into adjacent combined heat and power plants: Electricity is generated from this biogas, and the resulting heat can be fed into district heating networks. Twelve systems from BALANCE also feed processed biomethane into the network of ONTRAS Gastransport GmbH.

The residues from the fermenters are also reused: The substrate inputs that are not converted into biogas – around 80 per cent – are later returned to the fields as fertiliser.

With the organic fertiliser SNÄGG, BALANCE makes an additional contribution to sustainability and biodiversity – a perfect example of the recycling based economy.

[More about SNÄGG](#)

Sustainable substrate management also includes a close exchange with the respective communities and local farmers. The production of biogas strengthens local economies in rural areas; the regional added value and the cooperation with the respective communities as well as the local farmers are important aspects for BALANCE. Biogas facilities offer farmers economic and ecological added value.

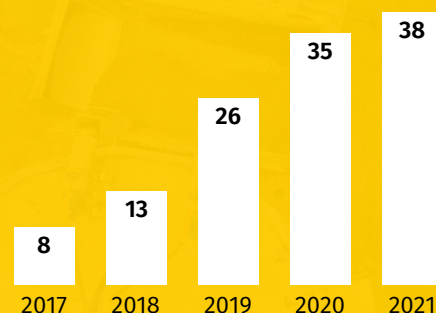
[More about BALANCE](#)

BALANCE IN FIGURES

2006 establishment

127 employees

38 biogas facilities in portfolio



157 megawatt rated thermal output

760 gigawatt hours of biomethane production

As of: 31.12.2021

TRANSPORT AND STORAGE IN THE FUTURE

Gaseous molecules as an energy carrier have two major advantages over electrons: They can be transported with the existing gas network infrastructure and stored in much larger quantities. The VNG Group is working on various projects to make grids and storage systems fit for the future.

THE NETWORK FOR GREEN GASES

A doing hydrogen

616 km hydrogen transport system forming connection between central Germany, Rostock, Berlin-Brandenburg and Eisenhüttenstadt.

[More about the eastern German hydrogen hub](#)

B Green Octopus Mitteldeutschland

Connects the eastern German hydrogen network and the Bad Lauchstädt underground gas storage facility with the Salzgitter steel region and the central German Chemical Triangle via a system of more than 300 km pipelines.

C LHyVE: Leipzig Hydrogen Value chain for Europe (part project of B)

Integration of the Halle-Leipzig region with a 100 km ring main pipeline into the European hydrogen economy.

[To the joint project](#)

The independent VNG subsidiary ONTRAS Gastransport GmbH operates the gas transmission network in eastern Germany. This network is approx. 7,700 kilometres long and still mainly supplies the connected consumers with natural gas, but in the future will also do this with green gases.

23 biogas facilities are already connected to the ONTRAS network. And the transport of hydrogen is nothing new for the company – green hydrogen has been flowing through the ONTRAS lines from two power-to-gas plants in eastern Germany since 2013. Three hydrogen infrastructure projects by ONTRAS –

doing hydrogen, Green Octopus Mitteldeutschland with LHyVE Transport and the conversion of a natural gas pipeline to hydrogen as part of the Bad Lauchstädt Energy Park regulatory sandbox funded by the Federal Ministry of Economics and Climate Protection – will create an initial H₂ network of more than 900 km of pipelines by 2030.

For Green Octopus Mitteldeutschland and doing hydrogen, the application for funding has already been submitted in connection with the hydrogen IPCEI scheme – “Important Projects of Common European Interest”.



The core of the initial H₂ network will be formed by existing pipelines that will be converted from natural gas to hydrogen. Before switching to hydrogen, each line must be tested for suitability and, if necessary, upgraded. Many of the ONTRAS lines are already H₂-ready.

More about ONTRAS

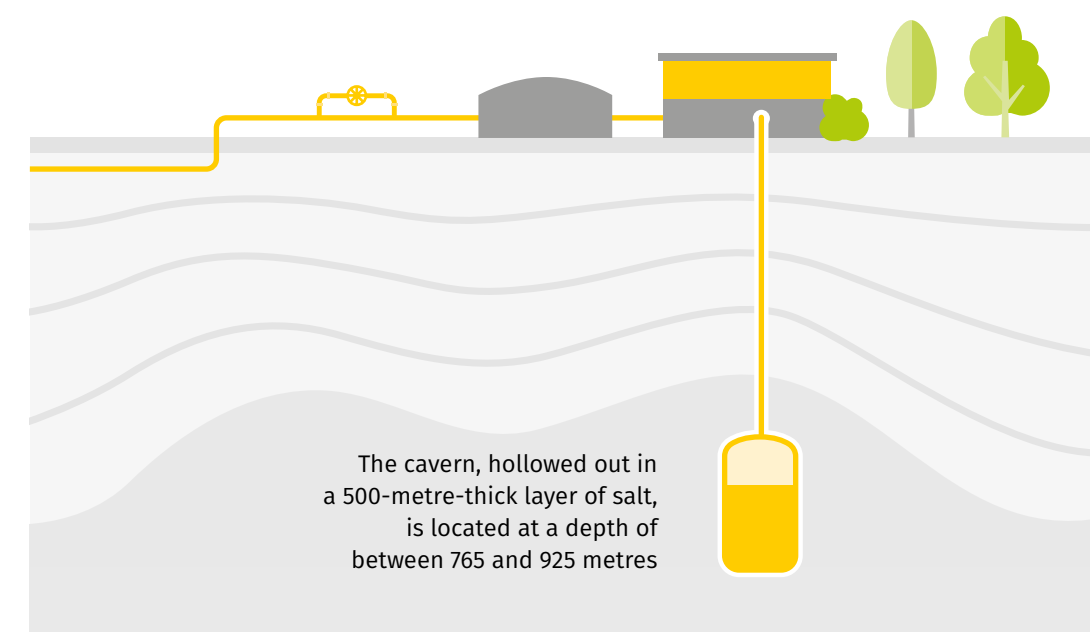
In gas pressure measuring and control units, the pressure of gas flows from the gas transmission network is brought up to the pressure required for local distribution networks. In the spring of 2022, ONTRAS commissioned the world's first climate-neutral system of this type in Nesselgrund near Potsdam. From here, 400,000 customers in the region are supplied with gas.

A robust gas infrastructure will be an essential part of any sustainable energy supply system in the future. In contrast to electricity, gas can be easily stored between seasons. This means that in the summer, when the general demand for gas decreases, the storage tanks can be filled. In winter, when demand is higher, the gas can then be withdrawn from the storage and delivered to end consumers.

More about VGS

Within the VNG Group, VNG Gasspeicher GmbH (VGS) is responsible for the operation and maintenance of four underground gas storage facilities. The Group markets 2.2 billion cubic metres of gas storage capacity in underground caverns and deposits in Germany.

STORAGE CAPACITY FOR ENERGY IN MOLECULAR FORM



The cavern, hollowed out in a 500-metre-thick layer of salt, is located at a depth of between 765 and 925 metres

In the future, these storage facilities will store hydrogen. Due to their natural structure, cavern storage facilities are extremely leak-proof, which is why they can also store hydrogen. However, pipes, control modules and fittings have to be adapted or renewed for this, both above and below ground.

VGS is actively involved in creating the hydrogen network “HYPOS East Germany” and is currently studying conversion requirements and the associated costs.

About the HYPOS Initiative

HYDROGEN: IDEAS BECOME BUSINESS CASES

With our diverse range of competences, we are able to establish ourselves broadly in the field of hydrogen and thus form part of the solution for transforming our energy supplies. All of VNG's business units are actively preparing for the hydrogen economy of the future – from investing in H₂ start-ups and participating in research projects and feasibility studies to generating business cases for hydrogen marketing.

TURQUOISE HYDROGEN FROM AND FOR EASTERN GERMANY

Turquoise hydrogen 101


SOURCE Carbon fuels such as natural gas

GENERATION Generation: methane dissociation (pyrolysis) at high temperatures produces hydrogen and solid carbon



37_{TWh}

According to a study by the Fraunhofer Institute, a potential hydrogen demand of 37 TWh is forecast for energy-intensive industries in eastern Germany. That corresponds to 37 billion kilowatt hours. It is unlikely that this demand can be covered solely by green hydrogen produced in eastern Germany. However, the production of decarbonised hydrogen could close the supply gap.

 **More about the H₂ Master Plan Eastern Germany**

With the HyTur project, VNG is investing in the production of decarbonised hydrogen. The coveted energy source should be available as early as 2023.

In 2021, VNG signed a cooperation agreement with Wintershall Dea for the construction of a pilot plant to produce turquoise hydrogen. The plant will be one of the first in Germany to produce hydrogen and solid carbon from natural gas using thermal methane pyrolysis. The plant is expected to produce up to 5 GWh by 2023.

The technology was developed by British start-up HiiROC, in which VNG and Wintershall Dea invested in 2021. The production costs will be lower than they are today with green hydrogen due to the particularly efficient process. The model can also be scaled up to any size.

Discussions are being held with potential buyers of the decarbonised hydrogen. Many manufacturing companies in eastern Germany have already expressed great interest in using hydrogen.



Six strong project partners

DBI – Gastechnologisches Institut gGmbH

ONTRAS Gastransport GmbH

Terrawatt Planungsgesellschaft mbH

Uniper Hydrogen GmbH

VNG AG (project coordination)

VNG Gasspeicher GmbH

“BAD LAUCHSTÄDT ENERGY PARK” REGULATORY SANDBOX

Green hydrogen 101

SOURCE Renewable/regenerative sources such as green electricity and biogas

GENERATION Hydrogen and oxygen are produced by electrolysis or steam reforming



The “Bad Lauchstädt Energy Park” will be one of the first projects in which the entire value chain of tomorrow’s hydrogen economy will become reality: Green hydrogen is generated here, stored in a salt cavern and then fed into the distribution network.



Cornelia Müller-Pagel,
Head of Green Gases
at VNG and Project
Manager “Bad
Lauchstädt
Energy Park”

“We are demonstrating the intelligent and economically efficient integration of hydrogen into the energy supply system. We want to generate around 27 million cubic metres of hydrogen per year. The entire value added chain of the future decentralised green hydrogen economy will become reality: from the wind power-based generation of green hydrogen using large-scale electrolysis to storage and transport to industrial use in the nearby Leuna Chemical Park and in mobility.

The connection and commissioning of the 30 MW electrolysis plant is planned for 2024. From the point of hydrogen production, research operations for hydrogen transport and later storage will follow. From 2030, the system should be self-supporting. The recognition as a “Regulatory Sandbox for the Energy Transition” by the Federal Ministry for Economic Affairs and Energy (BMWi) and the funding notification including handover on 9 September 2021 not only confirmed us in what we had achieved so far, but also gave us all an additional boost in motivation.”

 **Find out more about the project**

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GROUP MANAGEMENT REPORT

of VNG AG, Leipzig,
for the financial year 2021

A. VNG AT A GLANCE

1. BUSINESS MODEL AND STRATEGIC DIRECTION OF VNG

VNG is a group of companies active in the European energy industry with a broad, future-oriented portfolio of products and services in gas and infrastructure, and many years of experience in the energy market. The “VNG 2030+” strategy describes the Group’s goals up to the year 2030 and beyond, and these were consistently pursued in the 2021 reporting year. The strategy’s aim is to focus on a decarbonised, digital and gas-based future on the basis of the Group’s own strengths and capabilities relating to gas as a fuel.

In the established business areas of Trading & Sales, Transport and Storage, the goal is still to consistently advance the existing, profitable business. As part of the ongoing transformation of the energy markets, VNG’s strategic direction also focuses on the development of the decarbonised business. As an environmentally friendly fuel with good prospects for the future, hydrogen in its various forms is integral to the Group’s “VNG 2030+” strategy. As part of this, VNG is seeking to focus on the Transport, Storage, Trading & Sales business areas throughout the entire

hydrogen value added chain. In order to gain rapid entry into the hydrogen market, VNG is pushing to ensure the implementation of preparatory measures within the relevant business areas and the execution of initial pilot projects as part of its “H₂-readiness by 2025” agenda. In addition to the digital infrastructure, the Group is also planning further, substantial growth in the Biogas business area. VNG is focusing on the following business areas and segments:

Transport: ONTRAS Gastransport GmbH (ONTRAS) operates a long-distance transmission network in eastern Germany with a total length of around 7,700 kilometres, and is responsible for reliably and efficiently transporting energy in the form of gas – today and in the future. This means that the infrastructure forms an integral part of both Germany’s and Europe’s gas transmission network. ONTRAS has expanded its gas infrastructure further still by investing in the European Gas Pipeline Link (EUGAL). In addition to the transportation business, ONTRAS and its subsidiaries also operate telecommunications and refuelling infrastructure for alternative fuels, and provide a wide range of network-related and gas-related services in the non-regulated sector. Out of all of the German transmission network operators, ONTRAS still transports the largest volume of climate-neutral gases on account of the 23 biogas feed-in facilities situated within its network territory, as well as the feeding in of hydrogen and synthetic methane via two “power-to-gas” facilities.

Storage: As Germany’s third-largest storage provider, VNG Gasspeicher GmbH (VGS) operates storage facilities in central and northern Germany, and markets around 2.2 billion m³ of process gas throughout Europe. VGS also functions as a technical plant manager for third-party storage facilities, and provides engineering services in the fields of plant engineering and measurement technology. Furthermore, VGS holds an investment in Erdgasspeicher Peissen GmbH (EPG), which operates and is expanding the “Katharina” underground

storage facility in Bernburg, Saxony-Anhalt. VGS is also working with ONTRAS and other partners on the “Bad Lauchstädt Energy Park” regulatory sandbox – a project to test green hydrogen along the entire value added chain of generation, transportation, storage, marketing and usage.

Trading & Sales: Both in its domestic German market and in Poland, Italy, Austria and the Czech Republic, VNG Handel & Vertrieb GmbH (VNG H&V) and its foreign equity investments supplied natural gas to distributors and trading companies in addition to public utilities companies, industrial customers and power plants. VNG H&V also offers its customers services such as balancing grid and portfolio management. VNG H&V is working hard to build up and expand a portfolio of renewable, decarbonised gases, while also supporting customers with their own decarbonisation efforts. In the past financial year, in addition to the commencement of biomethane sales activities, a road map was developed that fleshes out the “VNG 2030+” strategy for the Trading & Sales business area and outlines the path toward commencing the sale of hydrogen and other green gases. As a founding member of the H₂Global Foundation, VNG H&V will also play an active role in getting the German hydrogen market up and running. With its services, VNG H&V makes a significant contribution to the security of supply, which has been ensured at all times even given the extraordinary pricing situation on Europe’s gas trading markets.

Biogas: VNG bundles its activities relating to biogas as a fuel via BALANCE Erneuerbare Energien GmbH (BALANCE) and its subsidiaries. For VNG, biogas is an important element of the decentralised energy system of the future, and provides a way to increase the share of green gases in the gas network in the long term. Therefore, the Biogas business area is one of the central growth areas as part of the “VNG 2030+” strategy. In the financial year 2021, three facilities were added to the existing portfolio as a result of acquisitions in Thuringia and Mecklenburg-Western

Pomerania, and the completion of a facility in Saxony. As at 31 December 2021, BALANCE operates 38 biogas facilities in eastern and northern Germany, with an installed firing thermal capacity of around 157 MW. In 2021, in order to exploit the significant potential offered by biomethane in the mobility sector, BALANCE entered into a strategic partnership with EnviTec Biogas AG, one of Germany’s biggest developers and operators of biogas facilities, with the aim of combining activities relating to the liquefaction of biomethane to produce bio-LNG¹.

Green gases: The green gases division is devoted to supporting the market ramp-up and the political discussion, coordinating the Group’s activities, and developing and implementing operating projects throughout the value added areas of generating, transporting, storing and marketing with regard to renewable and decarbonised gases. The focus in this respect is on hydrogen and its derivative products, in addition to biogas, biomethane, and CO₂ as a resource. In 2021, the green gases project portfolio was expanded in accordance with the road map and the vision for green gases. The vision for green gases was also adjusted in response to current developments, and fleshed out with respect to the subjects of hydrogen storage, importing hydrogen and the regulatory framework.

Digital infrastructure: VNG’s core expertise in the reliable operation of critical infrastructure can also be applied to the transportation and storage of data. VNG invests in the expansion and operation of digital infrastructure through various different investments and subsidiaries. GasLINE Telekommunikations-netzgesellschaft deutscher Gasversorgungsunternehmen mbH & Co. KG, for example, is expanding its network of approximately 14,000 kilometres of optic fibres. GDMcom GmbH (GDMcom) offers services in the fields of documentation, telecommunications and software. IBZ Bau GmbH, IBZ Neubauer Verwaltungs-GmbH and IBZ Neubauer GmbH & Co. KG, which specialise in the expansion of fibre optic networks,

¹ Liquefied Natural Gas

were also acquired in the financial year. Together with Schneider GmbH, they add network planning, construction and maintenance/troubleshooting for fibre optic infrastructure to the fibre optic services offered by GDMcom. GEOMAGIC GmbH focuses on modern IT solutions and energy consulting services. caplog-x GmbH specialises in IT services, cloud services, and application and data management for the energy sector, as well as data processing centres for critical infrastructure.

Innovation: VNG Innovation GmbH (VNG Innovation) is currently investing as a strategic partner in five early-stage start-ups that focus on the energy sector with their own compelling ideas and improvements. VNG Innovation is supporting them with financial resources, as well as with the necessary infrastructure and its internal know-how. In this way, it offers a platform for innovative ideas and value creation at VNG. A partnership has been entered into in this context with SpinLab – The HHL Accelerator in Leipzig. VNG Innovation is one of two anchor investors in SpinLab's "Smart Infrastructure Ventures" venture capital fund, which focuses on supporting start-ups during their seed phase.

2. FINANCIAL PERFORMANCE INDICATORS AND TARGETS

VNG's strategic direction is based on economic performance indicators, and matches its financial strategy. This strategy is aimed at profitable business activity, creates transparent financial guidelines, and assesses the viability of the strategic direction. The existing syndicated loan agreement with a volume of €700 million, supplemented by promissory note and shareholder loans, provides the main capital base for the diversified financial portfolio, and gives the Group a solid financial foundation. New promissory note loans with a total volume of €200 million were issued in the past financial year.

VNG's financial strategy is based on the following core goals: generating positive cash flows, a suitable, risk-adjusted return, and avoiding risks to the Group's ability to continue as a going concern. The Group is mainly managed on the basis of adjusted EBIT. Non-recurring effects on earnings that cannot be planned for are not taken into consideration. Other financial targets relate to the cash flow indicator "funds from operations" (FFO), as well as the levels of net debt, the equity ratio and net investment. The focus is placed on performance indicators and information relating to the whole Group when it comes to steering the operation, monitoring forecast quality and reporting to executive management, the Supervisory Board and shareholders. These figures are arrived at in accordance with International Financial Reporting Standards (IFRS).

3. RESEARCH AND DEVELOPMENT

The relevance of green gases for the energy revolution became particularly clear during the past year, especially in light of the more ambitious climate targets. The focus of research and development activities is still on hydrogen as a key fuel for the energy revolution. VNG is conducting research and development projects throughout the entire value added chain for decarbonised gases. The green gases R&D project portfolio was expanded further during the reporting period.

Another important milestone for the **"Bad Lauchstädt Energy Park"** project was reached. Implementation of the project was successfully started following approval as part of the "regulatory sandbox for the energy transition" stimulus programme. "Bad Lauchstädt Energy Park" implements the entire value added chain for green hydrogen, from generation and storage to transportation and marketing, on an industrial scale. In addition to VNG AG, ONTRAS, VGS and other industrial and research partners are involved.

VNG also got involved in the German Federal Ministry of Education and Research's **TransHyDE** hydrogen transportation project as an active syndicate partner. The project is being supported as part of the "Hydrogen Republic Germany" competition of ideas. The aim is to conduct research into and demonstrate possible ways of transporting hydrogen. VNG is a project partner in the system analysis sub-project.

VNG is also pushing ahead with the **HyTur** project relating to the production of turquoise hydrogen. In partnership with Wintershall Dea AG, the aim is to set up a demonstration facility for the production of turquoise hydrogen. The pilot facility will use the pyrolysis technology of HiiROC LIMITED, which VNG has acquired shares in.

In the **BioHydroGen** biogas steam reforming project, VNG is working with other project partners to produce hydrogen for local use in the transportation sector in particular on the basis of raw biogas. The project is being supported as part of the "Hydrogen Technology Initiative" programme, and was launched in December 2021.

In addition to projects focusing on hydrogen, VNG is also involved in a project aimed at building up a CO₂ transportation infrastructure. Together with industrial and research partners, the **CapTransCO₂** project is dedicated to investigating the feasibility of a climate-neutral industrial sector in central Germany by building up a networked CO₂ transportation infrastructure for carbon capture and utilisation (CCU) and/or carbon capture and storage (CCS). Within the project, VNG is looking into the technical and legal feasibility of a CO₂ transportation infrastructure, including interim storage. The project was launched in the course of the reporting period, and is being supported as part of the 7th Energy Research Programme.

VNG also remained an active member of the **HYPOS** (Hydrogen Power Storage & Solutions East Germany e.V.)

network, which promotes the establishment of a green hydrogen economy in central Germany.

In addition to the ongoing projects described, VNG has also (jointly) commissioned and worked on a number of **studies** in order to increase knowledge in selected fields. One area of focus was on analysing regional potential for hydrogen production and demand. As part of the **"Hydrogen Master Plan for Eastern Germany"** study commissioned by VNG, the Fraunhofer Research Institution for Energy Infrastructures and Geothermal Systems (IEG) worked with other Fraunhofer institutions to analyse the potential value added and demand for hydrogen in Germany's eastern federal states. The H₂ Master Plan contains concrete proposals for successfully getting the hydrogen market up and running. The **"Central German Hydrogen Network"** study, which INFRACON Infrastruktur Service GmbH & Co. KG, a subsidiary of ONTRAS, was involved in, looked at sources, sinks and potential line routes for hydrogen pipelines in central Germany. **The H₂Sall II** study, which was led by the Fraunhofer IEG with the involvement of VNG and ONTRAS, analysed the possibilities for production and potential hydrogen customers near a potential new pipeline between Salzgitter and Halderleben.

Other studies were carried out to investigate technologies. VNG was, for example, part of an international consortium that commissioned a study on the subject of **methane pyrolysis**. The aim of the investigations was to identify the differences between the various different pyrolysis technologies, which included determining the CO₂ emissions generated in each case. Another topic related to the incorporation of pyrolysis facilities into gas distribution networks, and the necessary facility procedures.

B. REPORT ON ECONOMIC POSITION

1. CONDITIONS ON THE MARKET

Macroeconomic developments: As in the prior year, global economic growth was heavily influenced by the course of the coronavirus pandemic. The global economy recovered in the first quarter of the year thanks to economic and monetary support. The recovery was also fuelled by growth in countries that were able to relax measures designed to contain the number of new infections.

A lockdown was imposed in Germany at the start of the year as a result of the coronavirus pandemic, with a direct, negative impact on the real economy. The hoped-for recovery of the German economy failed to materialise on account of the third wave of the coronavirus pandemic and the associated protective measures introduced in the second quarter. Gross domestic product grew again in the third quarter as a result of the relaxation of measures in spring 2021. However, due to the slow progress of Germany's vaccination programme compared to other countries, the initial recovery of the German economy towards the end of the year was once again set back by the fourth wave of coronavirus. Nevertheless, according to calculations by the German Federal Statistical Office, gross domestic product increased by a total of 2.7 per cent year on year in 2021. The projected continuation of the economic recovery in 2022 depends on the development of infection rates and the associated restrictions in Germany and in particular geopolitical events in eastern Europe.

Germany's inflation rate rose by 3.1 per cent in 2021 on account of the high monthly inflation rates seen in the second half of the year. This increase in the second half of the year was a consequence of

low prices in the prior year due to the temporary reduction of VAT in the second half of 2020 and falling prices for petroleum products. Effects relating to the crisis, such as supply shortages and in some cases significant price increases on upstream links in the value added chain, were also observed in 2021, and caused inflation rates to climb even higher. Rates of inflation were also boosted in 2021 by prices for energy products, which rose 10.4 per cent in the space of a year. This was due to surging prices for crude oil on the global market as a result of increased demand relating to the coronavirus pandemic, as well as the CO₂ tax introduced in Germany at the start of the year. An inflation rate of at least 3.3 per cent is forecast for 2022 on account of rising costs as a result of existing supply bottlenecks and the delayed adjustment to increased prices for raw materials and energy.

Trend for energy consumption: In 2021, primary energy consumption in Germany rose 2.6 per cent year on year. According to the Working Group on Energy Balances (Arbeitsgemeinschaft Energiebilanzen e.V.), this increase in consumption can, above all, be attributed to the recovery in economic activity as well as increased consumption as a result of the colder weather in comparison to the prior year. The negative factors affecting consumption were the significant increase in energy prices and higher prices for CO₂ emissions certificates. The proportions of the various different energy sources in the national energy mix have shifted towards coal and natural gas. Consumption of hard coal and lignite rose 17.9 per cent and 18.0 per cent respectively year on year, to a total share of the energy mix of 17.9 per cent. The contribution of renewable energy sources to primary energy consumption, on the other hand, fell only marginally (0.2 percent). Despite an increase in primary energy consumption, the share of total energy consumption that was from renewable sources fell to 16.1 per cent.

Position of natural gas in the energy market:

Natural gas consumption increased by 3.9 per cent in comparison to 2020. In the first five months of the

year, this trend was boosted by the much colder and for the most part less windy weather, resulting in the increased use of natural gas to generate both heat and electricity. In the second half of the year, the high price of natural gas resulted in the increased use of other energy sources to generate electricity and heat.

Price trends: VNG's business activities are influenced by a variety of market-related factors such as changes in the prices for raw materials, exchange rates and interest rates. These can influence both the performance of business and the valuation of key assets. The fill levels of Europe's gas storage facilities were low at the start of the second quarter of 2021 as a result of the cold weather and significantly reduced imports of LNG. The lower gas feed-in volumes than in the prior year, the recovery of the economy following the lifting of the lockdown, and reduced LNG imports to Europe caused gas prices to surge. From April onwards, spot prices on the gas market continued to rise, reaching an absolute peak of €182.8/MWh at the end of the year. Significantly reduced supplies of gas to Europe from Russia also contributed. (Day-ahead) gas prices on the Dutch trading point TTF² averaged €46.9/MWh in 2021, which was much higher than the figure of €9.4/MWh recorded in the prior year. The average Brent price for 2021 of USD 70.9/barrel was significantly higher the average of USD 43.2/barrel for 2020.

The seasonal summer-winter spread (SWS), which is important for the management and evaluation of storage capacities, exhibited a uniform trend over the course of the year. While the spread was still averaging €2.2/MWh at the end of March in the prior storage year of 2020/2021, it fell continuously in the subsequent storage year, and turned negative at the start of the fourth quarter (€-1.4/MWh). It saw a modest recovery at the end of the financial year, increasing to €0.9/MWh. Interest rates remained very low. Overall, the euro gained value in relation to the US dollar in 2021, and ended the year at USD 1.13 after trading at a high of USD 1.22. The average exchange rate for 2021 was USD 1.18/€ (prior year: USD 1.14/€).

² Title Transfer Facility, a Dutch virtual gas trading point.

2. ENERGY POLICY

EU implements Green Deal: In the 2021 reporting year, European politics was shaped by the implementation of the European Green Deal and the creation of legal requirements relating to the target of reducing CO₂ emissions by 55 per cent (compared to 1990) by the year 2030. In July 2021, the European Commission published a package of new or amended directives and regulations called "Fit for 55", which includes important regulations relating to European emissions trading, the Energy Efficiency Directive, the Effort Sharing Regulation and lots more. In addition, a second package of "Fit for 55" regulations was presented on 15 December 2021. This includes the "gas package" containing changes to the internal gas market directive and regulation, particularly with respect to climate-neutral gases and the legal framework for hydrogen. It also defines the EU's methane strategy. The proposed regulations will be discussed by the European Parliament and Council in the months ahead, and ratified as part of the EU's trialogue procedure. They will then be implemented into national law. More efforts were undertaken to promote the taxonomy for the classification of economic activities based on their contribution towards protecting the climate, which was initially presented in 2020. In early February 2022, the European Commission presented the final proposal for the taxonomy Complementary Climate Delegated Act, which classifies natural gas and nuclear power as sustainable for a transition period under certain conditions. For natural gas this relates to non-combined gas power plants and combined heat and power generation facilities. This therefore takes the transformation of natural gas into climate-neutral gases into account.

At an international level, the climate conference in Glasgow should also be highlighted. The governments in attendance confirmed the 1.5-degree target formulated in Paris, and agreed to phase down coal power generation. A total of 103 countries, including Germany, also launched the Global Methane Pledge,

and committed to reducing methane emissions by 30 per cent in the period from 2020 to 2030.

National climate targets revised: In addition to managing the economic consequences of the pandemic, energy and climate policy played a significant role at all political levels in Germany. In connection with the revised climate targets and the legislation being proposed in this regard, the focus was on reducing emissions in all sectors. The ratification of the amendment of the Federal Climate Change Act [Bundes-Klimaschutzgesetz, KSG] in June had a particularly strong impact at the national level. The amendment was a response to the ruling of the German Federal Constitutional Court that classified parts of the original law as being in violation of the constitution. The amendment defines new national reduction targets, and sets out in more detail how they are to be achieved. Emissions must now be reduced by 65 per cent by 2030 and 88 per cent by 2040 (in relation to 1990 in each case). Net zero is to be achieved by 2045. The emissions budgets for the various sectors were also reduced, with the most significant reduction being applied to the energy sector.

Focus on hydrogen: On the whole, the issue of hydrogen was a subject of political discussion throughout the year. In May, the federal government promised funds amounting to €8 billion for 62 large-scale hydrogen projects as part of the “Important Projects of Common European Interest (IPCEI)”. Another milestone was the amendment of the German Energy Industry Act [Energiewirtschaftsgesetz, EnWG], which came into force at the end of July. This amendment laid a legal regulatory foundation for a hydrogen infrastructure. The German Ordinance on Costs and Fees for Access to Hydrogen Networks [Verordnung über die Kosten und Entgelte für den Zugang zu Wasserstoffnetzen, Wasserstoff NEV] also established a basis for calculating fees for access to hydrogen networks.

New national government sets ambitious targets:

The most significant development for the progress of the German energy revolution, however, was the general election held on 26 September 2021. In the new legislative period, the direction of energy and climate policy will be determined by the SPD, Bündnis 90/Die Grünen (Alliance 90/The Greens) and the FDP. The coalition agreement on which the new government is based sets out some very ambitious measures. Among other things, the focus is on the faster expansion of renewable energy, building up a hydrogen infrastructure, the accelerated ramp-up of climate-neutral hydrogen, and the ongoing development of existing energy partnerships. One important sign for the security of supply is the fact that natural gas is considered indispensable for the transition to climate neutrality in the coalition agreement. According to the coalition agreement, gas power plants, which will also run on hydrogen in the future, are crucial to the security of supply. By announcing the development of a national biomass strategy, the coalition agreement also sends out positive signals for the role of biogas and biomethane in the energy mix of the future. Energy and climate policy measures, including an emergency climate protection programme and the continuation of the hydrogen strategy, are to be implemented as quickly as possible in 2022 in the form of Easter and summer Packages. In view of the particular relevance for the security of gas supply, the German Federal Government is currently working on a package of measures. This includes a law on a national gas reserve with minimum fill level requirements, which should enter into force as early as May 2022.

C. HUMAN RESOURCES AND ORGANISATION

1. CHANGES IN HEADCOUNT

The VNG Group had a total of 1,462 employees as at 31 December 2021. This is an increase of 157 in relation to 2020, mainly as a result of the first-time inclusion of GDMcom GmbH in the consolidated financial statements.

2. NON-FINANCIAL PERFORMANCE INDICATORS

Employees: Employee satisfaction is a crucial foundation for the Group’s economic success. This is promoted and regularly assessed by means of measures aimed at improving employee commitment, work environment, working hours, the system of compensation, health and safety, and work/life balance. Regular surveys of employee commitment and motivation are conducted as a tool to measure employee identification with the Company. A response rate of 69 per cent across all of the surveyed VNG group companies reflects a constant, high level of acceptance for the employee survey as a feedback tool. In the EnMAB employee survey conducted in partnership with EnBW AG, which determines the People Engagement Index (PEI), VNG achieved a PEI of 81 in 2021. This puts VNG above the average of 74 for the sector. The results can be used to develop corresponding measures in order to maintain the Group’s strong appeal as an employer in the long term. Particular attention is also given to maintaining an HR policy that considers family life and different phases of life in order to fulfil the Group’s corporate

and social responsibility in full. Last but not least, healthcare is an important addition in order to create an appealing work environment.

The health and safety of employees are crucial to a company’s success and employee commitment. With 2.0, the LTIF (Lost Time Injury Frequency) for 2021 was up slightly on the prior year (prior year: 1.0). This shows that ongoing and intensive work is still required in order to maintain a high level of workplace safety. The goal is to improve on this figure in 2022. Irrespective of the coronavirus pandemic, a wide range of activities aimed at maintaining and further improving standards with respect to workplace safety were carried out within the VNG Group in the reporting year. A risk assessment of the psychosocial stress situation at the workplace was launched at some group companies in 2021, and will be continued in 2022.

The coronavirus pandemic remained a significant influential factor in 2021. One priority for occupational health and safety activities during the reporting year was therefore on optimising and adapting corresponding measures to protect employees against a coronavirus infection. In this context, taking the legal requirements into consideration, the established concepts involving hygiene and distancing rules, restrictions/controls on third-party access to VNG’s business premises and rules for business travel were maintained and adapted in response to the changing situation. These concepts were complemented by corresponding offers for testing and vaccination for employees. As was already the case in 2020, extensive regulations pertaining to remote working were kept in place in 2021 in order to effectively reduce contact between employees. In order to make sure that facilities kept running and ensure security of supply, additional organisational protective measures were introduced for employees working in those areas. The concepts once again proved effective in 2021. Infections of individual employees did not lead to any chains of infections within the companies.

Responsibility towards society Social engagement in the interest of an active and engaged civil society has long been a part of VNG's corporate identity. This engagement is above all focused on the regions in which VNG and its subsidiaries operate, as well as the core areas of social welfare, regional grass-roots sport, education and art/culture, and targets the public at large in the municipalities of eastern and central Germany in particular. The "Verbundnetz der Wärme" initiative plays a leading role in VNG's social engagement.

"Verbundnetz der Wärme" is dedicated to promoting volunteering in eastern Germany, and raising the profile of the voluntary sector within society and in the field of politics. "Verbundnetz der Wärme", which was founded as an initiative of VNG AG and is now run by the VNG Foundation, has been supporting voluntary work for 20 years.

One of the areas in which VNG concentrated its social engagement activities in 2021 was also on providing relief for those affected by the floods in June. The VNG Foundation also once again supported selected initiatives, projects and associations in the fields of social welfare, sports, art and culture in 2021.

In the field of education and research, VNG has been working for many years with universities and colleges in the region to offer practical lectures, part-time courses of study and financial support for student excursions. The VNG Foundation also once again sponsored young students at Leipzig University and Leipzig University of Applied Sciences with a "Deutschlandstipendium" scholarship.

Customers: As an energy company with a long-distance grid and storage, VNG is responsible for ensuring that its customers are supplied with gas. As part of its investment and maintenance measures, VNG expands its networks as required and maintains them through its Transport business area. VGS ensures the same for the Storage business area.

Against the backdrop of the coronavirus pandemic, ONTRAS and VGS have carried out risk evaluations in accordance with statutory requirements, which they used as a basis for developing measures and specifications for maintaining the operating business. The networks and storage facilities were 100 per cent ready for operation at all times. All measures were and are regularly adapted to changing conditions. Key business processes were safeguarded in the course of financial year 2021 and during the lockdown using flexible working from home solutions and a modern IT architecture.

Since customers increasingly value sustainability in their suppliers, in May 2021, VNG H&V underwent an extensive evaluation process on the EcoVadis sustainability platform. Once again, VNG H&V achieved bronze status, putting it among the top 50 of the companies that had been evaluated up to that point.

Environmental issues: As part of the Group's "VNG 2030+" strategy, VNG has set itself the target of contributing to the success of the energy transition and its climate policy objective with the climate-friendly fuel of gas. In addition to the ongoing expansion of the biogas portfolio in the past financial year, various different projects were supported in this context in the field of green gases, such as projects on hydrogen and synthetic gases. The focus of ONTRAS' sustainability programme in 2021 was once again on action in the fields of climate and energy, and in particular on reducing CO₂ emissions, and therefore activities aimed at achieving a gas supply that is entirely climate-neutral by the year 2045. By signing a memorandum of understanding for the voluntary Oil & Gas Methane Partnership 2.0 initiative, ONTRAS, VGS and BALANCE have undertaken to measure their methane emissions much more accurately and extensively than before, and to measurably reduce them.

During the reporting year, VNG was also involved in organising a convention of the Russian-German Commodity Forum entitled "Hydrogen in metallurgy",

where the focus was on the establishment of a hydrogen economy between Russian and German actors, as well as the climate-friendly transformation of energy systems. In the financial year 2021, VNG also maintained a 140-strong fleet of vehicles with alternative propulsion systems.

A new, holistic sustainability management process was implemented at VNG during the past financial year. The process centres around the continuous (ongoing) development of the Group-wide sustainability strategy by means of the definition of targets, the development of suitable measures and the establishment of a standardised system of performance indicators.

D. PERFORMANCE OF VNG'S BUSINESS AREAS

1. TRANSPORT

Economic development: In the past financial year 2021, ONTRAS and its subsidiaries were able to make a significant contribution in the low hundreds of millions of euros to adjusted EBIT, and were at a similar level as in the prior year. Compared to the prior year, increased transportation income from the commissioning of the second section of the EUGAL pipeline led to rising revenue. As an independent transmission network operator, ONTRAS has been subject to incentive regulations since 2010. The current, third regulation period (2018 to 2022) has been characterised by a large number of regulatory developments. Particular mention should be made of the REGENT 2021 and AMELIE 2021 resolutions, according to which the same capacity fee is to be levied at all points in the market area, even after the common Trading Hub Europe market area has been introduced ("fee stamp"). The Trading Hub Europe market area simplified the transportation of gas throughout Germany from October 2021, and with only one virtual trading point remaining in Germany, lays the foundation for increasing the amount of liquidity in the gas market. Under the GIBY brand, through GDMcom and its subsidiary Schneider GmbH, the planning and expansion of the optical fibre network in the Leipzig region was pushed forwards down to the end consumer business.

Projects for a climate-friendly gas supply: On account of the changing framework conditions in the energy sector, ONTRAS is preparing the infrastructure for sporadic increases in demand for natural gas between now and 2030. This is being done with consideration for the transformation that is then anticipated, in order to cover the transportation of climate-friendly gases, and hydrogen in particular, in the future. As part of the Gas 2022 to 2032 grid development plan, and as a member of the Gas for Climate initiative, ONTRAS was involved in the development of a national and European hydrogen network in the interest of creating a climate neutral supply of gas in future.

One key project of this initiative is the European Hydrogen Backbone – a vision of 23 European transmission network operators for a European hydrogen network. A network comprising around 40,000 kilometres of hydrogen pipelines could be created in Europe by 2040, based for the most part on the existing gas infrastructure. At a national level, ONTRAS worked with "Vereinigung der Fernleitungsnetzbetreiber Gas e.V." (Association of Transmission System Operators for Gas) on the creation of the 2030 and 2050 hydrogen networks, which are in line with the current modelling/scenarios. The three hydrogen projects submitted by ONTRAS together with various partners in connection with IPCEIs (doing hydrogen, Green Octopus Mitteldeutschland and LHyVE (Leipzig Hydrogen Value Chain for Europe)) were shortlisted by the German Federal Ministry for Economic Affairs and Energy. In September 2021, after receiving notice of a grant for the "Bad Lauchstädt Energy Park" regulatory sandbox, ONTRAS started work on the conversion of a roughly 20 kilometre-long section of an existing natural gas pipeline between Bad Lauchstädt and Leuna.

2. STORAGE

Economic development: Relatively high volumes were released from storage in the first quarter of 2021, mainly due to supply-side factors. Gazprom booked smaller capacities for the transportation of gas via the Ukraine route compared to prior years, and low volumes of LNG were supplied to Europe on account of the cold winter and high prices in Asia (which exceeded €100/MWh in some cases). On 1 April 2021, at the start of the storage year, the fill level of German storage facilities was only just under 27 per cent. Cold temperatures in April and May, and more extensive maintenance measures than in previous years in Norway's gas fields, meant that gas was still being released from storage on many days in both of these months unlike in the past, and the fill level only stood at 31 per cent at the end of May. Since the additions to storage remained lower than usual for the rest of the year, the fill level at the start of winter on 1 October 2021 was only around 68 per cent, which is the lowest it has been for many years. Fears of supply shortages in winter caused the day-ahead price of gas to rise from around €20/MWh in early April to well over €100/MWh at times by October. The increasingly strong backwardation³ of the gas price curve led to a sharp fall in the SWS for subsequent storage years. The SWS for the next storage year (2022/23), for example, has been negative since 28 September 2021. Despite these challenging market conditions, VGS was able to successfully market capacities with a range of terms starting from the 2021/22 storage year until 2028/29 by means of a large number of marketing activities.

Due to this trend on the market, VGS considers its strategy of consistently sticking to achieving its cost targets in order to ensure that it can remain competitive in the long term in a turbulent market to have been confirmed. The Storage business area generated adjusted EBIT in the low tens of millions of euros from its business operations in the reporting year. The business area also generated a positive contribution to earnings from its investment in EPG.

Development of storage capacities: With its underground storage facilities in central and eastern Germany, VGS has a marketable process gas volume of around 2.2 billion m³ in the current financial year. The capacity of the underground storage facilities was utilised in full in the storage year 2021/22. Investment activities are still characterised by capital expenditure on existing assets, with the aim of maintaining and optimising the asset structure in the long term. The contractually agreed expansion projects have been completed. Regular profitability analyses of all storage facilities are carried out, which take the current changes in the market situation into account. These results have a significant influence on strategic decisions at VGS.

Dismantling and decommissioning work at the Buchholz facility was continued according to plan. Out of a total of 25 wells, 11 have been secured thus far. Work on the drilling sites and site improvements for additional wells is being carried out at the same time. The project is within budget with respect to costs and also on schedule. The dismantling of all surface and underground facilities is scheduled to be completed by mid-2023. The demolition of the surface facility in Kirchheilingen was completed in September 2021. Negotiations regarding the subsequent use of the property are in the final stages. Work on safeguarding the underground facilities also started in September 2021, and is expected to be completed by the end of 2022. Four of eight wells have already been secured. Through EPG, VGS is also involved in the development and operation of the Katharina underground gas storage facility in partnership with Gazprom export LLC. Another chamber was commissioned on schedule in 2021. The construction of the storage facility is expected to be completed in 2025 with the completion of the final chamber.

Sustainable business: As a company operating in the energy sector, VGS is committed to constantly improve as part of its sustainability strategy launched in 2020 in order to conduct its business with net zero

³ Backwardation is when the prices trading in the futures market are below the current price of an underlying asset.

CO₂ emissions in the medium term. The Company has already been researching energy-efficient storage methods, developing green gas storage products, renaturing dismantled facilities and working to protect nature and biodiversity for many years. In 2020, VGS also introduced climate-neutral storage. By voluntarily buying Verified Emission Reduction certificates, the Company offsets all of its CO₂ emissions generated through the use of electricity and gas for the management of its storage facilities.

3. TRADING & SALES

Economic development: The Trading & Sales business area's results are still mainly driven by gas sales to large customers and trading activities on the European gas markets. Turbulent pricing conditions with extreme levels of volatility and record highs presented particular challenges with respect to portfolio and risk management. Nevertheless, public utility companies, distributors, industrial customers and power plants were securely and reliably supplied with gas at all times. Existing and new customers were able to continuously cover their additional requirements. In order to ensure the security of supply, the storage fill levels of the capacities booked by VNG Handel & Vertrieb were well above the market average at the start of winter. As part of its management activities, the entire portfolio of gas supply contracts, storage and transport capacities even produced a better result than in the prior year. Ground-breaking projects were also implemented during the past financial year 2021, despite the fact that many people were working from home on account of the pandemic. These projects included the integration of Gas-Union, which was acquired in the prior year, the implementation of all systemic and contractually necessary adjustments associated with the merging of Germany's gas market territories, and the introduction of processing and service procedures in connection with the new German fuel emissions trading system. On the whole, the Trading & Sales

business area played its part in the VNG Group's overall success by making a contribution to earnings that was in the high tens of millions for the first time.

Business with end consumers also remains an important source of earnings for VNG. goldgas GmbH (goldgas), which has its registered office in Eschborn and plays a leading role within the Group, was able to keep its customer base largely stable. A conservative coverage policy protected the business with end consumers against expensive supplementary purchases, and ensured that supplies to customers were never interrupted. Despite the spikes in prices, goldgas was able to achieve a positive result for the past financial year. As part of its increased focus on standard-rate customers, goldgas sold its business with store chains, industrial customers and companies in the housing sector at the start of the year. Further investments in the end consumer business in Poland, Austria and Italy also generated stable results in the mid-range single-digit millions of euros. Nevertheless, pricing and coverage policy presented enormous challenges for all end consumer suppliers.

Activities were significantly streamlined as part of the restructuring of the Italian investment portfolio. The number of end consumer investments held by VNG was significantly reduced. Direct business on the Italian wholesale markets was discontinued, and wholesale business and trading activities are now handled centrally by VNG Handel & Vertrieb GmbH in Leipzig. Local business customer sales organisations are still operating in Austria and the Czech Republic. Procurement and portfolio management for sales customers in those countries, as well as in Luxembourg and Italy, is also carried out centrally in Germany.

Sales customers in Poland also benefited from secure and stable supplies. Given the special aspects of the Polish energy market, the procurement of gas and electricity and risk and portfolio management will still be carried out locally in Poland. A significant

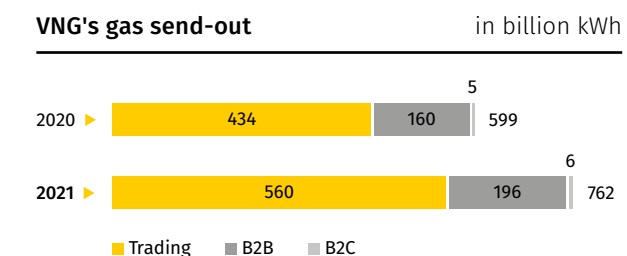
number of customers are supplied using dedicated distribution networks.

It once again was not yet possible to bring the tax proceedings in connection with a regular, ongoing tax field audit at HANDEN Sp. z o.o. to a close this year.

VNG is also adjusting the long-term perspective of its trading and sales activities against the backdrop of the more intense efforts to overcome the climate crisis at the global and European levels. Among other things, direct sales of biomethane resumed in financial year 2021. As a founding member of the H₂Global Foundation, VNG Handel & Vertrieb also acted as an intermediary between global production and domestic demand for green hydrogen. Demand for natural gas is expected to remain stable at least until the 2030s, particularly in the core German market. But nevertheless, the possibilities for intensifying the sale and trading of renewable and decarbonised gases are being sounded out in numerous projects and initiatives.

Development of unit sales and procurement volumes:

In the past financial year 2021, the VNG Group's **gas send-out** amounted to 762 billion kWh, which was once again up significantly year on year (prior year: around 599 billion kWh). The total increase of around 27 per cent can once again be attributed to the 23 per cent year-on-year increase in the volume of sales in the B2B segment. Unit sales in the B2B segment rose, due in part to an increased sales performance in the prior year and the integration of Gas-Union's customer portfolio. At 6 billion kWh, gas output in the B2C customer segment (private households and industry/retail/services) was slightly up on the prior year. The increase in the volume of trading is related to the sales performance, and can be largely attributed to risk and portfolio management activities.



* Excluding short-term arbitrage transactions

Opportunities for further increasing sales volumes to meet European demand are constantly being sought via long-standing connections with gas producers. The bilaterally agreed supply volumes were expanded in connection with the increased sales volumes in the past financial year.

The VNG Group **procured** around 760 billion kWh of gas in total in 2021 (prior year: around 588 billion kWh). The volumes of gas are usually procured either via bilateral supply agreements, or in the course of trading activities on the European spot and futures markets. Bilateral procurement is mainly used to cover demand for the sales customer portfolio.

4. BIOGAS

Portfolio expansion: The Biogas business area once again underwent expansion in 2021 thanks to BALANCE and its subsidiaries. BALANCE pursued its strategy of growth by acquiring two stand-alone facilities, completing and commissioning a biogas facility, and converting two facilities to flexible power generation, and in so doing contributed to the consistent implementation of the Group's "VNG 2030+" strategy.

The total number of biogas facilities operated by BALANCE rose during the reporting year, from 35 with 136 MWFTC to 38 with 157 MWFTC. At the same time, the organisation required to operate the facilities in Leipzig and in the regional clusters in eastern and northern Germany continued to be expanded. The integration of the acquired biogas facilities has gone according to plan thus far. The anticipated commissioning of the biomethane feed-in facility in Gordemitz, with 8 MWFTC, was successfully carried out at the end of January 2021.

Economic development: The Biogas business area mainly generates revenue by feeding processed biomethane into the natural gas grid, as well as receiving German Renewable Energy Act [Erneuerbare-Energien-Gesetz, EEG] remuneration for converting the generated biogas into electricity. The operating business in the Biogas business area has been heavily influenced in the first half of 2021 by reduced harvest income as a result of droughts in previous years. The 2021 harvest made it possible to build up a good number of days of inventories on hand at all facilities. The changing regulatory environment (RED II requirements) and appealing marketing opportunities in the fuel market are placing new demands on the substrate mix that will shape BALANCE's substrate management activities in the years ahead. The aim is to achieve the full certification of the substrates used in order to already achieve more lasting value added in upstream products. Following an initial assessment, the

biogas facilities acquired and integrated in prior years required more maintenance than had been planned for, and were therefore unable to achieve their targets for utilisation and performance in individual cases. The acquired inventories also required adjustment at individual facilities. The Biogas business area generated adjusted EBIT in the low single-digit millions of euros. This can mainly be attributed to delayed acquisition processes, unplanned maintenance measures and inventory adjustments. On the whole, BALANCE continued its efforts to convert and optimise individual facilities, with delays and higher cost in some cases due to the need to coordinate with authorities as well as longer delivery lead times. Taking aspects of sustainable business into account, the strategic focus was increasingly placed on the diversification of substrate procurement and subsequent usage during the reporting year. By establishing a joint venture with EnviTec Biogas AG for the construction and operation of a facility for the liquefaction of biomethane to produce bio-LNG, BALANCE also laid the foundation for the marketing of fuel-grade bio-LNG. The first fermented product was successfully positioned for the end consumer market under the SNÄGG brand. Efforts to use internally generated power by constructing photo-voltaic installations at BALANCE's facilities were consistently pursued.

E. FINANCIAL POSITION, PERFORMANCE AND CASH FLOWS

1. OVERALL ASSESSMENT

VNG was able to build on its good performance in previous years in the financial year 2021. With **adjusted EBIT** of €225 million (prior year: €179 million), the operating business performed better than expected. In addition to the Transport and Storage business areas, the Trading & Sales business area in particular contributed to this positive trend, and was able to improve its results in comparison to the prior year thanks to significant price volatility in connection with flexible contracts in the current market environment. The financial position and performance this year are dominated by the effects of changed energy prices. The non-adjusted EBIT of €205 million was much higher than in the prior year (prior year: €82 million). In the prior year, EBIT was negatively impacted by an effect amounting to tens of millions of euros from ongoing tax administration proceedings at HANDEN. The significantly improved **consolidated profit** of €141 million (prior year: €46 million) exceeded expectations.

FFO also improved in line with the increase in profit. The total cash outflow decreased in comparison to the prior year as a result of lower investments in the Transport and Biogas business areas. Entering into financial liabilities to external financing partners caused **net financial liabilities** to increase by €34 million to €699 million.

The increase in profit is accompanied by an increase in group equity. However, increased market values

for gas purchase and gas sale agreements on the assets and liabilities sides of the balance sheet caused changes to the balance sheet and a significantly higher balance sheet total. As a result, the non-adjusted **equity ratio** fell to 9 per cent (prior year: 20 per cent). Looking exclusively at the balance of the positive and negative market values of derivative financial instruments gives an adjusted equity ratio of 27 per cent (prior year: 30 per cent). Thus, VNG still has a stable financial position and cash flows in order to continue implementing its strategy.

VNG's individual **performance indicators** changed as follows:

€ million	2021	2020
Billed revenue ⁴	18,479	9,827
Adjusted EBIT ⁵	225	179
Consolidated profit	141	46
FFO ⁶	221	192
Gross investments	197	392
Net investments	174	314
Net financial liabilities	699	665
Equity ratio (%) ⁷	9	20

2. FINANCIAL PERFORMANCE

The volume of **billed revenue** in the financial year 2021⁸ is around €18,479 million, which is €8,652 million higher than in the prior year. The unit sales volume correspondingly rose to 762 billion kWh. Much of the income still stems from sales of gas and electricity in the Trading & Sales business area. The increase in billed revenue and the cost of materials⁵ can be attributed to both increased prices and increased volumes of procurement and unit sales.

The IFRIC Agenda Decision on the "Physical Settlement of Contracts to Buy or Sell a Non-financial Item (IFRS 9)" stipulates that purchase and supply contracts measured at fair value through profit and loss be recognised at their current spot price on the date of

⁴ Prior to the application of the IFRIC Agenda Decision regarding IFRS 9.

⁵ EBIT adjusted for extraordinary and non-recurring effects on income.

⁶ Funds from operations, i.e., consolidated profit adjusted for non-cash expenses and income as well as gains/losses from the disposal of fixed assets.

⁷ Non-adjusted equity ratio, fall mainly due to derivatives, please refer to text for explanation.

⁸ Prior to the application of the IFRIC Agenda Decision regarding IFRS 9.

settlement. That is why the billed revenue and cost of materials are stated in the consolidated statement of comprehensive income⁵. Adjustments are netted against the other operating result. The application of the Agenda Decision merely leads to a change in reporting, and therefore has no impact on the volume of EBIT. Income and expenses from short-term arbitration transactions were netted against each other.

Other operating income (€231 million) rose in comparison to the prior year (€202 million), due to a large extent to the implementation of the IFRS 9 Agenda Decision as well as increased income from risk provisions.

Personnel expenses (€121 million) were up on the prior year (€100 million) on account of the increased headcount, particularly in Germany.

Depreciation and amortisation (€100 million) rose by €12 million in comparison to the prior year. This increase is mainly due to depreciation of the commissioned EUGAL pipeline in the Transport business area, as well as supplementary facility acquisitions in the Biogas business area. Impairment also increased by €6.7 million in comparison to the prior year.

Other operating expenses of €758 million are up significantly year on year (prior year: €329 million). This was due to a significant extent to expenses relating to the valuation of gas contracts, which were however counterbalanced by compensating effects within the cost of materials.

The **investment result** (€24 million) has improved in comparison to the prior year. Net income from companies valued at equity improved during the reporting period, and is €6 million higher than the figure for the prior year. In the prior year there was also a negative impact from an impairment loss of €7 million on an other investment.

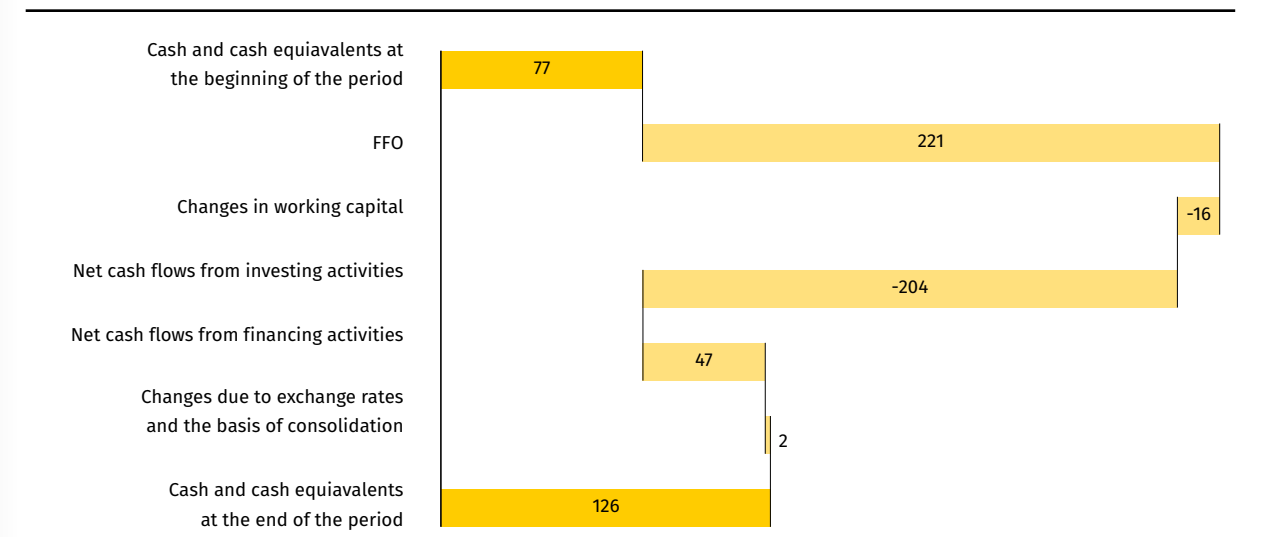
The improved **financial result** (€-15 million; prior year: €-21 million) is mainly due to lower interest expenses in connection with the ongoing tax administration proceedings at HANDEN compared to the prior year. Despite substantial financial liabilities, VNG was able to continue benefiting from the favourable general market interest rates.

Tax expenses (€49 million) consist of ongoing tax expenses of €23 million and expenses from deferred taxes of €26 million.

The **result of the discontinued business area** Exploration & Production (E&P) is disclosed separately in the statement of profit or loss. In the reporting year, this result (€-3 million; prior year: €-7 million) stemmed from the derecognition of a contingent purchase price receivable relating to the sale of the E&P business. There is now no longer a contingent purchase price payment in connection with exploration fields included in the consolidated balance sheet.

3. CASH FLOWS

Development of cash flows at VNG in 2021 in € million



FFO (€221 million) improved in relation to the prior year (€192 million). This is mainly due to an increased operating result with an effect on cash, which is reflected in an improved adjusted EBIT. The **changes in working capital** (€-16 million) as at the reporting date had a negative impact on net cash flows from operating activities.

The net cash flows from **investing activities** amount to €-204 million. The spending on investment that this includes, amounting to €242 million, decreased in comparison to the prior year (€375 million), and mainly relates to the Transport business area. This is offset by cash inflows of €21 million from divestments, which were lower in the reporting year than in 2020. The reported net cash flows from investing activities includes dividends received (€14 million; prior year: €15 million) and interest received (€3 million; prior year: €4 million).

Financing activities resulted in a net inflow of €47 million in the financial year (prior year: €36 million). Entering into financial liabilities with respect to external financing partners and the issuance of a

promissory note resulted in a net inflow of cash and cash equivalents at VNG amounting to €96 million. By contrast, the net cash flows from financing activities were impacted by the repayment of leasing liabilities amounting to €15 million (prior year: €13 million). Interest payments amounting to €14 million (prior year: €12 million) were made. In the financial year, a dividend of €20 million was paid out to VNG AG's shareholders for financial year 2020.

Taking changes due to exchange rates and the basis of consolidation (€2 million) into account, **cash and cash equivalents** rose from €77 million to €126 million. VNG was solvent at all times. Lines of credit amounting to €961 million had not been utilised as at 31 December 2021 (prior year: €795 million). There were also investment obligations amounting to €110 million on the balance sheet date, most of which are financed internally and in part financed by existing credit lines.

4. FINANCIAL POSITION

VNG's **financial ratios** changed as follows in comparison to the prior year:

Financial ratios

Assets				
	Current assets	Non-current assets		
31.12.2020 ►	59%	41%		6,590 million €
31.12.2021 ►	77%	23%		15,783 million €
Equity and liabilities				
	Current liabilities	Non-current liabilities	Equity	
31.12.2020 ►	60%	20%	20%	6,590 million €
31.12.2021 ►	73%	18%	9%	15,783 million €

Total assets increased by €9,193 million in comparison to 31 December 2020. **Current and non-current assets** increased, mainly as a result of current movements in the market that led to increased market values for the gas sale and gas purchase agreements reported as derivative financial instruments. The price development also led to an increase in inventories reported as current assets, despite a fall in the volumes of those inventories.

Current and non-current liabilities also rose in comparison to the prior year as a result of the market valuation of the sale and purchase agreements. The conclusion of long-term finance agreements, particularly with external financing partners, also caused non-current liabilities to increase year on year.

The non-adjusted **equity ratio** of 9 per cent is down on the prior year due to a sharp increase in the balance sheet total. However, the absolute volume of equity was reinforced by the consolidated profit.

F. OPPORTUNITIES AND RISK REPORT

1. RISK MANAGEMENT SYSTEM

VNG has an integrated risk management system that integrates all business areas and group entities. This ensures that a balance between opportunities and risks and the Group's capacity to bear risk are constantly maintained, thus ensuring VNG's ability to continue as a going concern. The total risk is managed on the basis of having sufficient risk cover in place if a risk occurs. In addition to constantly measuring and monitoring risks, a comprehensive annual risk inventory is carried out in which the relevant risks and opportunities of all group entities are systematically recorded and assessed as deviations from the corresponding forecasts. Significant opportunities and risks are also updated every year. In addition to the regular risk assessment methods, an ad hoc risk reporting system based on defined thresholds is in place that identifies significant deviations from plans at an early stage and in so doing highlights changes in the opportunity/risk portfolio. The effectiveness of the risk management system is checked regularly by the internal audit function.

2. OPERATING OPPORTUNITIES AND RISKS

VNG has put itself on a broad footing with its core business areas relating to natural gas as a product, and is also exploiting new potential unrelated to natural gas as part of its "VNG 2030+" strategy, including through acquisitions. This positioning diversifies the Group's risks, and also allows it to take advantage of opportunities in a dynamic market. Based on the forecast results, the risk/reward profile for 2022 is risk-heavy.

The main opportunities and risks are primarily driven by market prices. This mainly relates to price fluctuations on the commodity markets in terms of trading, and changes in the SWS in the storage area. Opportunities and risks also arise in the medium term and long term from the regulatory environment. Apart from the general risks of business, there are currently no apparent risks with the potential to lastingly and significantly impact VNG's financial position, performance and cash flows.

Update on the impact of the coronavirus pandemic:

The risks faced by VNG this year were again affected by the coronavirus pandemic. The risk of defaults on receivables due to insolvencies is no longer expected as a result of the pandemic. But a resurgence of the coronavirus crisis would pose risks affecting all of VNG's business areas. Additional lockdowns could lead to delays for planned projects. In this context, there is also a risk that further significant waves of infection and the associated additional lockdown measures, as well as absences due to illness and/or quarantine, could impact operating processes. Measures such as repeated nursery and school closures can also place an increased physical and mental strain on employees.

The risks resulting from the coronavirus crisis are being addressed by means of suitable measures (protection of employees, stabilisation of the operating business, ensuring the security of supply and critical processes, and averting economic harm). Similarly, most employees are working from home in order to reduce the risk of an outbreak as much as possible. The technical requirements for this were built up considerably in 2020. Teams of employees whose work cannot be carried out at home have, for example, been divided into independent sub-teams in order to minimise the risk of infection in this respect as well.

Transport business area: The economic performance of ONTRAS depends to a significant extent on the regulatory framework and the permissible income caps

associated with it. The Federal Network Agency, for example, sets the equity interest rate for new facilities in each regulation period based on historical rates. That is why, in a European comparison, the incentives to invest in the German electricity and gas networks have also deteriorated considerably on account of persistently low market interest rates. Falling interest rates in the regulated business of ONTRAS will reduce the company's contributions from the start of the 4th regulatory period.

ONTRAS also continues to take advantage of the opportunities presented by the regulated transportation market. Investing in EUGAL allows ONTRAS to diversify the marketing of capacities and rejuvenate its own asset structure. ONTRAS is paying close attention to the current sanctions policy of the U.S. as it relates to infrastructure projects in the European energy sector. ONTRAS does not currently consider the level of risk for EUGAL to be raised, however.

ONTRAS also takes advantage of opportunities to provide services in the non-regulated energy infrastructure sector. With respect to the energy policy challenge of a CO₂-neutral future for energy, there is also an opportunity for the continued use of Germany's gas infrastructure as part of a gradual transition from natural gas to renewable gases. The coupling of the electricity, heating market, mobility and industrial sectors makes it possible to develop an economically viable and cost-effective solution that involves the gas infrastructure. As a result, ONTRAS is actively working on the transformation towards a climate-neutral gas supply by 2050. As part of this, ONTRAS is constantly carrying out necessary renovation and modernisation work on its technical facilities in order to ensure that the network is as reliable as possible, and in so doing safeguard the contractually agreed supply of gas to downstream networks and end consumers. The transmission network and its corresponding facilities were once again technically secure and available at all times in financial year 2021. The risks for 2022 are mainly limited to the operation of technical facilities.

Storage business area: The intensity of competition with other flexibility products means that the proportion of storage bookings at short notice remains high. Substantial demand for storage capacity is anticipated in connection with the challenge of a CO₂-neutral future for energy. Under certain circumstances, the existing infrastructure may also be used to store renewable energy in the form of green gases. This is to be investigated and tested with project partners for green hydrogen as a fuel as part of the "Bad Lauchstädt Energy Park" regulatory sandbox.

The volatility of market prices creates uncertainty for the future marketing of storage capacity and the income that can be generated from it. Opportunities relate in particular to further increases in marketing prices. VGS also aims to tackle the competition with innovative products, targeted investment decisions, the decommissioning of inefficient and unprofitable storage facilities such as those in Buchholz and Kirchheilingen, and measures to improve efficiency and promote automation. Cost structures have already been optimised, the organisation has been aligned more closely with the market, and additional income has been generated from the services business in response to the situation to date with respect to demand. Ongoing maintenance and the monitoring of underground gas storage facilities on the basis of technical regulations and internal provisions, and regular assessment of the condition of all surface and underground facilities, ensure that high standards of safety are maintained from a technical perspective and in accordance with mining law. High standards of quality are also ensured by annual training plans for the ongoing qualification of VGS's employees and service providers, as well as regular internal and external audits.

Trading & Sales business area: VNG H&V's trading activities present opportunities and risks relating to price fluctuations on the commodity markets in particular. The key risk factors are currently the significant volatility of prices on the wholesale trading

market, and the sharp increase in absolute market prices. Pricing differences between European gas trading points and price spreads between seasonal futures products also present opportunities and risks. Trading performance can also be affected by temperatures, particularly in the winter period. The positions in purchase and sale agreements are combined to form an overall portfolio, and constantly monitored and managed. In addition to the portfolio's natural hedging effects, specific hedging strategies are used to limit the effects of negative changes in earnings that take the relevant risk factors into consideration and may also include derivative financial instruments. Trading activities are carried out in accordance with specific risk and loss limits for the operating business. Based on the forecast results, risks will outweigh opportunities in 2022. The maximum total deviation in earnings as a result of the risk factors already mentioned is in the high tens of millions of euros.

VNG H&V has a structurally diversified procurement portfolio that is aligned with the market. The existing contracts mainly serve to cover the sales position. With respect to unit sales, VNG H&V is constantly developing new products and exploiting additional sales channels in the traditional wholesale business. It also takes the opportunities presented by the market and by spot and futures trading to optimise its overall portfolio.

The main credit risks stem from natural gas supply and trading agreements with national and international business partners. There are also credit risks associated with financial instruments that are entered into in order to hedge currency and commodity price risk positions. Increased market prices have led to a sharp rise in the financial estimate of the potential repurchasing and default risks. The credit ratings of business partners (customers, suppliers, trading partners and financial institutions) are evaluated and continuously monitored on the basis of the information available as well as procedures that are

customary for the market as part of the Group's established credit risk management system. The usual hedging instruments (including guarantees) are used to manage credit risks. The customer portfolio is also largely covered against default by loan default insurance.

VNG is subject to energy and financial market regulation. Suitable IT systems have been installed in order to meet the requirements of MiFID II (Markets in Financial Instruments Directive), MAR (Market Abuse Regulation) and REMIT (Regulation on Energy Market Integrity and Transparency).

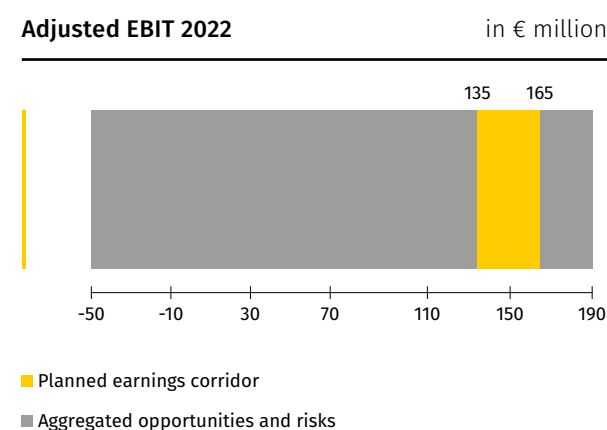
The end consumer supplier goldgas operates in a challenging competitive environment with low margins and the potential willingness of customers to switch providers. This could have a negative impact on the customer base and unit sales. goldgas also sees opportunities in connection with new distribution channels, the ongoing optimisation of processes and services relating to the energy sector. The Company is therefore pursuing the creation of an innovation management system, as well as systematic product development.

Biogas business area: This area's risk profile is influenced, among other things, by the decentralised nature of the investment portfolio. Regional, weather-related risks are managed centrally by the professional substrate management function. The strong growth of BALANCE and parallel development place significant demands on the organisation. The Biogas business area is also subject to regulatory requirements (including the EEG and the Gas Network Access Ordinance [Gasnetzzugangsverordnung, GasNZV]), which give rise to both risks and opportunities. Additional opportunities stem from the potential role of Biogas as part of the energy revolution, and the associated goal of decarbonisation.

3. OVERALL ASSESSMENT OF THE RISK SITUATION

The overall risk situation is assessed on the basis of a risk-bearing capacity concept and a deviation analysis of key performance indicators. Risk-bearing capacity describes a company's ability to financially cope with risks that occur, and therefore to avoid developments that threaten its ability to continue as a going concern. A company's capacity to bear risk can therefore be described as adequate if it has sufficient potential to cover risks if they occur. Risk cover potential includes capital to cover risks to earnings, which is defined as balance sheet equity, and capital to cover risks to liquidity, which is defined as the available financial framework. The potential loss in terms of profit (99 per cent worst case) and the potential impact on liquidity (99 per cent worst case) are calculated for the medium-term planning horizon using a Monte Carlo simulation, and juxtaposed with the risk cover capital. Based on this analysis of risk-bearing capacity, VNG's overall risk situation is not thought to pose a risk to its ability to continue as a going concern.

Opportunities and risks may also influence VNG's key performance indicators. The figure below shows the effects on adjusted EBIT for financial year 2022 (figures stated in millions of euros), which are largely attributable to increased market prices. Based on a deviation analysis of the key performance indicators, the overall level of risk is considered to be appropriate.



Remarks on the war in Ukraine: VNG has been following the ongoing situation in Ukraine that has been further escalating since the end of February 2022. The impact on VNG is constantly monitored and evaluated in various scenarios that take into account factors including price turbulence, a complete exclusion of Russia from SWIFT⁹ and a complete ban on the supply of Russian natural gas. The scenarios mentioned above result in increased price risks. Even with the volatile price development in the second half of 2021, primarily in connection with the increased margining risk on account of listed positions, VNG has once again stepped up the investigation of these risks and derived measures from this. VNG intends to conclude a credit facility of €1 billion with the state-owned KfW Bank. The credit facility should serve as a hedging measure in the event that there are extreme market developments in the future. In the scenario of a ban on the supply of Russian natural gas, there is a replacement risk that will lead to significantly higher market prices. VNG is continuing to monitor the situation extremely closely and is constantly developing appropriate measures, in line with the developing situation, in order to minimise the impact in the event of a further escalation. However, on account of the fluid situation, assumptions on the scenarios could change at any time. On the whole, there are currently no going concern risks within these scenarios, taking the risks into account on both a gross as well as a net basis.

4. COMPLIANCE MANAGEMENT SYSTEM

Conduct in compliance with regulations that is also ethically unobjectionable provides the foundation for lasting business growth. The group-wide compliance management system (CMS) is aimed at ensuring that all employees act in accordance with the law and with integrity in order to avoid jeopardising the confidence of customers, business partners, shareholders and the general public. In addition to organisational precautions and policies, there is an extensive reporting system in place and both general and targeted, subject-specific training is provided to employees. The adequacy of the CMS was last assessed and certified by auditors in 2015. This means that the principles and measures of the CMS are suitable both for promptly identifying risks of material violations of the law and internal rules in the fields of preventing corruption, anti-trust law and the regulation of trade, and for preventing such violations, with sufficient certainty. In addition to the existing CMS, VNG has implemented a Tax CMS for income tax and VAT at German subsidiaries whose accounting is handled by VNG AG, which it uses to identify risks of material violations of tax regulations at the company in good time, and prevent them using targeted measures. The adequacy and efficacy of the Tax CMS was last assessed and certified by auditors in 2021.

5. FINANCIAL RISK MANAGEMENT

VNG is, above all, exposed to risks relating to changes in commodity prices, exchange rates and interest rates, as well as credit risks. The Group's fundamentally conservative approach is reflected in its systematic financial risk management. Front-office and back-office functions, and financial risk management, are kept organisationally separate from each other.

The derivative standard financial instruments used for financial risk management are only used to hedge the existing risks associated with the underlying transactions. Futures are used by the trading companies to manage price risks associated with gas purchase and gas sale agreements as well as for own-account trading. Statistical risk parameters are used to measure and monitor these risks every day, and the potential changes in the present value of the trading portfolio are limited. All of the Group's currency exposures are concentrated with the parent company and hedged in full, if possible. Contracts with group entities based outside the euro zone are only ever concluded in the domestic currencies of those entities. Forward exchange transactions and natural portfolio hedging effects are primarily considered as hedging instruments. VNG practices active interest risk management involving the regular evaluation of all interest rate risks, which are also managed using derivative financial instruments. Solvency is guaranteed at all times by maintaining sufficient reserves of cash and cash equivalents in the form of guaranteed lines of credit, and also by optimising the allocation of liquidity within the Group. The core elements of the Group's financing are committed lines of credit and promissory note loans with various financing partners. The rolling liquidity planning over periods of several years regularly determines the peak financing requirements in future. As at the reporting date, these were always covered by sufficient sources of financing, even in the risk scenarios.

⁹ The abbreviation SWIFT stands for "Society for Worldwide Interbank Financial Telecommunication" and is the communication network for sharing electronic information between banks.

G. OUTLOOK

While this management report was being prepared, geopolitical tensions continued to grow surrounding the conflict between Russia and Ukraine and culminated on 24 February 2022 with a war of aggression by the Russian government against Ukraine. Up until that point in time such a far-reaching international escalation in Europe had been scarcely imaginable, not only for VNG but almost certainly for many others as well. VNG stands firm in its conviction that the Russian attack on the sovereignty and right of self-determination of Ukraine must be condemned in the strongest possible terms. The thoughts of the entire VNG Group are with the Ukrainian population. War and the violence that comes with it creates boundless human suffering and cannot be justified by anything.

For almost 50 years, VNG has had trustworthy and reliable business dealings with Russian suppliers. We are, however, aware that our relationship with Russia and economic ties, in the area of commodities in particular, will suffer massively on account of current developments and these ties will quite rightly be redefined. Nevertheless, the specific impact cannot currently be conclusively predicted, neither from a geopolitical perspective nor from an energy policy and industry perspective. This depends upon further developments and in particular on the actions of those with political responsibility in Russia. Therefore, the forward-looking statements made in this report are made under the assumption from the start of March this year and the fervent hope that deescalation and diplomacy will quickly find their way into current events.

Consistent transformation of the company: Markets around the world are being influenced by the megatrends of decarbonisation and digitisation, as well as aforementioned current global and geopolitical developments. Additional central issues

relating to the energy transition in Germany were discussed during the past year at the level of the EU and in the context of national policy. Climate targets in particular were made more ambitious. Based on the geopolitical developments with the war in Ukraine, it is most certainly to be expected that European and German energy supply security will come increasingly into focus with the responsible political actors, in particular in the gas industry. These decisions are correct and more attention should now be given at a political level to putting a reliable framework in place that allows operators in the individual sectors to proceed with implementation on the whole. Speed is of the essence given the targets that have been set. In this context, shifting the focus away from the technological and structural aspects and towards the business necessities for companies in order to define a framework for their activities in connection with further energy supply security and shaping the transformation and being able to develop business models for molecule-based decarbonisation as a part of a shift towards green gases and hydrogen.

VNG is very well positioned for this with its four business areas. Important preparation work has already been carried out, from gas procurement and trading to infrastructure and access to the application for consumers. Financial year 2021 in particular has shown that VNG is able to achieve very good operating performance while making significant progress on its own transformation at the same time. This needs to be built on in 2022, and the implementation of the ambitious political targets relating to energy supply security and the process of decarbonisation must be taken up and supported by companies. VNG sees itself as an active architect in this regard. The significant relevance of molecules for the provision of energy, the huge potential of gas with regard to decarbonisation, and the ability to solve problems such as the storage of energy generated from renewable sources by means of sector coupling provide affirmation of the direction already set out in 2017 in the Group's "VNG 2030+" strategy. The assumptions made in the

strategy remain valid, and work is ongoing on making improvements in VNG's established business areas and the strategic journeys in the areas of biogas and digital infrastructure continue to be pursued. The further diversification of the procurement situation in the trading area, which is to be reevaluated, is a further facet in this regard. Investigations are also ongoing into whether selected hydrogen-related activities can be complemented or continued.

Strong operating performance required in current market conditions: Conditions in the market in 2021, with high absolute gas prices that went into three figures at times, a low (and at times negative) SWS, and highly volatile gas prices on account of the tough supply situation, will continue to require a strong operating performance from the Storage and Trading & Sales business areas in 2022 in order to achieve the targets that have been set. VNG is planning to achieve a lower adjusted EBIT of between €135 million and €165 million in 2022, as well as a consolidated profit of between €90 million and €110 million – even taking into account the significantly increased risk/reward profile on account of the Ukraine crisis. The Transport business area is expected to once again achieve high results, but slightly reduced compared to 2021 due to regulatory factors among other things. In the Storage area, the return of a low (and at times negative for the 2022/2023 storage year) SWS will reduce the financial performance. The wholesale markets, which are currently volatile, also offer opportunities for the integrated approach of the Trading & Sales business area, although these need to be exploited anew every year and depend on market conditions. High absolute gas prices also entail a significant increase in lending risks. High gas prices are also exacerbating the situation in the sales market, which remains highly competitive. The end consumer business is still an important source of income in the German, Polish, Austrian and Italian target markets. With the implementation of the Group's "VNG 2030+" strategy, the Biogas business area is expected to increase its adjusted EBIT in comparison to the current financial year.

Due to strong investment activities, the Transport and Biogas business areas in particular are expected to see a reasonable increase in debt in 2022. As in the past, changes in working capital in the trading business and its measurement on the reporting date may be subject to severe fluctuation, and also have a significant impact on group debt, total assets and therefore also the equity ratio. FFO will fall in comparison to 2021 due to lower operating performance as a result of conditions on the market. The consolidated profit for 2022 is not expected to be impacted by extraordinary effects. All in all, VNG considers itself to be in a good position for financial year 2022.

Building up transparent sustainability reporting:

VNG has recognised the need to focus more on the subject of sustainability and to build up a systematic sustainability management function. One priority for VNG in 2022 is the ongoing development and implementation of a group-wide sustainability management function in order to further improve the sustainability performance of the entire VNG Group. To this end, ongoing activities relating to environmental, social and governance issues were strategically recorded, structured and aligned with an overarching set of objectives that is both measurable and comprehensible in financial year 2021. The goal for 2022 is to build on this to establish a sustainability management process at VNG for the entire Group, to implement it for the strategic areas of "the energy supply of the future", "responsible employer" and "focus on value and transparency", and to use it as the basis for transparent sustainability reporting.

CONSOLIDATED FINANCIAL STATEMENTS*

for the financial year 2021

* The annual report contains the following excerpt from the complete consolidated financial statements of VNG, which have been submitted electronically to the operator of the German Federal Gazette and can be accessed via the company register (www.unternehmensregister.de).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the period from 1 January to 31 December 2021

€ million	01.01. to 31.12.2021	01.01. to 31.12.2020
Billed revenue	18,479.2	9,827.0
Restatement due to IFRIC Agenda Decision on IFRS 9	13,808.1	-2,765.8
Revenue pursuant to IFRS	32,287.3	7,061.2
Changes in inventories	-1.4	0.2
Other own work capitalised	7.9	3.0
Other operating income	230.8	201.6
Cost of materials billed	-17,398.0	-9,301.7
Restatement due to IFRIC Agenda Decision on IFRS 9	-13,964.2	2,630.0
Cost of materials pursuant to IFRS	-31,362.2	-6,671.7
Personnel expenses	-121.1	-100.3
Depreciation and amortisation	- 99.7	-87.6
Other operating expenses	-757.7	-329.0
Investment result	23.5	12.3
Financial result	-15.4	-20.8
Income taxes	-48.7	-15.7
Profit after tax from continuing operations	143.3	53.2
Loss after tax of the discontinued operation	-2.6	-7.0
Consolidated profit for the year	140.7	46.2
<i>attributable to non-controlling interests</i>	-3.2	0.3
<i>attributable to shareholders of VNG AG</i>	143.9	45.9

CONSOLIDATED BALANCE SHEET

as at 31 December 2021

Assets

€ million	31.12.2021	31.12.2020
Non-current assets	3,659.0	2,682.6
Intangible assets	15.5	13.9
Property, plant and equipment	2,007.7	1,904.2
Entities accounted for using the equity method and other financial assets	286.3	369.5
Derivative financial instruments	1,341.0	379.6
Other non-current assets	4.1	8.3
Deferred taxes	4.4	7.1
Current assets	12,123.8	3,907.4
Inventories	892.4	291.7
Financial assets	148.8	9.0
Trade receivables	1,362.6	1,548.1
Derivative financial instruments	9,083.2	1,831.1
Other current assets	511.0	150.3
Cash and cash equivalents	125.8	77.2
Assets	15,782.8	6,590.0

Equity and liabilities

€ million	31.12.2021	31.12.2020
Equity	1,447.1	1,320.7
Issued capital	328.0	328.0
Retained earnings	978.4	953.4
Consolidated profit for the year after non-controlling interests	143.9	45.9
Cumulative changes in other comprehensive income	-3.2	-12.5
Non-controlling interests	0.0	5.9
Non-current liabilities	2,848.8	1,315.0
Provisions	466.2	450.6
Deferred taxes	69.7	44.8
Financial liabilities	511.9	402.6
Trade payables	0.9	0.0
Derivative financial instruments	1,788.0	405.9
Other liabilities and subsidies	12.1	11.1
Current liabilities	11,486.9	3,954.3
Provisions	122.5	91.2
Financial liabilities	314.7	339.0
Trade payables	1,317.5	1,528.0
Derivative financial instruments	9,228.2	1,803.3
Other liabilities and subsidies	504.0	192.8
Equity and liabilities	15,782.8	6,590.0

OTHER DISCLOSURES

COMPOSITION OF VNG AG'S EXECUTIVE BOARD

Ulf Heitmüller	Chairman of the Executive Board
Hans-Joachim Polk	Member of the Executive Board, Infrastructure / Technology
Bodo Rodestock	Member of the Executive Board, Finance / HR

COMPOSITION OF VNG AG'S SUPERVISORY BOARD

Thomas Kusterer	Chair Member of the Executive Board of EnBW Energie Baden-Württemberg AG
Hans-Joachim Herrmann	1st Vice Chair Managing Director of Stadtwerke Lutherstadt-Wittenberg GmbH
Christina Ledong	2nd Vice Chair Chair of the Works Council of VNG AG, ONTRAS Gastransport GmbH, VNG Gasspeicher GmbH and VNG Handel & Vertrieb GmbH
Markus Baumgärtner	Head of Value Chain Gas of EnBW Energie Baden-Württemberg AG
Josefine Bormann	Main Consultant of Business Regulation of ONTRAS Gastransport GmbH
Dr. Frank Brinkmann	Managing Director of DREWAG – Stadtwerke Dresden GmbH
Sascha Enderle	Head of Digital Finance & Transformation at EnBW Energie Baden-Württemberg AG
Barbara Endriss	Managing Director of OEW Energie-Beteiligungs GmbH
Christina Fenin	Head of Technical Cooperations at VNG Gasspeicher GmbH
Prof. Dr. Martin Fleckenstein	Independent Consultant

Hans-Peter Floren	Entrepreneur
Monty Heßler	Systems Technology Officer of GDMcom GmbH
Dr. Martin Konermann	Managing Director Technology of Netze BW GmbH
Peter Leisebein	Vice Chairperson of the Works Council of VNG AG, ONTRAS Gastransport GmbH, VNG Gasspeicher GmbH and VNG Handel & Vertrieb GmbH
Michael Raida	Management Consultant
Gunda Röstel	Managing Director of Stadtentwässerung Dresden GmbH
Dr. Benno Seebach	Head of Capacity Planning of ONTRAS Gastransport GmbH
Michael M. Theis	Chair of the Managing Directors of LVV Leipziger Versorgungs- und Verkehrsgesellschaft mbH
Stefanie Thiele	Project Manager at ONTRAS Gastransport GmbH
Dr. Jochen Weise	Senior Advisor of Allianz Capital Partners GmbH
Dr. Bernd-Michael Zinow	Head of Function Unit Legal, Audit, Compliance and Regulatory of EnBW Energie Baden-Württemberg AG

OVERVIEW OF THE FULLY CONSOLIDATED COMPANIES

Shareholding in %	Name and registered office of the company
Holding	
100.00	VNG AG, Leipzig, Germany
Transport	
100.00	ONTRAS Gastransport GmbH, Leipzig, Germany
100.00	GDMcom GmbH, Leipzig, Germany
Storage	
100.00	VNG Gasspeicher GmbH, Leipzig, Germany
Trading	
100.00	ENERGIEUNION GmbH, Schwerin, Germany
100.00	Gas-Union GmbH, Frankfurt am Main, Germany ¹
100.00	G.EN. Gaz Energia Sp. z o.o., Tarnowo Podgórne, Republic of Poland
100.00	goldgas GmbH, Eschborn, Germany
100.00	goldgas GmbH, Vienna, Austria
100.00	HANDEN Sp. z o.o., Warsaw, Republic of Poland
100.00	SPIGAS S.r.l., Milan, Italy
100.00	VNG Austria GmbH, Gleisdorf, Austria
100.00	VNG Energie Czech s.r.o., Prague, Czech Republic
100.00	VNG-Erdgascommerz GmbH, Leipzig, Germany
100.00	VNG Handel & Vertrieb GmbH, Leipzig, Germany
100.00	VNG Italia S.r.l., Bologna, Italy
Biogas	
100.00	BALANCE Erneuerbare Energien GmbH, Leipzig, Germany
100.00	Biogas Produktion Altmark GmbH, Hohenberg-Krusemark, Germany
100.00	Leipziger Biogasgesellschaft mbH, Leipzig, Germany

¹ Gas-Union GmbH holds treasury shares of 1.85 percent.

INDEPENDENT
AUDITOR’S REPORT

To VNG AG

OPINIONS

We have audited the consolidated financial statements of VNG AG, Leipzig, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of VNG AG for the financial year from 1 January to 31 December 2021.

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 Section 315e (1) of the German Commercial Code [Handelsgesetzbuch, HGB] and, in compliance with these requirements, give a true and fair view of the financial position and cash flows of the Group as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, and
- ▶ the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the

consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) Sentence 1 of the HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 of the 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 and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

EMPHASIS OF MATTER PARAGRAPH

We draw attention to the comments in section “F. Opportunities and risk report”, subsection “3. Overall assessment of the risk situation” “Remarks on the war in Ukraine” of the management report, in which further information is provided by the Executive Board on the impact on the risk assessment of the ongoing situation in Ukraine that has been further escalating since the end of February 2022. In this regard, the Executive Board states that the impact is monitored and evaluated in various scenarios that take into account factors including price turbulence, a complete exclusion of Russia from SWIFT and a complete ban on the supply of Russian natural gas. In addition, it is also stated that there are increased price risks for the Group from the scenarios mentioned above and even with the volatile price development in the second half of 2021, primarily in connection with the increased margining risk on account of listed positions, the Executive Board has once again stepped up the investigation of these risks and derived measures from this. Moreover, it is also stated that the Executive Board intends to conclude a credit facility of €1.0 billion with the state-owned KfW Bank. The credit facility should serve as a hedging measure in the event that there are extreme market developments in the future. Furthermore, the Executive Board explains that in the scenario of a ban on the supply of Russian natural gas, there is a replacement risk that will lead to significantly higher market prices. In this regard, the Executive Board states that the Group is continuing to monitor the situation and is constantly developing appropriate measures, in line with the developing situation, in order to minimise the impact in the event of a further escalation. However, on account of the fluid situation, assumptions on the scenarios could change at any time.

Moreover, in section “G. Outlook” the Executive Board also states that the relationship with Russia and economic ties, in the area of commodities in particular, will suffer massively on account of current developments and these ties will be redefined.

Our opinions on the consolidated financial statements and the group management report have not been modified in this respect.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

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

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

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements,

complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of the 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 and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective 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 financial position, performance and cash flows of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) of the HGB.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- ▶ Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.
- ▶ Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the

prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

NOTE ON SUPPLEMENTARY AUDIT

We issue this auditor’s report on the amended consolidated financial statements and the amended group management report on the basis of our audit, duly completed as at 11 March 2022 and our supplementary audit completed as at 30 March 2022, which related to the changes in the section “6.8 Equity” in the notes to the consolidated financial statements in respect of the proposal for the appropriation of profit and the additional remarks made in relation to the intention to conclude a credit facility in section “F. Opportunities and risk report”, subsection 3. “Remarks on the war in Ukraine” in the group management report. Please refer to section “Subsequent events” of the amended notes to the consolidated financial statements for the presentation of changes by the executive directors.

Leipzig, 11 March 2022/limited to the aforementioned amendments: 30 March 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Bätz	Salzer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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