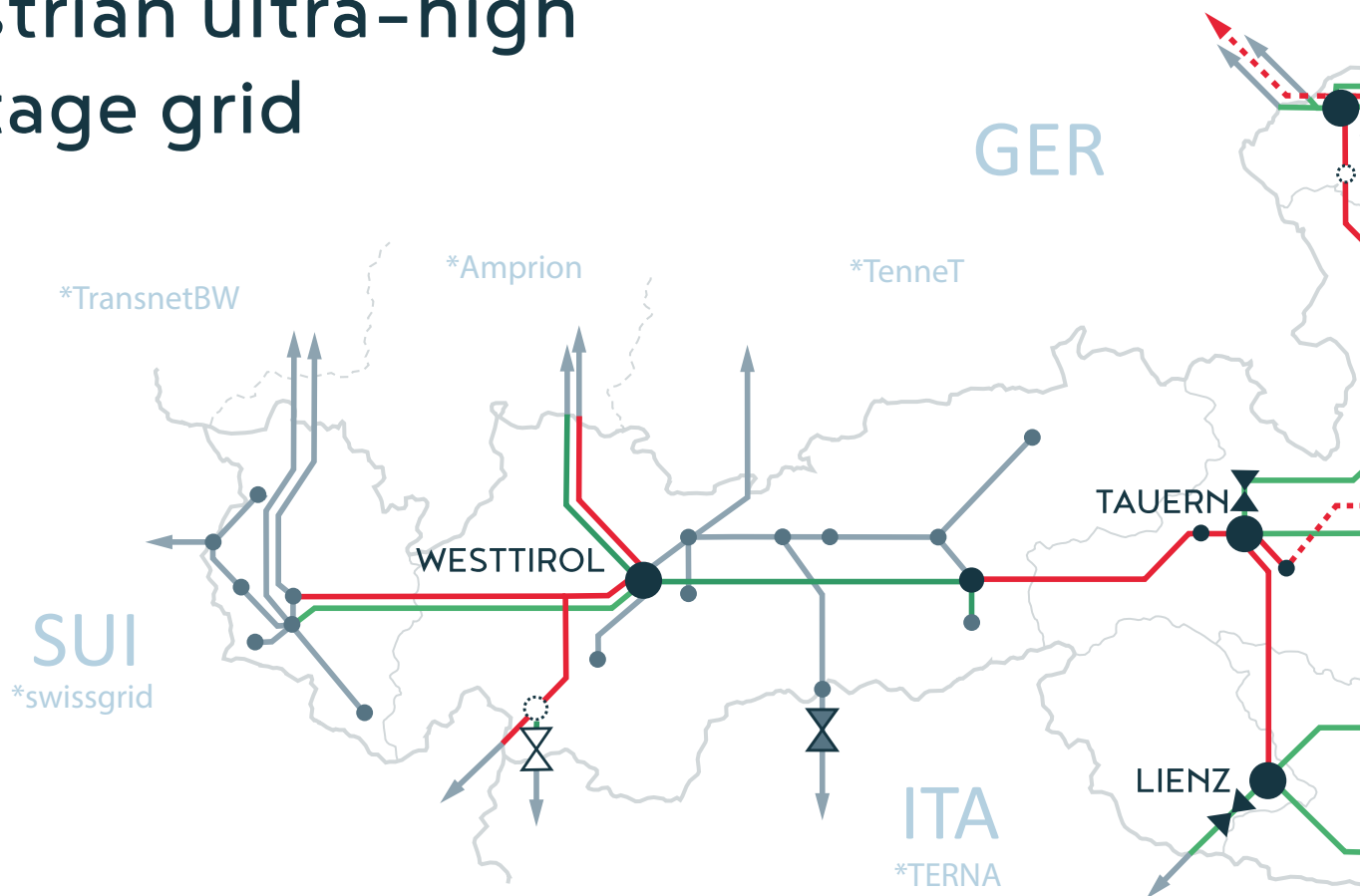


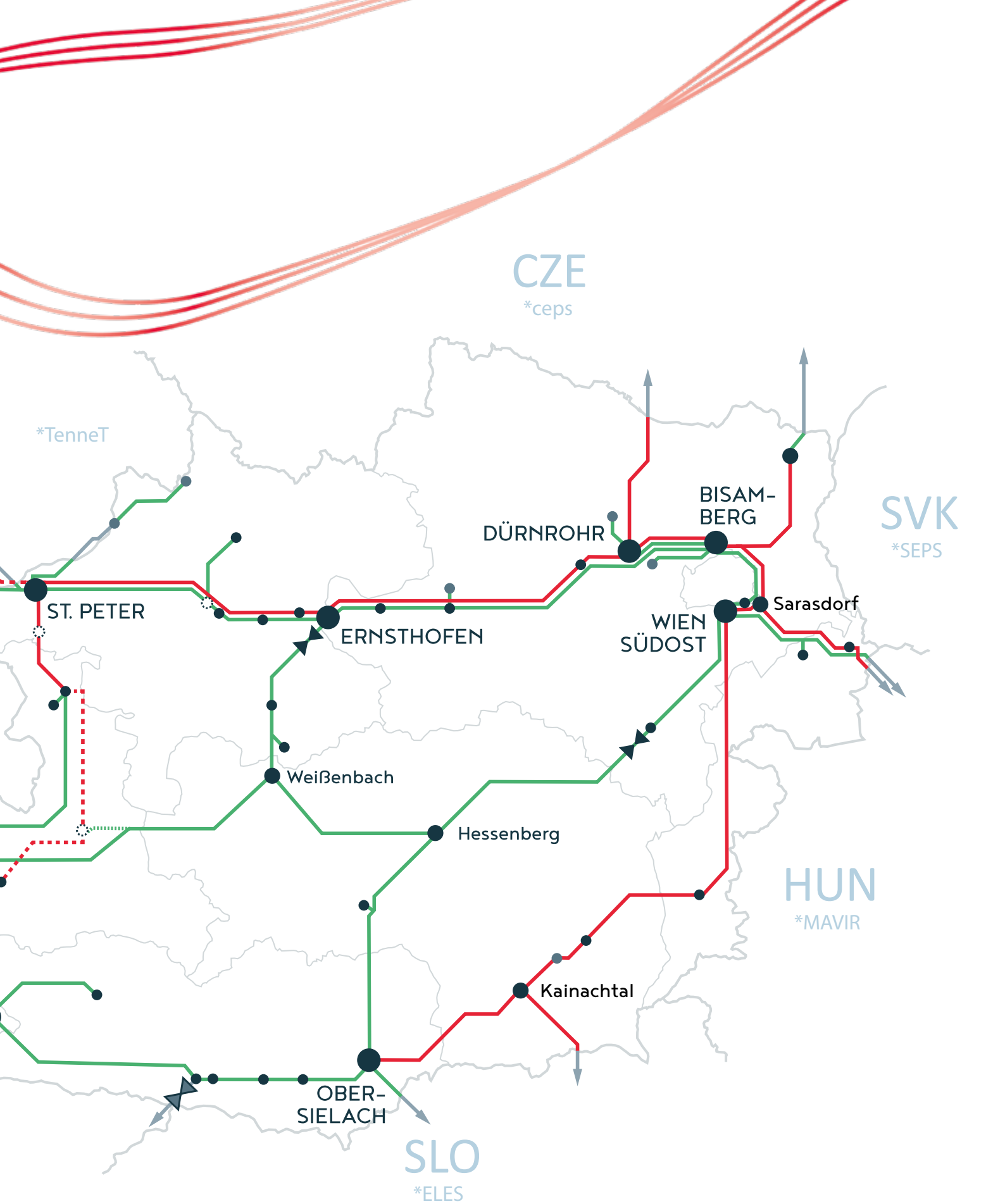
Austria needs power infrastructure.

Austrian ultra-high voltage grid



2,577 km — ··· 380-kV line / under construction
3,212 km — ··· 220-kV line / under construction

9 ● APG grid node
65 ● ○ Substation / under construction
3 ⚡⚡ Phase-shifting transformer / under construction



* Transmission system operator/
neighboring countries

—●— Not owned by APG

Austrian
Power
Grid



Mobility needs electricity.

Austrian Power Grid
www.apg.at

Austria
needs
electricity.





Contents

6	Executive Board interview
12	Foreword
15	About Austrian Power Grid AG
16	Electricity security of supply
22	Energy transition and climate crisis
26	Investments in power infrastructure
36	Innovation
42	Multimedia
45	Financial report



From left to right: the APG Executive Board members, Gerhard Christiner (Chief Technology Officer) and Thomas Karall (Chief Financial Officer), at APG's control centre in the 10th district of Vienna.

Operating in European mode

Gerhard Christiner and Thomas Karall explain why Austria's electricity supply has held up, a real blackout is unlikely and the power grids are in urgent need of further investment – and how Ukrainian energy policy tilted towards Europe.

By Rainer Nowak

Are we at the heart of APG here?

Gerhard Christiner: This is the nerve centre of Austria's electricity supply system. All data, from our lines, from our substations, from activated switches and from rises or falls in current, converge here. Any information is processed here.

On one of the largest monitors behind you there is a map of Central Europe, and on it figures in green and red: your business operations are part of a European network and not self-sufficient. Is that an advantage or a disadvantage?

Thomas Karall: It is a huge advantage compared with before. APG is responsible for the entire Austrian high-voltage grid. Red stands for 380 kV, green for 220 kV. On red, we still have a certain amount of catching up to do, as electricity can be transported more efficiently using 380-kV lines. And we are in urgent need of more transport capacity.

That is the result of deregulation: would that be conceivable if things were as they were before? Would everything be more difficult?

Gerhard Christiner: (laughs) It would be easier. Why? There was no real trade in electricity before. Power plants were put to use in an attempt to continuously meet demand nationally. There were only relatively small-scale transactions with neighbouring countries. In the

winter, we purchased power from Poland, which offered low-cost coal-fired electricity. In the summer, we delivered hydroelectric power to neighbouring countries. Today, it is a lot more complex because intensive electricity trading determines power plant use in Europe. For example, just 30% of the electricity used to meet demand may come from Austria itself one day, but 100% the next day. It depends on prices and the energy generated by wind plants or photovoltaic systems. It has become significantly more volatile.

Energy self-sufficiency is something that politicians repeatedly point up in soapbox speeches. But that is no longer possible and actually not desirable either?

Gerhard Christiner: The idea of national self-sufficiency is actually at odds with a liberalised electricity market. At the same time, however, we need national reserves which, in a show of solidarity in a crisis situation, safeguard the supply of electricity in Europe. But that requires enough power grids to transport the electricity generated from where it is not required immediately to countries where there is demand. That is why the grid has a much more extensive role than in the past.

Thomas Karall: National self-sufficiency was significantly more expensive than exchanging surplus supply in one region for shortfalls in other regions in a European context. This enables us to



Rainer Nowak, born 1972, journalist, between September 2014 and November 2022 editor-in-chief and publisher of daily newspaper Die Presse.

“If there is a power plant outage here in Austria, all neighbouring countries feel the effects, too, and help out in solidarity.”

Thomas Karall,
CFO of APG



significantly improve reserve management. The break-up of those national self-sufficient regions means that many reserves that would otherwise be accumulated are available. If there is a power plant outage here in Austria, all neighbouring countries feel the effects, too, and help out in solidarity. This happens completely automatically.

So, the much-talked-about blackout is not at all possible then?

Thomas Karall: We are definitely not in a situation where we are expecting a blackout tomorrow, in a year or in five years. We can use our expertise to minimise the risk of a blackout. A blackout could be triggered by unexpected force majeure events occurring simultaneously, such as environmental disasters, terror attacks or natural events. However, our simulations show that we are gradually able to restore the supply of electricity within 30 hours.

So, is it just scaremongering? Or the lesson learned from the pandemic? Hardly anyone had warned of the outbreak of a pandemic before this one, so a blackout is now being made an issue as a precaution.

Gerhard Christiner: As a manager of APG, I have to stress that we are experts; our employees are excellently trained and keep the system stable. We do not pursue ideological goals. Whenever expertise is supplanted by ideological goals, there is danger. It is all the more important to manage the transformation of the energy system well. If easily controllable gas-fired power plants or nuclear power plants are replaced by weather-dependent sources of generation, such as wind and solar, the electricity system will naturally become more volatile and more vulnerable. But here it is our job to flag up shortcomings at an early stage. Returning to the blackout that was one of the major political issues and fears after deregulation: there were occasional blackout events, such as the largest in Europe, in Italy in 2003. For 36 hours, Italy as an importer was really undersupplied. Italy drew lessons from that: the grid infrastructure was suddenly too weak as a result of deregulation. To rectify that, it responded by embarking on a massive special programme and a massive upgrade of the grids. The greening of the system and volatile electricity generation increase operational risk. We cannot make endless changes to the

power plant structure and not follow suit with changes to the grid infrastructure. Otherwise, we will suffer an Italian fate at some point. Responsibility rests with policymakers.

Thomas Karall: There was a time when we, too, put the issue of a blackout into the public spotlight. It was a sort of cry for help. Our society is obviously so saturated that it only reacts to crises. It took the outbreak of the energy crisis for people to see shortcomings in security of supply and policymakers to react. We now need the pace of grid expansion to be effectively accelerated.

Gerhard Christiner: We handled deregulation very successfully. The wholesale market in Europe was a success story. Until this explosion in prices as a result of the war in Ukraine. Gas became scarce. That is why the critical infrastructure, or the value of security of supply, is suddenly seen differently again.

Unfortunately, competition in the global economy is often waged by different means, such as between China with its planned economy and the West with

its market economy. Is that also the case when it comes to energy issues in Europe?

Gerhard Christiner: Grid expansion is also being driven forward in certain countries. We need to change our strategy – we do not have any nuclear power; we are an importer. We need to best connect with our neighbouring countries and be highly effective in expanding the grid infrastructure internally. Investment in the grid infrastructure brings security, access to the European electricity market and therefore an evening-out of prices. Even if employer and employee representatives and policymakers, for example, are piling on the pressure not to raise our grid rates because of inflation: on the other hand, we need to invest around €400m a year in the infrastructure. That does not work under the present conditions.

The government's most recent announcements that it will finally make the environmental impact assessment (EIA) process easier are a glimmer of hope, I assume. But my impression is that this is being done not so much for grid security as for a more rapid

“We cannot make endless changes to the power plant structure and not follow suit with changes to the grid infrastructure.”

Gerhard Christiner,
CTO of APG



expansion of wind power, photovoltaics, etc. Do you see a master plan there for these new energy sources, the grids and the system as a whole?

Thomas Karall: No, there is no master plan. We have been calling for one for years. The government is adopting a programme aimed at the immediate and more rapid expansion of alternative plants. That would be like building a railway station somewhere in the Weinviertel, but forgetting the tracks. This is a big problem for us that has absurd effects, time and time again. For example, we are making intensive use of gas-fired power plants in Austria that would not normally have to run at all – just because we are unable to get renewable electricity from Germany to Austria. Or when we have situations in Austria like the one recently: wind turbines were turned off, as we were no longer able to transport regional surpluses due to the grid infrastructure being too weak. That is unacceptable!

There are professions where you are automatically in the public eye. In your case, I would assume based on your choice of profession that you do not

wish to be in the media every day. Last year, though, you were catapulted into the public eye.

Gerhard Christiner: I think that is a sign of the times. If you spoke to policy-makers and uttered the word blackout in the past, you were called a scaremonger. Then others took up the issue and suddenly people were listening closely to what we were saying. Yesterday, I met with the representative of an NGO who asked me what we can do to speed up the expansion of the grid. Many now see the problem: although Austria could develop renewable sources of energy faster, there is insufficient grid capacity for that. That hurts.

In the federal states, districts, municipalities and in private households, nimbyism always rules: do not build a wind turbine in my backyard, build it in someone else's. I am not even talking about the new electricity line.

Thomas Karall: We witness the 'not in my backyard' mindset time and time again on different projects. But the crucial question is: how is a project communicated locally? This is why we increasingly



“That would be like building a railway station somewhere in the Weinviertel, but forgetting the tracks.”

Thomas Karall,
CFO of APG



“Our employees’ strong commitment shone through in this crisis.”

Gerhard Christiner,
CTO of APG

go out into the public arena: we cannot wait until we have the project and then say that we are just building a line in or through the local area.

What were the major milestones of last year?

Gerhard Christiner: The entire year was spent in crisis mode: there was the risk of an electricity shortage in Europe. One reason was the drought; that is, the low water supply in the rivers. On top of this, there were the major problems at nuclear power plants in France, which were a huge cause for concern because, as an exporter, France stands surety.

Thomas Karall: We conducted a stress test that met with huge public interest. Precisely what we anticipated has now happened: we have good gas storage levels. The winter was a challenging one for the power industry, but easily manageable. The question will be: what will next winter be like? How much gas will we have left over?

Gerhard Christiner: Our employees’ strong commitment shone through in this crisis. And in the pandemic too, when we all had to switch to a new way of doing things from one moment to the next, this commitment was very much in evidence. For me, APG’s

capabilities are the highlight of my professional career. And we are not just active in Austria. It had not been planned that Ukraine, which was in the Russian electricity system, would simply be integrated into the European system overnight. There was a test phase that happened to more or less coincide with the start of the war. So, Ukraine was disconnected from Russia on a trial basis, but was supposed to go back again. Within a few days, Emmanuel Macron and Volodymyr Zelensky agreed to link the Ukrainian system to the European one ahead of schedule. Thanks to rigorous preparatory work in previous years and quick collaboration at European level, this was possible within a very short space of time. After two weeks, the Regional Group Continental Europe, which comprises all transmission system operators, reached a unanimous decision in consultation with the European Commission to synchronise Ukraine with the European grid. And since 14 March, it has indeed been synchronised with Europe.

And it works?

Yes, it works. The fact that all countries reached a unanimous decision despite different supply situations and risks was a strong step towards a common European energy policy.

Foreword by the Chairman of the Supervisory Board

“In 2022, APG implemented €370m worth of investment projects, thereby driving the expansion of the power infrastructure that has become an absolute necessity.”

Dr Peter F. Kollmann,
Chairman of the Supervisory Board



Dear ladies and gentlemen,

The energy crisis has shown that Austria can rely on APG. In 2022 especially, a secure supply of electricity was an important anchor of our modern digital society. The necessary electrification of business, industry and society and therefore the task of reliably transforming the energy system would be an impossible feat without the untiring efforts of the entire APG team. APG can look back on a gratifying business performance in 2022, a year in which it also implemented all planned investment projects totalling €370m, thereby driving the expansion of the power infrastructure. One particular highlight was the commissioning of the Weinviertel line, which in APG's high-voltage grid is making a vital contribution to electricity security of supply in Lower Austria and across Austria as a whole. These investments lay the foundations for the secure electricity supply of the future and the sustained integration of renewables in Austria and Europe. In order to manage the future energy system, APG is also making an important contribution through numerous research projects.

2022 was a year shaped by major changes in energy market conditions as a result of Russia's war of aggression against Ukraine. The dynamic environment presented APG with huge challenges, as the issue of security of supply became an even greater focus of public attention. APG implemented several important measures in this context, such as preparing a stress test that analysed security of supply for the winter or developing a forecasting tool that shows all consumers when saving electricity is most effective. In addition, APG became the processing centre for the legislated demand-side response electricity-saving product. Only through team work and working relationships of trust at national and international level was it possible to master all the challenges professionally in 2022.

The process of transformation into a reliable, sustainable energy system continues to gather pace and presents major challenges for all parties involved. As manager of the energy system of the future, APG has a central role to play in this. The decarbonisation, decentralisation, digitalisation and democratisation of the energy system require a high-performance, digital power infrastructure. The upcoming amendment of the EIA process is another important milestone along the way to a sustainable, secure energy and electricity system. It is a necessary ingredient for a successful energy transition and creates the framework for the acceleration of approval processes, which is important both for the power grid and for storage facilities, renewable energy production and reserves.

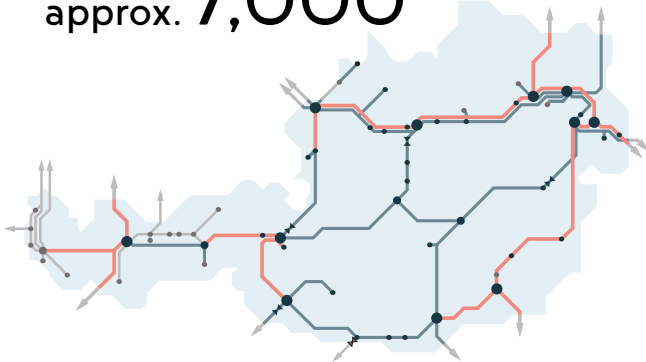
The Supervisory Board would like to thank the Executive Board and all employees for the professional working relationship of trust and for successfully mastering the challenging tasks in financial year 2022.

Dr Peter F. Kollmann
Chairman of the Supervisory Board

A stylized, handwritten signature in dark ink, consisting of several loops and a long horizontal stroke at the end.

APG in figures

Power grid in kilometres:
approx. **7,000**



58

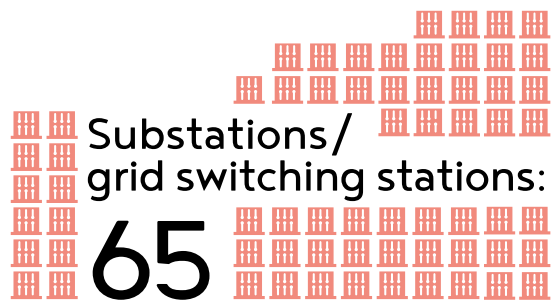
research projects



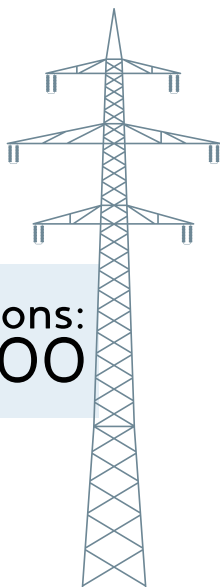
Volume of energy drawn from the power plants in the APG control area in re-dispatching: 1,536 GWh
46,592 GWh transmitted via the APG grid

Investments by 2032:
€3.5 bn

Substations/
grid switching stations:
65



Pylons:
approx. **12,000**



99.99%

reliable electricity supply



Employees:

approx. **730**



Revenue in 2022:
1.88 bn

(2021: 1.08 bn)

About Austrian Power Grid (APG)

As an independent transmission system operator, APG is responsible for providing a secure supply of electricity for Austria, its economy and society. Our high-performance power infrastructure in combination with our use of the latest technologies allows us to integrate renewable energy, act as a platform for the electricity market, create access to low-cost electricity for Austria's consumers and thus form the basis of a reliably supplied and sustainable place to live and conduct business. In 2022, our team of around 730 specialists ensured that Austria's electricity supply was 99.99% reliable. Our investments of around €370m in 2022 and our current Network Development Plan amounting to some €3.5bn are an economic engine and an essential ingredient in achieving Austria's climate and energy targets and electrifying business, industry and society. Now and in the future, we are committed to major trends of the times: decarbonisation, digitalisation, democratisation and decentralisation. Through our use of state-of-the-art technologies, we contribute to those trends.

Electricity security of supply

Especially important in
times of crisis.



The importance of transforming the energy system into one that is sustainable and delivers security of supply

A secure supply of electricity is an essential foundation stone for our society. Important processes in community life, business and industry have already been electrified, and demand for electricity will continue to increase significantly going forward. Decisions at global, European and Austrian level provide for an energy transition – away from coal, oil and gas towards sustainable sources of energy. But the implementation of those processes lacks coordination:

- In several European countries, the phasing-out of thermal power plants and nuclear power has been initiated at different speeds.
- At the same time, renewables (hydro, PV, wind, storage facilities, etc.) and the power infrastructure that is of fundamental importance for those sources of energy (power lines, substations, etc.) have been expanded much too slowly or without end-to-end system planning.

Scan here for the press release “APG: Austria became an electricity importer in August”.



The overall situation in the energy industry is becoming more acute

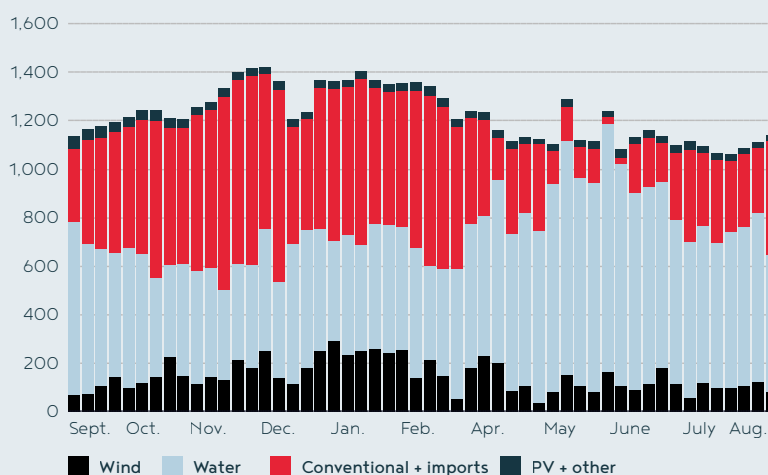
In the second half of 2021, the uncoordinated transformation process and the general shortage of raw materials and electricity being produced were already pushing up electricity and energy prices. Geopolitical developments around Russia's war of aggression against Ukraine exacerbated this strained situation, leading to unprecedented price rises and actual bottlenecks in raw materials supply chains. Poland, for example, announced that it would limit electricity generation from coal-fired power plants and stop exports for winter 2022/23.

The climate crisis as another exacerbating factor

Moreover, summer 2022 was an extremely dry one throughout Europe, resulting in low water levels in many rivers. Among other outcomes, these led to a reduction in run-of-river hydropower (e.g. in Austria in August 2022: a reduction of 37%), limited opportunities to use river water to cool nuclear reactors (primarily in France) and general logistics problems (e.g. in the transportation of coal by ship) in Europe (see infographic 1).

INFOGRAPHIC 1

Electricity production: renewables cannot yet meet electricity demand



Austria at the centre

Due to its central location, Austria was affected by all these developments – one reason in particular being that Austria has to import electricity from other countries, especially in the winter months.

ENTSO-E winter outlook

Due to the aforementioned exceptional environment, special analyses and forecasts for the coming winter became necessary at European and national level.

Timeline: the year at APG

25 January

Austrian Power Grid (APG): mild December puts run-of-river hydropower production back on track.

27 January

APG and Smart Wires sign cooperation agreement for innovation projects to optimise load flow in the power grid.

Scan here for the
ENTSO-E report.



The Winter Outlook 2022/23 report published by ENTSO-E (the umbrella organisation that brings together all European transmission system operators) on 1 December 2022, in which APG was intensively involved, anticipated heightened risks for certain regions in Europe, such as France, Ireland and parts of the Nordic countries. For the Austria region, however, the report was unremarkable.

Stress test: electricity security of supply for Austria

The specified aim of the APG stress test entitled “Electricity security of supply for Austria in winter 2022/23” was to identify critical situations that could lead to electricity shortages on an hourly basis. This enabled APG to take prompt action to counter further escalation if there was a threat of shortfalls in supply. Among other assumptions, various scenarios and combined scenarios consisting of a multitude of indi-

vidual factors assumed different levels of availability of power plant capacity, increases in load as a result of higher consumption and a shortage of coal and gas (see infographic 2).

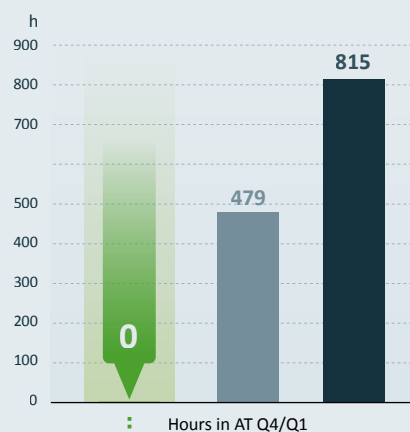
The stress test presented together with the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) on 4 November 2022 showed a particularly challenging, yet manageable situation in the energy market over the coming months. Due to the preventive measures already taken (including filling of gas storage facilities, statutory grid reserve), however, Austria was best prepared for these challenges. But new conditions that emerge unexpectedly (extreme period of cold and dry weather) or critical events occurring simultaneously may exacerbate the already strained overall situation. However, it must be explicitly stressed that there is at present no increased risk of a black-out in the context of the scenarios.

Scan here for the
press release “APG
electricity stress
test: supply situation
secure, but major
challenges in
winter 2022/23”
(in German only).



INFOGRAPHIC 2

Power shortfall



11 February

Big data to improve wind forecasting and put a brake on costs.

22 February

Austrian Power Grid (APG): storms lift renewables production to a high level.

24 February

APG: €11.4m for electricity security of supply in the region: construction work at the Zell am Ziller substation reaches completion.

Scan here for APG's electricity-saving tips.



It is now crucial to save electricity

In this challenging period, it is particularly important that we all – every individual in their own area of responsibility – do everything we can to reduce peaks in consumption, shift load (demand-side response) and maintain or gradually increase the availability of production, storage and grid capacity.

APG forecasting tool for saving electricity at peak times

In response to high energy and electricity prices and the tight supply of electricity and gas in Europe in the autumn months, the EU adopted a regulation on emergency intervention, which came into force on 1 December 2022. Among other things, this mandates a reduction in electricity consumption during peak hours by 5% on average. In Austria, this regulation was transposed through the Electricity Consumption Reduction Act (Stromverbrauchsreduktionsgesetz,

SVRG). On behalf of the BMK and within the space of a few weeks, the APG experts developed a forecasting tool that shows the relevant hours at peak times as 'electricity saving hours'. These occur on working days in the morning (from 8 a.m. until noon) and in the early evening (from 5 p.m. until 7 p.m.), depending on domestic renewables' potential to meet consumption (see infographic 3). The daily forecast now available for the next day shows consumers when saving electricity is most useful in terms of reducing CO₂ emissions, lessening the financial burden and also from an energy market perspective.

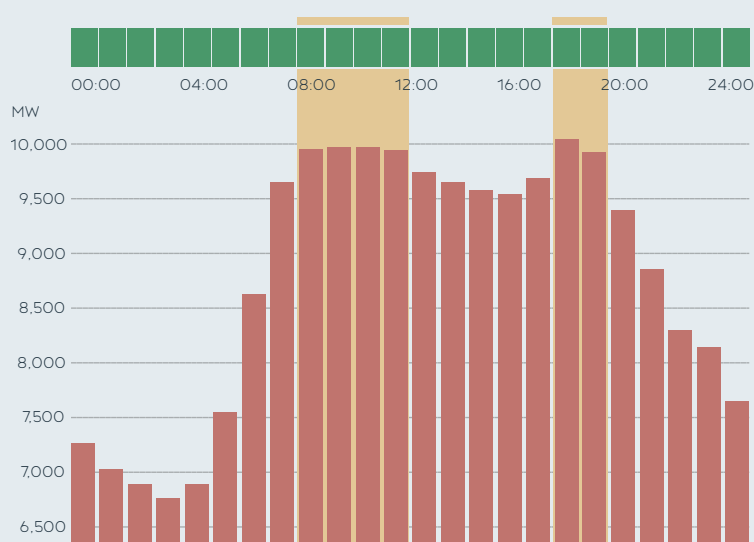
APG becomes the processing centre for the demand-side response product under the SVRG

In addition to voluntary measures to address electricity consumption, the adopted Electricity Consumption Reduction Act (SVRG) also established an incentive model to motivate consumers (commerce and industry, among others) to reduce their electricity consumption during the peak hours shown (see above) or to shift it out of those hours. APG became the technical processing centre for this.

This new demand-side response electricity-saving product enables consumers' flexibility to be harnessed for the purposes of dampening prices and stabilising the system by reducing electricity consumption or shifting it to outside the peak consumption hours. The first tenders were scheduled for early 2023. This product is in keeping with the strategy initiated by APG some years ago of enabling market participants' flexibility to be utilised through digital platform technologies for system services.

INFOGRAPHIC 3

Electricity consumption on a typical winter's day



28 February
APG launches 2022 grid reserve tender.

15 March
Federal Ministry for Climate Action – Future of energy: Marta Núñez-Samper is the FEMtech expert of the month.

16 March
Emergency synchronisation of European and Ukrainian power grids completed: electricity security of supply in Austria not put at risk.

APG Power Monitor web platform

Since mid-December 2022, the APG electricity-saving forecasting tool, the stress test entitled “Electricity security of supply for Austria in winter 2022/23” and other figures, data, facts and analyses regarding the supply situation in Austria have been combined in the APG Power Monitor, a platform that is updated daily.

Scan here for the APG Power Monitor, which is updated daily.



Year three of COVID-19

Throughout the year, a raft of measures around working from home, splitting up teams, hygiene, physical distancing and the requirement to wear a mask were implemented according to the general and regional overall situation under the coordina-

tion of a task force. This prevented clusters from developing internally and ensured that all areas of the Company were able to continue to operate.

Scan here for the press release “Emergency synchronisation of European and Ukrainian power grids: electricity security of supply in Austria not put at risk”.



Emergency synchronisation with Ukraine

Due to the war against Ukraine, the power grids of continental Europe and Ukraine were synchronised in a long-planned-for operation on 16 March 2022 at Ukraine's request. This serves to support and stabilise the Ukrainian power grid. Electricity security of supply in Austria has not been adversely affected by this measure.



Security as a fundamental value

The value of a secure supply of electricity for Austria was thrust into the public eye in 2022. There was much public discourse on damage and risks attributable to power outages, electricity shortages or blackouts. A coordinated and systematic transformation plan is key to transforming the electricity system into one that delivers security of supply, as is action to increase capacity across all areas of the system. It is also essential to use the latest digital platform technologies. As manager of the energy system, APG takes responsi-

bility and puts itself at the vanguard of this transformation both internally and externally. Security is in our DNA. This is particularly true when it comes to digital security; that is, cyber security. In this context, the highest standards of quality are set and further developed in consultation with the responsible authorities. As part of the critical infrastructure and as a long-standing member of Austrian Energy CERT, we are aware of this responsibility.

25 March

Austrian Power Grid (APG): renewables meet 60% of electricity demand thanks to wind power.

26 April

Austrian Power Grid (APG): Q1 2022 shows importance of strong power infrastructure.

2 May

Artificial intelligence: innovation partnership between APG and ARTEMES.

Energy transition and climate crisis

2022: the year of
electricity



The objectives of the energy transition

Transforming the energy system is a mammoth task. The Renewable Energy Development Act (Erneuerbaren-Ausbau-Gesetz, EAG) passed in 2021 established the cornerstones of the first phase of the transformation through to 2030: an additional 27 TWh of electricity from sustainable energy is required so that renewable sources meet total electricity demand in Austria by 2030. The aim by 2040 is to decarbonise total energy consumption – around 300 TWh. Both renewables and the power infrastructure therefore need to be expanded and all electricity system players digitally connected. Only in this way will the entire electricity system be reliable, transformable and manageable.

In addition to the objectives of the energy transition, 2022 brought increasing signs of advancing climate change. Long spells of hot weather and numerous extreme weather events in Europe had a major impact on the energy market. Due especially to the long hot spell in

the summer combined with little precipitation, many rivers were running at low levels and the majority saw exceptional warming. The consequences included a reduction in energy production from hydropower, constraints on navigability and less nuclear power due to a lack of cooling. The resulting challenges can be very well analysed by referring to “2022: the year of electricity”.

Hard currency: high level of intervention in the power grid – redispatching

The requirements on the power grid are steadily rising with the growth and greater integration of renewable sources of energy and the increasing electrification of business, industry and society. However, grid capacity is currently insufficient to meet those requirements.

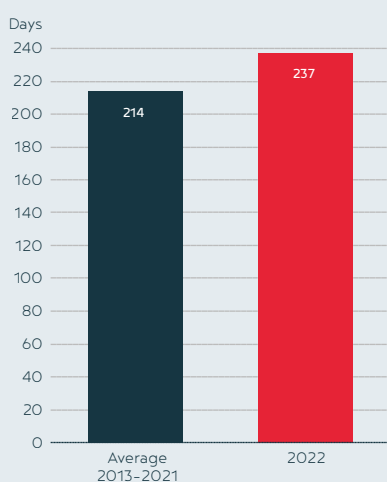
On 237 days in 2022 – and on 27 days in February alone! – redispatch measures had to be taken to prevent bottlenecks within the power grid and ensure that the country continued to have a secure supply of electricity (see infographic 4). In this context, heavy strains on power lines were countered through targeted intervention and through the use of thermal and hydraulic power plants. Redispatching is not just a measure of the lack of capacity within the power grid; it also causes additional CO₂ emissions and, above all, places a further burden on electricity consumers. Over the year as a whole, the costs under this heading amounted to around €100m (see page 24, infographic 5) for Austrian consumers – the redispatching measures requested from abroad generated additional costs of €718m (these are only borne by foreign electricity consumers).

Scan here for the interactive APG infographic.



INFOGRAPHIC 4

Days with redispatching in 2022 compared with the average over the last 9 years



5 May

Ceremony to mark the tenth anniversary of the partnership between the armed forces support service command and Austrian Power Grid.

19 May

Austrian Power Grid (APG): megaproject to ensure a secure supply of electricity.

25 May

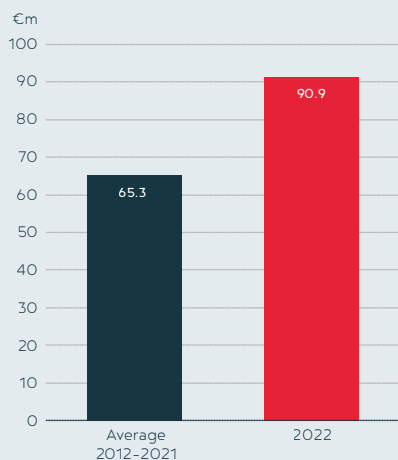
Just in case: fire brigade exercise at APG's Zaya substation.

Scan here for the interactive APG infographic.



INFOGRAPHIC 5

Redispatch costs in 2022 compared with the 2012-2021 average



Austria becomes an importer early in the year, record figures in December

The long hot spell not only means that lakes (including the Lange Lacke in the Burgenland) slowly dry up; it also impacts negatively on electricity generation. June 2022 was 1.1 degrees warmer year-on-year. There was much less precipitation, as a result of which production from hydropower also fell. In July, just 77% of electricity consumption in Austria was met by renewables (2021: 96%). As a result, Austria became a full importer by August (see page 25, infographic 6): despite good wind production (up by 35% year-on-year), the poor performance from hydropower (with electricity production down by 37%) was not offset, as a result of which net monthly imports climbed to a record 958 GWh. Further all-time highs were reached on 21 December 2022, when 100.5 GWh of electricity were imported, and around midnight on the following day, when 5,551.6 MW were imported.

Aridity in Austria, the land of water

Due to the already-mentioned dry July 2022, there was 24% (!) less precipitation than in the previous year. This in turn led to a 31% reduction in production from hydropower compared with the previous year. In August, we were 37% down on the prior-year level, although the following month was somewhat better, with September bringing an increase of 18% compared with the previous month. For a 'land of water' like Austria – electricity production uses not just run-of-river hydropower, but also pumped storage – these are important data for the future, as renewables such as wind and PV can only partly offset these shortfalls at present.

A look in the energy rear-view mirror: the months of May and June

Thanks to the warmer weather, electricity generation from sustainable sources of energy increased again year-on-year in May and June 2022. Renewables met around 90% of Austria's requirements in May and 94% in June (see page 25, infographic 7). In calendar weeks 20, 23 and 24, 100% of the country's electricity consumption (net energy balance) was therefore met by renewables from Austria.

The path to the end goal of an energy transition that delivers security of supply

All these examples, figures, data and facts show the volatility of the system. Austria's central position in the European energy market, Austria's dependence on the climate in producing electricity and the need for considerable capacity across all areas of the electricity system. We currently have too little capacity across all areas of the electricity system (power lines and storage facilities, production and reserves) to best manage this mix of factors economically and through the

27 May

Austrian Power Grid (APG): renewables meet around 76% of electricity demand.

2 June

APG symposium on habitat management: two days dedicated to ornithology.

27 June

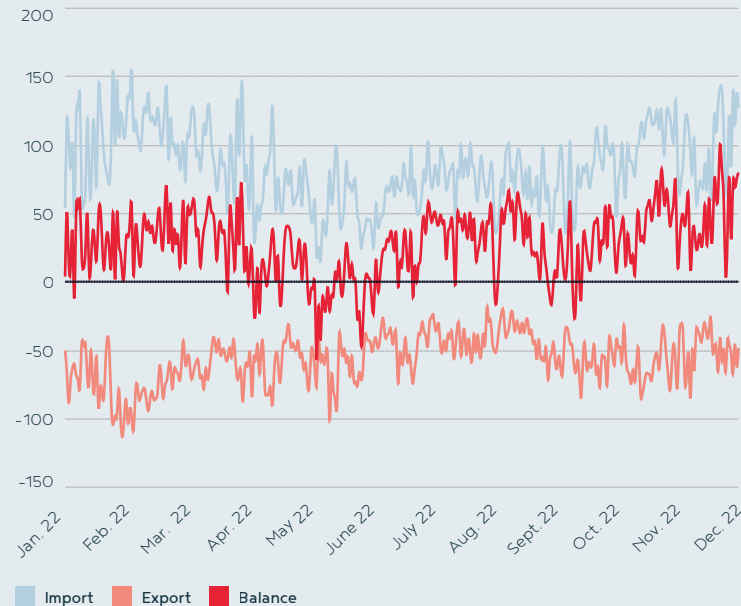
Austrian Power Grid (APG): May 2022: renewables meet 100% of electricity demand in one week of the month.

INFOGRAPHIC 6

Electricity imports/exports in Austria

Over the last 12 months, in GWh

Daily energy based on the import/export schedules for the APG control area



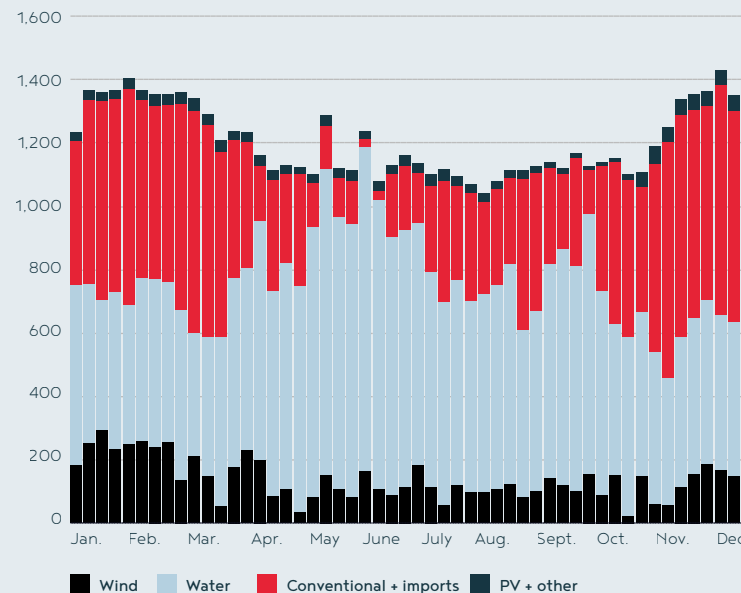
energy market. This leads to risks of the kind that we had to experience again in 2022: price rises, impossible situations and the threat of electricity shortages. For the first time since the post-war era, we are seeing that demand can outstrip supply. This must be prevented, so let us immediately expand the entire electricity system, save wherever it is necessary and sensible to do so, and be proud of the visible signs of the energy future: electricity pylons, substations, wind turbines, PV systems and storage power plants. This requires immediate and massive changes in framework conditions, more specifically:

- Faster approval processes
- End-to-end system planning coordinated at national and regional level (grid - storage - reserves - production - digital platform technologies)
- Protection of planned and existing routes
- Financing assured by a modern regulatory system
- Authorities provided with sufficient resources

INFOGRAPHIC 7

Electricity generation from renewables

per week in GWh, over the last 12 months



We are fulfilling our responsibility through our current €3.5bn investment plan, which includes grid expansion projects as well as numerous projects covering digital platform technologies and research and development. Let us devise the entire plan with absolutely nothing off-limits and implement it together! For a reliable transformation, for Austria, the place where we live and conduct business, and for our future generations.



Scan here for
all interactive
APG infographics.

29 June

APG once again awarded gold in Sustainable Brand Rating Austria 2022.

5 July

Tripping of a protective device causes power outage in Wolfsberg.

13 July

Austrian Power Grid (APG): 70-year-old Enns Valley line readied for the future.

Investments in power infrastructure

For Austria as a business location, for a reliable transformation and for the energy transition.



APG's investments have multiple effects: security of supply, the energy transition, Austria as a business location

APG's current investment volume is €3.5bn up to and including 2031. According to an Economica study, these investments trigger a number of economic effects: over 28,000 jobs throughout Austria are safeguarded. The €2.1bn in gross value added extends across all federal states. Around 94% of the investments with an impact on value creation are made by domestic companies and almost 70% of the investment spending itself has a direct impact in Austria.

The current investment programme encompasses 46 grid expansion projects, the digitalisation of all areas of the Company, the integration of all energy system players by way of digital platform technologies and numerous

research and development projects. All this has not just a positive impact on the economy, but also a significant location effect: the possible availability of low-cost electricity. This and an energy transition that delivers security of supply can only succeed if there is high-capacity grid infrastructure in place.

2022 investment programme fully implemented

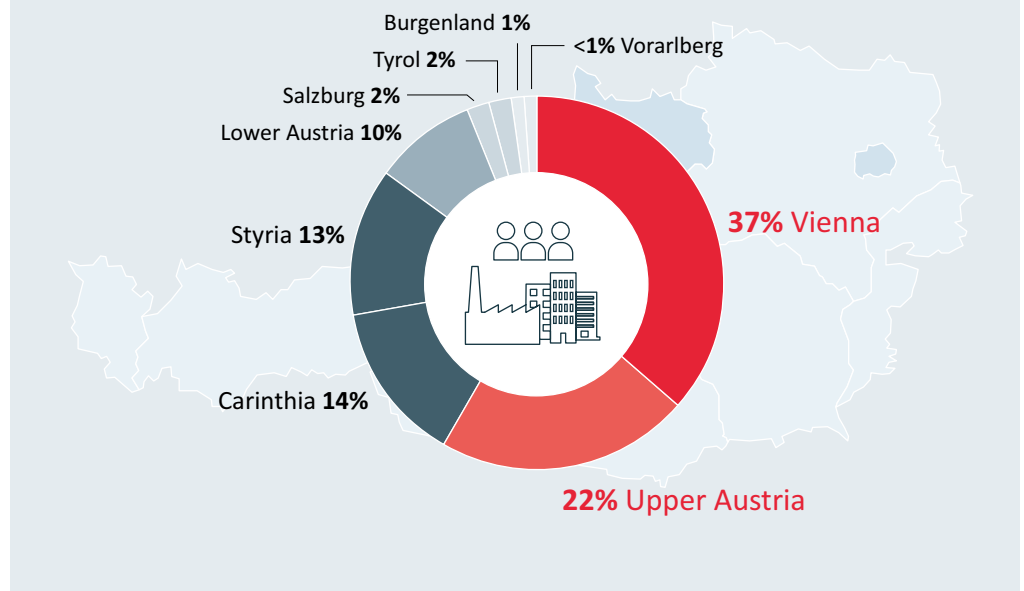
In 2022, APG was able to implement its planned investments of €370m in full. This created €243m in value as well as around 3,280 full-time jobs and had an overall fiscal effect of some €110m (see infographic 8).

Scan here for the press release "Austrian Power Grid to invest €3.5bn over the next ten years to ensure the success of the energy transition".



INFOGRAPHIC 8

Distribution of the total employment effect



26 July

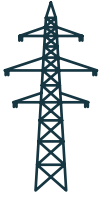
Time for action: €14m for redispatch measures in June shows urgency of power grid expansion.

11 August

Saker falcon 'nurseries' on electricity pylons.

18 August

APG electricity pylons suffer storm damage.



Weinviertel line: commissioning of showcase line project for the energy transition

WEINVIERTEL LINE

Investment volume:

approx. €200m

Total length:

62 km (48 km 380-kV;
14 km 220-kV)

Number of pylons: 202

Completion: 2022

On 12 September 2022, the official inauguration and commissioning of the Weinviertel line took place at the Neusiedl/Zaya substation. Now that it has been completed, the project is making a vital contribution in APG's high-voltage grid to electricity security of supply in Lower Austria and across Austria as a whole. Going forward, the line will feed up to 3,000 MW of renewable energy from Lower Austria into APG's trans-regional grid for use throughout Austria. This connected load is equivalent to that from eight Danube power plants. The Weinviertel line is therefore essential to the success of an energy transition that delivers security of supply as well as to the electrification of industry, business and society and the entire east of the country.

Having been fully implemented in just six years, the Weinviertel line is a shining example of how infrastructure planning, location development and the energy transition can be realised with a high level of acceptance. Project partners APG, Netz NÖ and EVN developed this project together in 2016 and, in an intensive process, optimised it such that a high level of acceptance was achieved among the public and all stakeholders. It is a role model for infrastructure project implementation throughout the country. The construction of this line created around €132m in value for Austria, of which Lower Austria alone will retain some €31m. In addition, approximately 2,100 jobs were created across Austria, around 600 of them in Lower Austria.

Scan here for further information on the Weinviertel line.



25 August

Austrian Power Grid (APG): drought reduces production of electricity from hydropower by 31%.

6 September

Blackout preparedness: symposium provides input into security of supply.

7 September

Austrian Power Grid (APG): 155-tonne heavy load for a secure supply of electricity.



The Salzburg line: Austria's central power infrastructure project is on track

SALZBURG LINE

Investment volume:

€890m

Total length: 128 km

Number of pylons: 449

Completion: 2025

The Salzburg line is one of the most important energy infrastructure projects in the country and central to ensuring that Salzburg and Austria as a whole have a secure supply of electricity. It is also crucial in terms of achieving Austria's climate and energy targets and the availability of low-cost electricity. The construction work is fully on schedule. In all six sections under construction, work on the energy transition and electrifying all sectors of the economy and areas of life continued full steam ahead in 2022 over a total length of 128 km. Around 400 of the

449 pylons have now been constructed. The work on the wire rope hoists is in full swing and in some sections has already been completed. Commissioning is scheduled for 2025.



Scan here for further information on the Salzburg line.

12 September

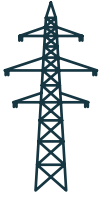
Commissioning of the Weinviertel line: a milestone towards a reliable energy transition.

13 September

Representative study: 85% of people see infrastructure as a route to achieving the energy transition.

27 September

167-tonne load for APG: the first transformer conductor is delivered to the Salzburg substation.



Electricity security of supply in central Upper Austria: power infrastructure for the electrification of industry

CENTRAL UPPER AUSTRIA

Investment volume:
approx. €650m
Total length: 42.5 km
Number of pylons: 138
Completion: 2030

Scan here for further information on the “Electricity security of supply in central Upper Austria” project.

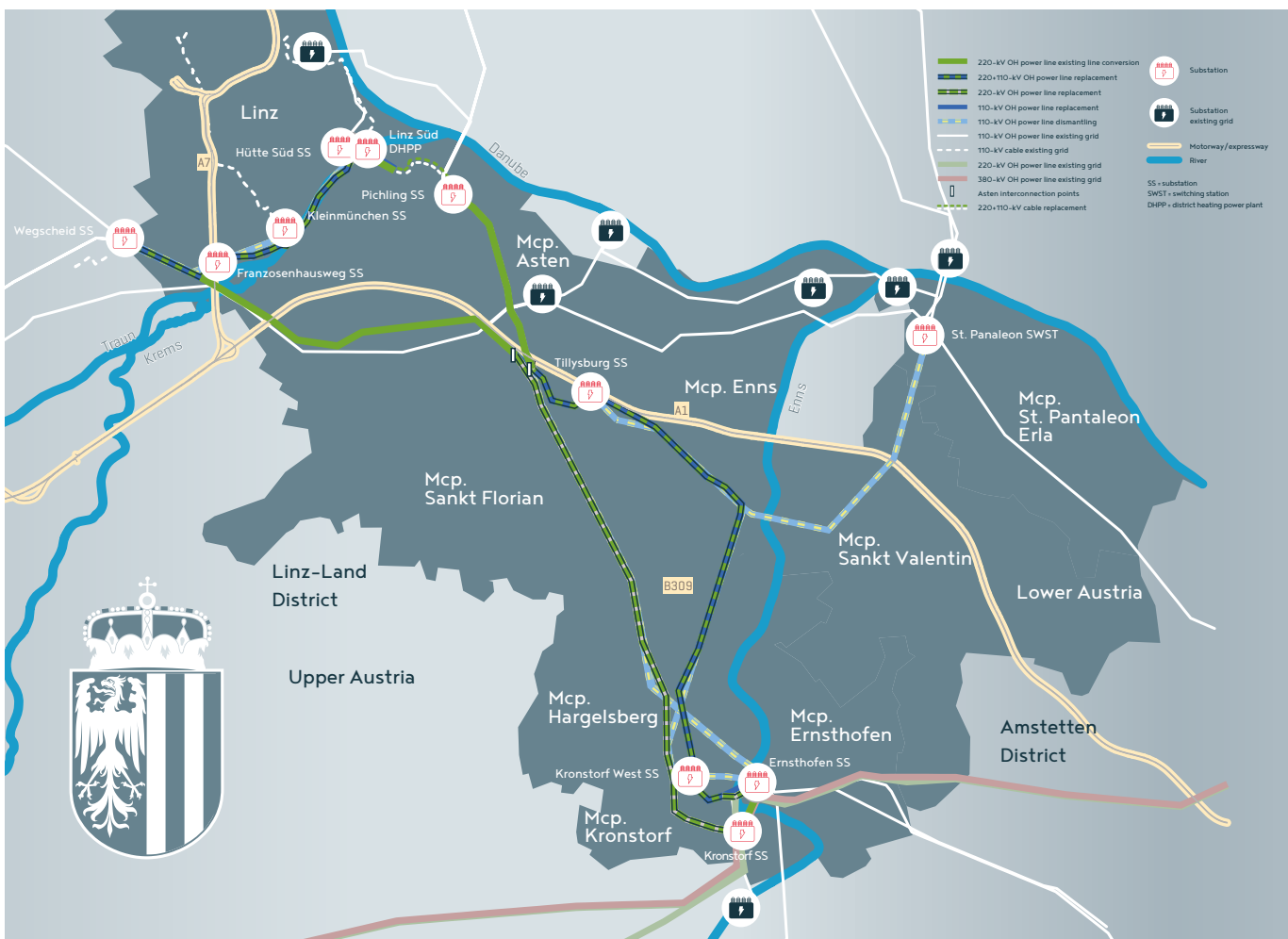


The joint project by Austrian Power Grid (APG), Netz Oberösterreich GmbH (Netz OÖ) and LINZ NETZ GmbH (LINZ NETZ) will ensure central Upper Austria is fit for the energy market of the future. A 220-kV supply ring will guarantee electricity security of supply and enable a successful energy transition in the region.

Electricity demand in central Upper Austria will increase sharply over the coming years due to the growth of the economic area and sustainable development region of Enns-Steyr, the ongoing electrification of industry and the resulting process changes (electric-based steel production) in the Linz area and the growing number of

consumers. Linz, Wels and Steyr alone will grow by 11% to around 350,000 inhabitants by 2040. Through the 220-kV supply ring, we and the project partners will create a secure supply of electricity for future generations. The project is also an essential ingredient for the establishment of further grid segments in the region.

The hearing on the environmental impact assessment (EIA) was held at the Design Center Linz between 29 November 2022 and 2 December 2022. A decision on the application for approval (and the outcome of the hearing) will be issued in an official notice.





General overhaul of the 220-kV Enns Valley line: a key project for the region

ENNS VALLEY LINE

Investment volume:
approx. €100m
Total length: 73.2 km;
(Styria: 56.3 km,
Salzburg: 16.9 km)
Number of pylons: 234
Completion: 2027



Scan here for further information on the Enns Valley line.



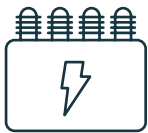
Through the general overhaul of the 220-kV Enns Valley line between the Weißenbach substation in Styria and the Wagrain connection point in Salzburg, APG will provide the capacity required for the energy future and ensure a secure supply of electricity and long-term development opportunities for society, business and tourism in the region. The general overhaul will enable urgently required additional capacity to be made available for grid operations as early as 2027. Construction work is scheduled to start in 2025, straight after the completion of the Salzburg line.

Following the hearing under the High Voltage Lines Act (Starkstromwegesgesetz, StWG) in July 2022 in Gröbming, the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK) issued its positive, but not yet final and non-appealable StWG decision at the end of October. In November, APG also organised an information event on the project for citizens at the Congress Schladming conference centre, where around 130 community representatives and land owners from the region were able to put their questions directly to the APG project team.

28 September
APG: Austria became an electricity importer in August.

30 September
Zeltweg: APG electricity pylons damaged by storm now back in operation.

20 October
Austrian Power Grid works on electricity stress test to assess security of supply this winter.



Zell am Ziller substation: an €11.4m spend to ready it for the future

ZELL AM ZILLER SUBSTATION

Investment volume:

€11.4m

Project duration: 3 years

Completion: 2022

February 2022 saw the completion of the construction work at the Zell am Ziller (Rohrberg) substation. Since 2018, €11.4m has been invested in modernising the 110-kV switching station. APG is thus improving the supply of electricity in the Ziller and Gerlos Valleys significantly and safeguarding the area as a business location, especially with regard to energy-intensive winter tourism. To ensure that all consumers could be reliably supplied with electricity during the three-year renovation

period, numerous provisional arrangements were made in order to maintain operations at the substation.

Scan here for the press release: “€11.4m for electricity security of supply in the region: construction work at the Zell am Ziller substation reaches completion”.



28 October

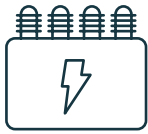
APG: lack of grid capacity leads to bottlenecks.

7 November

APG electricity stress test: supply situation secure, but major challenges in winter 2022/23.

17 November

Electricity security of supply in central Upper Austria: EIA negotiations get under way at the end of November.



Lienz substation: megaproject to ensure a secure supply of electricity in East Tyrol reaches completion

LIENZ SUBSTATION

Investment volume:

€33m

Project duration: 7 years

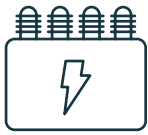
The Lienz substation is currently the only electricity feed-in point for the whole of East Tyrol from APG's Austria-wide 380/220-kV high-voltage grid and therefore particularly important for the supply of electricity in the region. After a construction period of around seven years, Austrian Power Grid (APG) has now successfully completed the complex modernisation of the 220-kV switching station at the Lienz (Nußdorf-Debant) substation. This not only increases security of supply in East Tyrol, but also improves the integration of renewables into the Austrian power grid.

In total, around €33m was invested in the modernisation. Among the core components, a new 380/220-kV

transformer put into operation in the previous year increases reliability for the East Tyrol region and the whole of Austria. Moreover, the new transformer and the renovated 220-kV plant strengthen the connections between the Malta, Reißbeck (both Carinthia) and Kaprun (Salzburg) storage power plants in the west of the country and the wind power plants in the east. This enables surplus wind power that is not used at the point of generation to be transported over long distances and stored. The electricity can then be re-requested from the storage power plants for use throughout Austria as and when necessary.

Scan here for further information on the Lienz substation.





Ernsthofen substation: extensive renovation for the energy future

ERNSTHOFEN SUBSTATION

Investment volume:

€150m

Project duration:

until 2029

The Ernsthofen substation is one of the largest and, for Austria's electricity supply, among the most important in APG's grid. It is where important trans-regional and regional supply lines converge. Due to their long period in service since the 1940s, the 110-kV and 220-kV switching stations are in need of extensive modernisation so as to ensure that the region continues to have a secure supply of electricity for future generations and meet the requirements of the energy future. Two new 220/110-kV large transformers will also be constructed during the course

of the work. APG is investing a total of €150m in this megaproject. The measures at the site will improve transportability throughout the APG grid. This will enable APG to better manage sharp fluctuations in energy flows, thereby increasing security of supply for the whole of Austria. The extensive work started in 2017 and will be completed in 2029.

Scan here for further
information on the
Ernsthofen substation.



18 November

APG once again wins gold TÜV science award in the Company category thanks to its collaboration with Graz University of Technology on measuring solar storms.

28 November

- Austria saves electricity
- APG takes part in emergency drill.

2 December

Electricity security of supply in central Upper Austria: EIA negotiations have taken place.

A close-up photograph of a hand dropping a fine, light-colored powder into a dark, reflective bowl. The powder is captured mid-fall, creating a dynamic, cloud-like effect. The bowl's surface is dark and glossy, reflecting the light and the falling powder. The hand is positioned at the top right, with fingers slightly curled as it releases the powder. The overall composition is artistic and evocative, suggesting a process of creation or transformation.

Economy needs electricity.

Austrian Power Grid
www.apg.at

Austria
needs
electricity.



Innovation

For a responsible route to a reliable, sustainable energy future.



APG relies on state-of-the-art technologies

Only by using the latest technologies with security as a basic requirement can we reach our goals. Intelligent innovation-based resilience is the guiding principle behind everything we do. Our team manages the energy system using digital tools and smart platform solutions. Responsible environmental management and the use of social research are essential to the role as frontrunner in a sustainable energy world.

Electricity balancing in Austria (vertical market integration)

To enable the forecast increase in volatile renewable generation to be efficiently integrated into the electricity market, it is essential to incorporate and coordinate decentralised flexibility options. So far, however, small generation or demand units have hardly been actively integrated into wholesale electricity markets. The “Electricity balancing Austria” platform takes on this challenge and – as one of APG’s largest and most innovation projects – thus makes a crucial contribution to future security of supply.

To support implementation, APG joined Equigy, a European crowd balancing platform (CBP), as one of the founding members. APG worked with the platform developers to adapt the Equigy CBP software to the Austrian market. The software solution has meanwhile been rolled out in Austria. The CBP will facilitate supplier participation in the balancing services market, enabling suppliers to connect small-scale flexibility assets such as photovoltaic systems, batteries, heat pumps, electric cars, etc.

Digital substation

Substations form the nodes in the Austrian transmission grid. Because they change the voltages, they are necessary for the trans-regional transmission of renewable energy – for example, from the wind power plants in the Weinviertel in the west of Austria or from the Alpine pumped-storage power plants to the centres of consumption in the east.

Substations are already controlled remotely. Advances in digitalisation now offer the opportunity to monitor and control the use of equipment even more precisely in real time. This enables critical statuses, for example of transformers, to be detected at an early stage, costly shutdowns to be prevented and equipment to be put to optimum use. Preventing unforeseen outages therefore helps to maintain a high level of security of supply, while the cost benefits gained through improved maintenance can be passed on to grid users.



Scan here for the explanatory video “Digital substation”.



5 December

€33m megaproject at the Lienz substation to ensure a secure supply of electricity in East Tyrol reaches completion.

14 December

APG becomes processing centre for demand-side response electricity-saving product.

19 December

Austria consumes 4% less electricity in November.

Innovation needs electricity.



Austrian Power Grid
www.apg.at

Austria
needs
electricity.



Wind turbine icing

Due to climatic and geographical conditions, Austrian wind power generation faces the challenges of ice formation on wind turbines. In extremely cold weather, there is a risk of an abrupt breakdown in planned electricity production as a result of wind power plants becoming iced up. A short-term wind farm failure can cause millions in balancing energy costs and put the supply of electricity at enormous risk. In addition, ice throw and ice fall pose a risk to any people nearby and the surrounding infrastructure.

To enable it to detect such a failure as soon as possible and ensure that Austria has a secure supply of electricity, APG is pursuing two innovations. Firstly, icing forecasts are produced based on weather data. Secondly, a real-time detection system detects production variance in Austrian wind power. Through the two innovative projects, APG gains important time to



introduce potential remedial actions in a timely manner. This enables it to avoid expensive intervention to stabilise the power grid.

Scan here for further information on the “Wind turbine icing” project.



GIANT wins TÜV-AUSTRIA innovation award

Direct currents caused by solar storms pose a threat to the transmission grid and thus to electricity security of supply. On the GIANT project, APG worked together with Graz University of Technology (TU Graz) to develop a device that measures these direct currents without placing constraints on operations – fully automatically and remotely. This saves costs and increases operational reliability. It also enables the expansion of Central Europe’s unique solar-wind measurement network. TU Graz put the first measurement device of this kind into operation in a 220-kV neutral point in an APG substation in December 2021. As grid operations are not constrained as a result of the way in which it functions and is installed, all other measurement

systems in Austria are to be retrofitted. In 2022, this achievement won the TÜV science award.

Scan here for the press release “APG once again wins gold TÜV science award in the Company category”.



From left to right: Stevi Rakic, APG QR code project manager, Georg Achleitner, head of the substations department



Awakening the little ones' interest in APG

In February 2022, APG joined forces with the Kleine Zeitung newspaper to design a children's newspaper with the title "How does electricity get into the power socket?" and distribute a print run of 25,000 copies to numerous schools throughout Austria. The Kleine Kinderzeitung is the only children's newspaper to be used as a learning resource in primary schools, among other places. Pupils were able to find out about topics such as "Where our electricity comes from and how it is generated" or "What a blackout is and what happens afterwards" and take part in a competition.

Saker falcons: nurseries on electricity pylons

APG's power grids not only ensure the supply of electricity, but also make a valuable contribution to nature conservation. For more than 25 years now, we have been protecting flora and fauna

through targeted habitat management in the surrounding area and along the power infrastructure with an eye towards biodiversity. Electricity pylons offer saker falcons not just a habitat, but also a safe place for fledglings to grow up in.

Nearly extinct in Austria in the 1970s, this species has made a strong recovery since the launch of APG's collaboration project with BirdLife Austria and the Austrian Ornithological Centre at the University of Veterinary Medicine Vienna, among other things. The 130 nest boxes in total installed on APG electricity pylons in the east of the country are increasingly popular with the falcons. Around 40 breeding pairs were observed in the nest boxes in 2022 alone. APG's power infrastructure provides generations of people in Austria with reliable electricity. We assume this responsibility to the generations in sustainable nature conservation, too.



Scan here for the video "Saker falcon nurseries on electricity pylons".

Scan here for the press release: "Study: 85% of people see infrastructure as a route to achieving the energy transition".



Infrastructure company study shows: people see infrastructure as essential to the energy transition

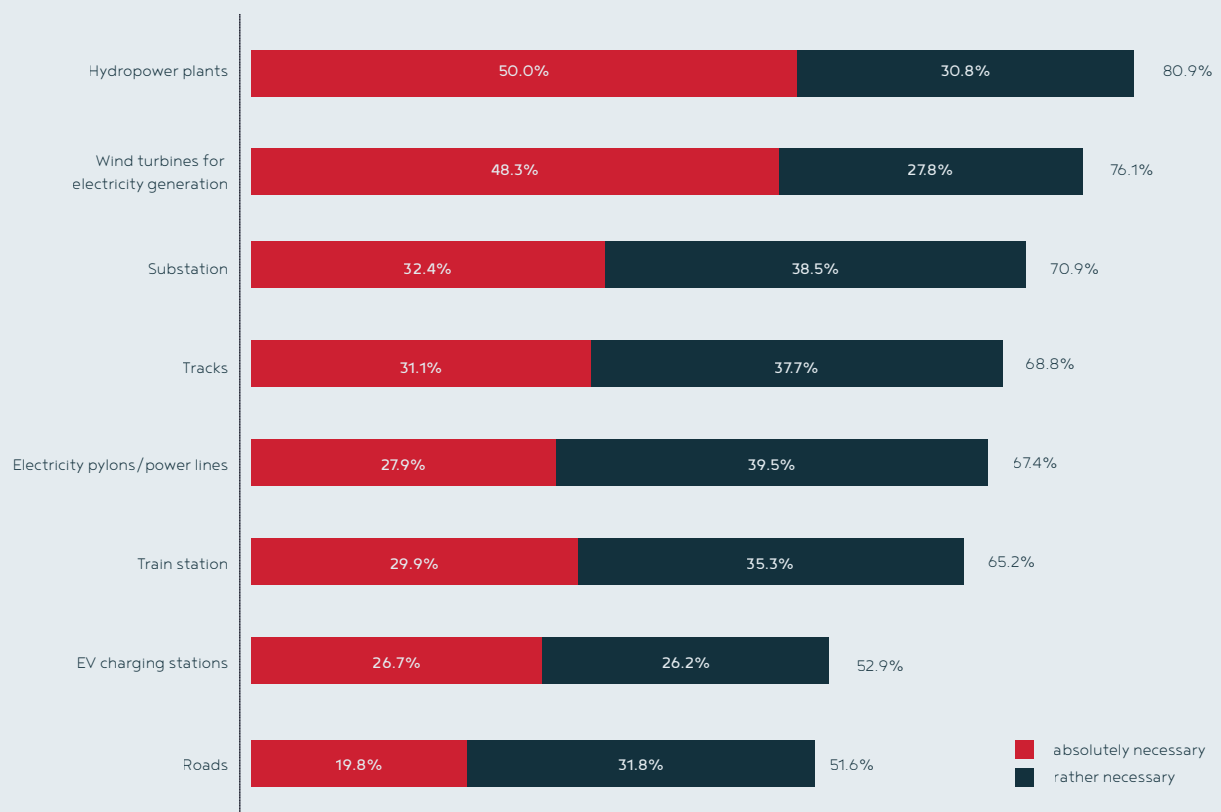
Infrastructure projects have a key role to play in achieving the climate targets: that is the finding of a representative survey conducted by Marketagent.at on behalf of the country's most important infrastructure companies (APG, ÖBB, ASFINAG) in summer 2022. 83% of respondents see that infrastructure is extremely important when it comes to maintaining everyday life in society. With regard to the future of Austria as a location, 90% of respondents consider infrastructure modernisation to be important or very important.

Other findings of the study:

- Around 48% of respondents say that infrastructure project implementation in Austria is quite slow/very slow.
- Around 64% of the population doubt that the climate targets can be achieved.
- 80% of respondents consider the energy transition to be very or quite important.
- Almost two-thirds of respondents see the infrastructure as resilient.
- Over 50% of people consider it necessary to expand infrastructure projects for roads, rail, electricity and energy (see infographic 9).
- Surprisingly, many respondents accept infrastructure in their neighbourhood. The frontrunners are hydropower plants, wind turbines and railway stations.
- When it comes to readiness to implement climate change mitigation measures, 73% of respondents see a clear need for action.

INFOGRAPHIC 9

Infrastructure expansion in Austria

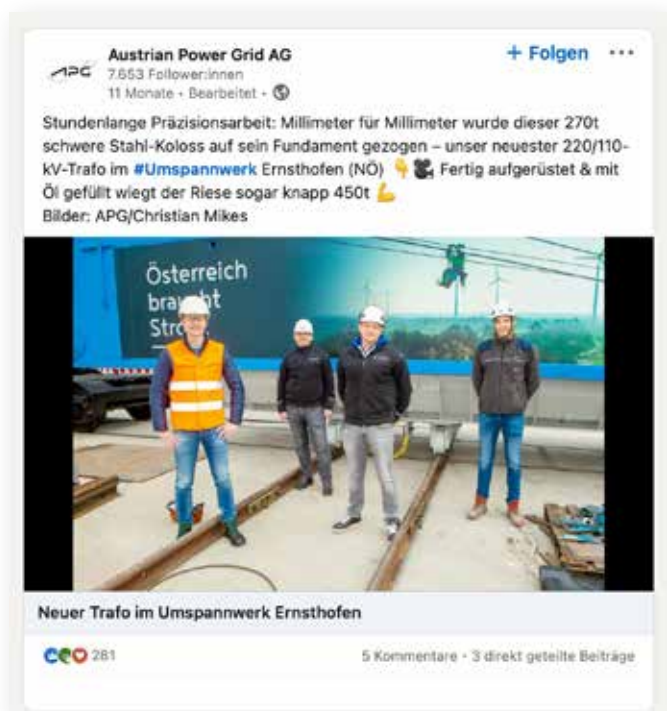
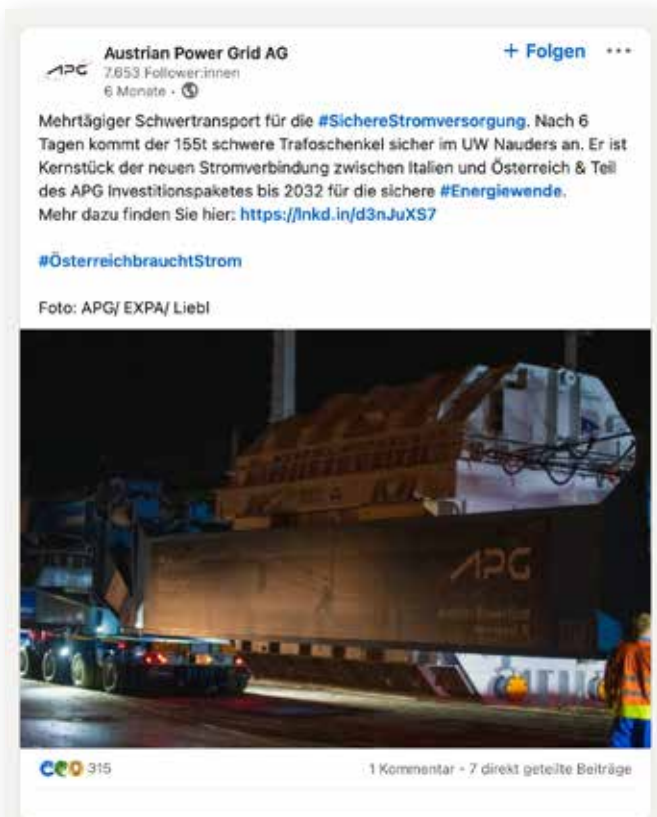


Best of social media

Most successful posts by impressions on Twitter and LinkedIn



Most successful videos on Twitter and LinkedIn



Followers at the end of 2022: 1,403 (+58%)
Impressions in 2022: 325,400



Scan here for
APG's Twitter
channel.



Followers at the end of 2022: 6,917 (+112%)
Impressions in 2022: 459,631



Scan here for
APG's LinkedIn
channel.



Most clicked: video productions on YouTube

European frequency disturbance: the simulation



Scan here for the video "European frequency disturbance: the simulation".



Do you have the right frequency? We have the right beat.



Scan here for the video "Do you have the right frequency? We have the right beat".



Weinviertel line: pylons erected at lightning speed



Scan here for the video "Weinviertel line: pylons erected at lightning speed".



Austria needs a power supply.

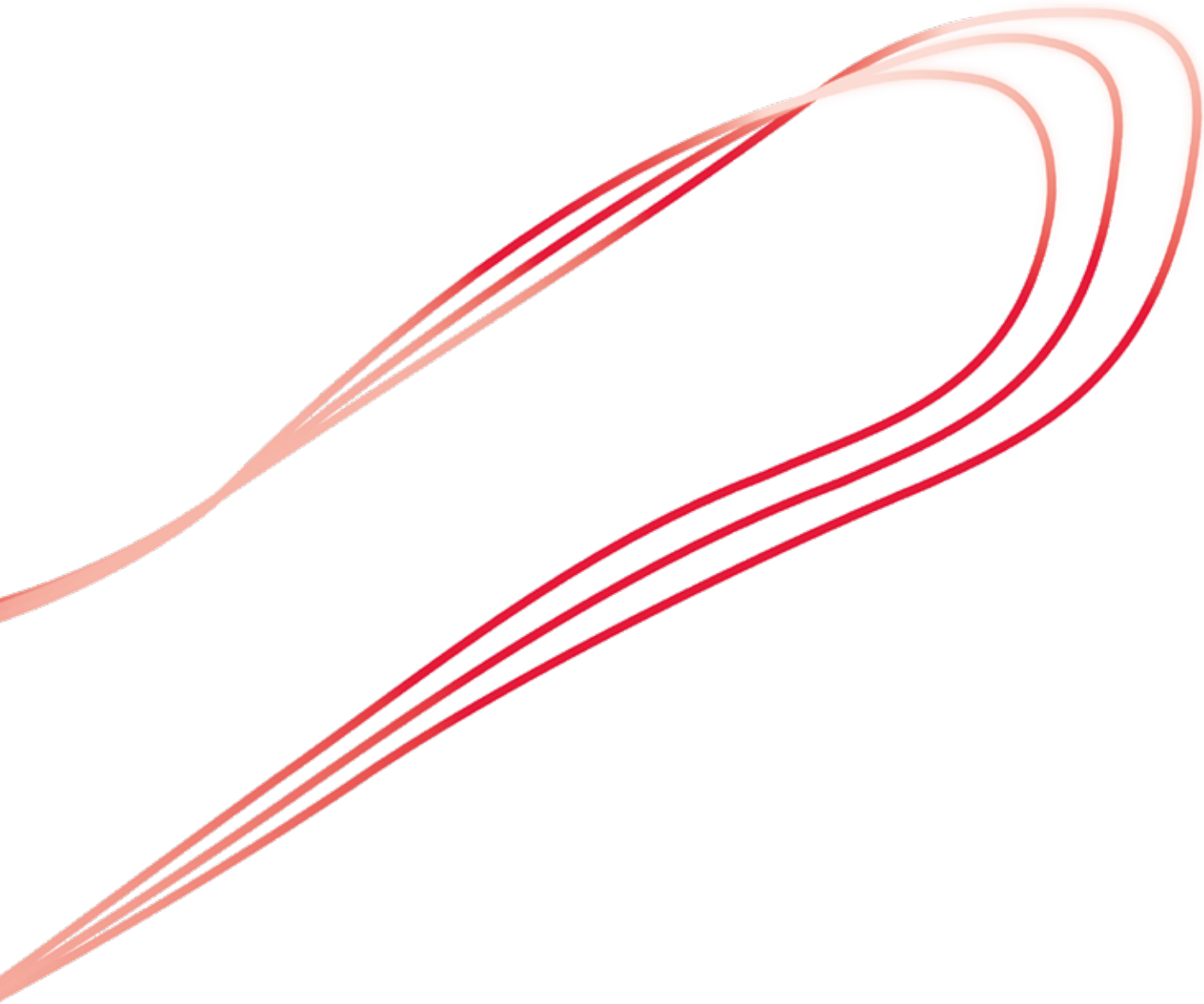
Austrian Power Grid
www.apg.at

Austria
needs
electricity.



The page features several decorative, wavy red lines that originate from the left side and curve towards the right, framing the central text. These lines vary in thickness and color intensity, creating a dynamic, organic border.

Financial report



Three-year comparison

€m	2020	2021	2022
Revenue	695.8	1,082.3	1,876.4
Earnings before interest and taxes (EBIT)	71.8	124.2	147.1
Profit before tax	47.0	98.0	119.1
Net income/loss for the financial year	35.5	73.9	92.9
Net retained profits	18.2	37.3	47.1
Average capital employed	799,584.0	796,051.9	847,409.6
Total assets	2,130.1	2,552.9	3,173.6
Fixed assets	1,913.8	2,186.9	2,462.2
Capital expenditure on tangible fixed assets	372.9	367.7	382.5
Depreciation of fixed assets	87.8	93.9	102.7
Equity	485.1	540.8	596.4
Return on sales (ROS)	10.3%	11.5%	7.8%
Return on equity (ROE)	10.7%	20.6%	22.8%
Return on investment (ROI)	3.9%	5.8%	5.8%
Equity as percentage of assets	22.8%	21.2%	18.8%
Notional debt repayment period	11.5	11.1	12.4
Net cash flow from operating activities	191.0	254.0	223.3
Net gearing	185.5%	185.5%	192.1%
Number of employees	557	611	670
(of which apprentices)	23	22	20
Transport volume (GWh)	44,863	45,349	46,592

Governing bodies of the Company

Supervisory Board

Dr Peter F. Kollmann
Chairman

Ing. Mag. Peter Koren
1st Vice Chairman

Mag. Dr. Michael Strugl, MBA

Mag. Dr. Erich Entstrasser

Dr Christof Germann

Mag. Leopold Rohrer

Mag. Dr. Georg W. Westphal

Mag. Andreas Wollein

Employee Representatives

Ing. Wolfgang Liebscher
Chairman of the Central Works
Council,
2nd Vice Chairman

Andreas Gross
Central Works Council

Johannes Naber
Central Works Council

Rüdiger Schimek
Central Works Council until
7 September 2022

Mag^a. Katja Moschini-Klom
Central Works Council from
7 September 2022

Working and Audit Committee

Dr Peter F. Kollmann
Chairman

Ing. Mag. Peter Koren
1st Vice Chairman

Ing. Wolfgang Liebscher
2nd Vice Chairman

Executive Board

DI Mag. (FH) Gerhard Christiner

Mag. Thomas Karall

Management Report

About us

Austrian Power Grid AG (APG) is responsible for safeguarding the supply of electricity so that everyone has power when they need it. As control area manager, APG operates the Austrian transmission grid, which is part of the trans-European transmission grid operated by the Regional Group Continental Europe (RGCE) of the European Network of Transmission System Operators for Electricity (ENTSO-E).

In the course of transposing the requirements of the European Union's Third Energy Package into Austrian law through the Electricity Industry and Organisation Act (Elektrizitätswirtschafts- und -organisationsgesetz, ElWOG) 2010, VERBUND chose the Independent Transmission Operator (ITO) format to be the model for APG. APG received ITO certification in a notice issued by E-Control Austria (ECA) dated 12 March 2012.

With a route length of 3,427 km, 6,948 km of connected lines and 65 substations and switching stations, the APG grid is the backbone of Austria's power supply. APG's power grid ensures the trans-regional exchange of electricity between energy providers and consumers both within Austria and internationally, guaranteeing a stable supply to distribution grids.

The power and energy system is in the midst of a complete transformation. The social imperative for and acceptance of a fast, reliable transition to a sustainable and clean overall system is gathering pace. To consistently address the resulting opportunities as envisaged in our strategy, APG had to realign its organizational structure accordingly.

The new organization, which came into effect on 1 July 2022, aims to ensure that we maximise APG's external impact. Establishing four new divisions – Assets, System, Finance and Cross Functions – has created the structure that APG needs in order to meet its responsibility as manager of the energy system from an organisational perspective as well.

Aside from some workshops involving an external moderator, the entire project from inception to implementation was managed internally. Preliminary work on the concept began in November 2021. We developed the new organisation step by step in a variety of workstreams, with rigorous coordination and iterations. Having established the new structure, we focused on adapting our committee structures, guidelines, processes and decision-making channels, etc. accordingly. In parallel, as of spring 2022, we set in motion all the supporting measures required for a successful go-live, such as changes to our IT systems and cost centre structure and preparations for personnel transfers.

Employees were kept informed of all the key project milestones, ensuring supportive communication throughout the whole change process.

Support for the changes under way will, of course, continue in the coming months and years as we integrate them into our Company culture. Consequently, we remain focused on key issues such as process chain optimisation, ongoing efforts to reduce bureaucracy, and stepping up cross-divisional collaboration.

Management Report

Highlights of 2022

2022 was a financial year marked by numerous challenges and the successful accomplishment of key milestones:

- » **Massive capital expenditure** as a key booster in meeting the ambitious targets for the energy transition and climate action
- » **Securing sufficient redispatch capacity for congestion prevention** (grid reserve as a market-based system) to ensure security of supply
- » **Successful organisational realignment** with APG's ever-increasing requirements, challenges and responsibilities
- » Innovative measures to ensure that customers remain the focal point of developments (**vertical market integration**)
- » **Cross-border initiatives and projects** to continue strengthening international collaboration
- » Extensive measures and test cases to **ensure security of supply**
- » Measures to address APG's future **business focus and management** in connection with SAP S/4HANA technology
- » Project to **adapt the existing regulatory regime** to the changes in capital market conditions as well as in APG's business model

All measures were implemented with an eye towards efficiency and ensuring adequate profitability.

An integrated annual report was prepared for financial year 2022 that encompasses the subject of sustainability. Including this topic in the integrated report brings it to a wider audience and underscores its importance for APG. The annual report also provides several examples illustrating APG's rigorous work on research and innovation.

Finally, the financial performance indicators and risk and opportunity management are presented and an outlook for 2023 is provided. For further details, please refer to the notes to the financial statements.

The electronic version of the 2022 Annual Report can be downloaded at <https://www.apg.at/ueber-uns/organisation>.

Management Report

Developments in grid operations

Congestion management in 2022

APG is Austria's independent power grid operator, controlling and taking responsibility for the trans-regional electricity transmission network. The dynamic pace of change in Europe's energy market and the policy goal of achieving decarbonisation – especially in connection with expanding generation capacity from wind and photovoltaic sources – are giving rise to volatile and in some cases higher load flows. Since the necessary expansion of the grid infrastructure often cannot keep pace with these developments due to long administrative processes, congestion is commonplace both within Austria and across the European power grid.

In 2022, APG transmitted 46,592 GWh via the 220/380-kV grid. A multitude of measures had to be taken in order to manage congestion in coordinated grid operations, including extensive congestion management measures at power plants (redispatch). The total volume of energy drawn from power plants in the APG control area in 2022 as part of this management activity was 1,536 GWh, predominantly sourced from gas power plants in the east.

The congestion in the APG grid was caused by various issues, but largely by wide-ranging north-south or west-east flows of electricity. Fewer redispatch interventions were required compared with previous years. This was partly due to lower power plant availability in France and the advancing expansion of renewable energy (RES) in Eastern and Southeastern Europe, temporarily reducing wide-ranging west-east flows of electricity. Large-scale requests from neighbouring transmission system operators to Austrian power plants also benefited the situation in the domestic grid. These requests accounted for most of the energy drawn; accordingly, foreign grid operators bore the bulk of the costs.

Securing sufficient redispatch capacity through congestion prevention

Under Section 23(2)(5) of tEiWOG 2010, APG is required to identify any congestion in the transmission grid and take appropriate measures to prevent, eliminate and overcome it. This requires sufficient redispatch capacity, which can be drawn

upon where necessary as a congestion management measure at power plants.

In the past year, this capacity was secured through the grid reserve regime under Section 23a ff. of EiWOG 2010. Following system analysis including decommissioning notifications for generation plants and capacity already secured in 2021, a grid reserve of up to 3,007 MW was contracted under the 2022 tender, for the period from quarter 4/2022 up to and including quarter 3/2023. In 2022, this secured reserve capacity or grid reserve capacity was used on a regular basis to prevent congestion. It was primarily this proactive approach to securing capacity from flexible power plants that enabled APG to ensure grid security and thus security of supply.

The total expense for the congestion management measures implemented by APG in the APG control area in 2022, including costs to secure redispatch capacity, was around €732.7m, approximately €90.9m of which had to be borne by APG. The remainder was passed on to other grid operators.

Synchronisation of Ukraine

After the outbreak of the war in Ukraine on 24 February 2022, the Ukrainian and Moldavian TSOs (Ukrenergo and Moldelectrica) sent a request to ENTSO-E for urgent synchronisation with the Continental Europe Synchronous Area (CESA). Just three weeks later on 16 March 2022, the European TSOs, with intensive support from ENTSO-E working groups and committees, switched Ukrenergo (as the manager of the load-frequency control block) and Moldelectrica to synchronous operation with CESA. The emergency intervention brought forward the mid-2023 deadline agreed in 2017 under the ENTSO-E project for Ukrainian synchronisation, accelerating it by almost 18 months.

Consequently, Ukraine and Moldavia joined the CESA as of 16 March 2022. Since then, synchronous operation in Ukraine has been interrupted only briefly by the major disturbances/blackouts caused by Russian attacks on the country's power infrastructure in autumn 2022. However, the Ukrainian TSO has always managed to restore its interconnection with the

Management Report

rest of the CESA very quickly, improving security of supply in Ukraine.

Despite the ongoing war, ENTSO-E and neighbouring TSOs are working on making the cross-border power lines even more resilient and increasing exchange capacity alongside the existing option of emergency support.

Market trends

Energy market developments characterised by soaring and volatile prices

High prices continued in 2022, peaking in August. On the futures market, at the start of the year the Cal 23 base product for the Austrian market area on the EEX energy exchange was trading at €125.16/kWh, peaking at €1,015/kWh at the end of August. On 28 December 2022 the price was still relatively high at €256.85/kWh. Spot market trends took a similar trajectory. The average spot price in Austria was €413.40/MWh in quarter 3/2022 and €216.29/MWh in quarter 4/2022. The year-on-year comparison shows that average prices in quarter 3/2022 were around four times higher than 2021 (€100.02/MWh), while the gap narrowed considerably in quarter 4/2022 (2021: €208.68/MWh). Taking the annual average for the last two years (2021: €106.85/MWh, 2022: €261.40/MWh), the relative price rise was 145%.

Prices on the raw materials markets had already risen substantially last year, and the outbreak of the war in Ukraine drove them to dizzying heights. At the start of the year, the spot price for gas for the Central European Gas Hub (CEGH) was €72.35/MWh. Due to fears of Russia cutting off gas supplies, the price of gas peaked in late August at €312.57/MWh. At the end of the year, gas on the spot market (CEGH) was trading at around €80/MWh. The price of coal (ARA API 2) behaved in more or less the same way, peaking in spring at \$447.15/t. The spot market price of CO₂ fluctuated at a high level throughout 2022, ending the year at around €80/tCO₂.

High prices and high volatility on the electricity market have a massive impact on APG's market activities.

APG's market activities

Procurement of balancing services

As in the previous financial year, the balancing market continued to feel the heavy impact of high electricity prices in 2022. In addition, the automatic Frequency Restoration Reserves (aFRR) market switched from a pay-as-bid system to marginal pricing following the introduction of PICASSO. Consequently, after the steady levels of the last few years, balancing services costs in 2022 stood at around €207.5m (2021: €117.4m). APG's efforts to increase liquidity in the balancing market and stabilise costs remain focused on international cooperation with other TSOs and optimisation of its market design.

Auctioning of cross-border capacity

As market participants usually demand border transmission capacity over and above what is available, APG auctions off cross-border capacity in the form of annual and monthly products for both the day-ahead and the intraday market under transparent, non-discriminatory European processes. High electricity prices have also had an impact on APG's allocation revenue, which was €214.5m in 2022 – a year-on-year increase of €71.0m compared with €143.5m in 2021. Since the change in cross-border management in the Core region in mid-2022, allocation revenue has been subject to significantly higher fluctuations due to changed allocation codes and factoring in the costs of securing long-term capacity, and may result in negative figures.

Central responsibility for grid loss procurement

As the central purchaser for the majority of Austrian grid operators, APG procures approximately 3 TWh per year of the energy needed to cover system losses, which equates to around 97% of all such losses. Expenses for covering 2022 system losses were around €362.1m (2021: €162.1m). Here too, the market price rises that began in 2021 had a clear and noticeable impact. APG employs an ongoing price risk mitigation strategy by factoring the risk into its prices.

Management Report

Inter TSO compensation

Inter TSO compensation (ITC) is a multilateral, contractually governed compensation mechanism for the grid usage costs associated with the cross-border supply of electrical energy. All TSOs are required to bear the compensation payments according to the costs-by-cause principle. Austria continues to be a transit country due to its location in Central Europe. Accordingly, APG's ITC revenue was around €12.3m (2021: €7.1m).

Wind marketing

On behalf of Abwicklungsstelle für Ökostrom AG (Green Electricity Settlement Austria, OeMAG), APG markets volumes arising from deviations in forecasts for green electricity on the European intraday market. This reduces balancing errors for the eco-balance group as well as for the entire control area. Due to the generally better prices on the exchange and because balancing energy is avoided, this reduces costs for the OeMAG balancing group and improves control quality for APG. The savings amounted to approximately €2.5m in 2022, testifying to the added value of efficient, market-based solutions. The huge fall in savings compared with 2021 (€18.2m) was due to an exodus of wind farm operators from the OeMAG balancing group. Those operators have been marketing their own volumes since the end of 2021.

Impact of these market activities in a highly volatile environment

Earnings volatility under the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) is smoothed by recognising regulatory accounts. Nevertheless, the prevailing volatility on the electricity market has a major impact on system costs and therefore on the future tariff landscape as well as on VERBUND's Group result under IFRS.

Ongoing bidding zone review

European legislation stipulates that the efficiency and (actual) congestion management capability of EU bidding zone configurations must be regularly assessed. APG plays a specific role in the bidding zone review process in that 18 TSOs in the Central Europe region use APG's simulation platform, VAMOS, for their calculations. This makes APG a key player in the ongoing evolution of one of Europe's most important processes. Splitting

Austria into multiple bidding zones is not part of the current bidding zone study.

Core region go-live

The Core region consists of 16 transmission system operators (TSOs) from 13 countries. For several years now, these TSOs have been working with numerous partners, such as electricity exchanges and service providers, to develop and implement common processes for the coordinated management of cross-border capacity. Austria, and therefore APG's grid, play a central role in the region. Accordingly, APG is strongly committed to the project.

On 8 June 2022, common flow-based capacity calculation for the day-ahead market went live along with its associated market coupling processes. This is a key milestone in the integration of Europe's day-ahead markets, not just because of the scale and complexity of the processes for implementation, but also because the benefits of the project have captured the attention of experts throughout Europe. These processes optimise the physical network, which in turn enables optimum use of grid capacity for cross-border trading.

Go-live of the Platform for the International Coordination of Automated Frequency Restoration and Stable System Operation (PICASSO)

In quarter 2/2022, APG acceded to PICASSO, the European platform for harmonised activation of aFRR. Consequently, APG now meets one of the key requirements of the Electricity Balancing Guideline, hitting a milestone that we have been working towards since 2017.

Along with the German and Czech TSOs, APG is among the first to use the platform. All the other TSOs in the ENTSO-E region will join over the next few years. Our early accession to PICASSO reaffirms our position as a trailblazer among European TSOs, and our contribution was bolstered by a wealth of experience gained from our ongoing aFRR activation work with Germany's TSOs since 2016.

PICASSO centralises aFRR optimisation by collecting all members' demand and bids and sending the optimisation results back to their load frequency controllers at four-second intervals. In

Management Report

turn, the load frequency controller for the APG grid uses this input to transmit the actual activation signals to aFRR providers in Austria. PICASSO provides APG and all project members with access to a larger pool of aFRR. This improves system stability while also factoring aFRR bid prices into the optimisation process, helping to prevent the activation of more costly bids in Austria.

Balancing electricity in Austria – working towards more flexible platforms

As part of the “Balancing electricity in Austria” project, APG is developing a comprehensive mechanism that uses aggregators to more easily integrate flexible small-scale assets into system services and/or short-term electricity markets. An initial real aFRR use case is scheduled to go live in quarter 2/2023. We plan to flesh out this comprehensive overall concept in more detail over the next few years, with additional functionality and more use cases. Coordination with distribution grid operators, market participants and selected industry partners will be pivotal to this. The mechanism will be implemented using the EQUIGY crowd balancing platform, already proven in similar projects by other TSOs (TenneT NL/DE, TransnetBW, Terna and Swissgrid).

Increase and improvement in transparency

As in previous years, APG is fully compliant with transparency requirements and ensures it meets all its publishing and reporting obligations. The main amendments and changes were due to joining the PICASSO aFRR platform and the simultaneous go-live of APG's new platform for balancing services providers in Austria. Meanwhile, the Core region went live in July, which likewise had an influence on publication. At international level, we assisted with producing the latest version of the Manual of Procedures that governs publication on the European transparency platform. In addition to the prohibition of insider trading and market manipulation, Regulation (EU) 1227/2011 requires all market participants to publish inside information. The Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) also requires Persons Professionally Arranging Transactions (PPATs) to monitor the market in light of the prohibition on insider trading and market manipulation and to notify the regulator if there are grounds to suspect a breach. In its role as a

PPAT with regard to the organisation of the balancing energy market in Austria, APG once again fulfilled its monitoring and reporting obligations in 2022. The changes to balancing energy products following the implementation of the Electricity Balancing Guideline (2017/2195) were integrated into the monitoring process.

Management Report

International activities

APG as an initiator and key contributor in the coordinated operation of European electricity supply systems

APG continued to chair the ENTSO-E System Operations Committee in 2022. This and other tasks and functions within ENTSO-E, TSCNET and regional cooperation confirmed APG's ongoing status as a key player in Europe's operation coordination and market integration processes in 2022.

A particular milestone for all European TSOs – but also for pan-European power supply and security of supply as a whole – was the commissioning and go-live of the new communication network infrastructure in October 2022. After over a decade of development, the speed and quality of operational planning data and information exchange is now real-time and state-of-the-art thanks to this new communication network. As one of the network's four main hubs, APG made a major contribution to the success of the project through its in-house expertise.

The past year was also dominated by a raft of activities organised by ENTSO-E to help with security of supply in Ukraine, in particular the emergency synchronisation on 16 March 2022, details of which are provided in another section of this report.

EU legislative initiatives in 2022

2022 saw many legislative initiatives in the EU. The publication of the Green Deal in 2019 laid the foundations for the comprehensive "Fit for 55" package. The negotiating positions of the various EU institutions (the European Commission, European Parliament and European Council) for the outstanding dossiers are now finalised, with completion expected in quarter 1/2023. Other initiatives included key proposals for revising the Energy Efficiency Directive and the Renewable Energy Directive.

2022 also prompted multiple notifications and emergency regulations in response to high energy prices and disruptions to the global energy market. By March 2022, reducing energy consumption, producing cleaner energy and diversifying Europe's

power supply were all on the agenda. Of particular importance from APG's perspective were the emergency regulations issued by the Energy Council. The emergency intervention to address high energy prices came into force on 7 October 2022. Among other things, it caps inframarginal electricity revenue at €180/MWh and provides for a reduction in electricity demand. Member States have been asked to use market mechanisms to incentivise heavy consumers to shift their consumption in winter to off-peak times and/or to reduce it. Under the Electricity Consumption Reduction Act (Stromverbrauchsreduktionsgesetz, SVRG) adopted by the Austrian Parliament, APG is responsible for the associated forecasting and technical management. Further measures had been set in motion by the end of the year, including the market correction mechanism for gas, the Council's emergency regulation to strengthen solidarity through improved coordination of gas purchases, cross-border gas trading and reliable price benchmarks, and another emergency regulation to speed up the deployment of renewables.

Management Report

Moves to ensure security of supply

Stress testing for a secure power supply in Austria

To date, despite the geopolitical developments around Russia's war on Ukraine ratcheting up prices on the gas and electricity markets, Austria's grid operations and security of supply have never been jeopardised.

Nonetheless, as the year went on, signs of more challenging conditions were looming for the winter. For example, along with restricted gas supplies from Russia, Poland announced winter limits on electricity generation from coal-fired power plants and a ban on exports. In France and Finland, maintenance and repairs would limit the availability of nuclear power plants. And in Germany there were indications of possible restrictions on coal-fired generation.

In light of this, alongside helping to prepare the ENTSO-E Winter Outlook Report in spring 2022, APG also started work on a national assessment. In this stress test, APG analysed a number of separate and combined scenarios to calculate the likelihood of supply-critical shortages in winter 2022/2023 (up to and including March 2023). The scenarios included a wide range of individual factors such as different power plant output availability levels (e.g. in France, Finland and Germany), load increase due to higher consumption, and coal and gas shortages. However, at the time when the stress test was developed, the most likely scenario was a challenging but manageable winter with adequate load coverage. The analyses enabled us to monitor the supply situation systematically through the winter and, in the event of an escalation, to provide an early warning by means of an energy intervention. APG is involved in all crisis exercises relating to energy intervention.

Crisis exercises/energy intervention

Over the past few years APG has carried out or substantially contributed to numerous energy intervention exercises, working with ECA and other key partners such as the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), Austrian Gas Grid Management (AGGM) and distribution grid operators. Specific examples include the exercises in 2018 run by ECA, in 2019 by the Federal Ministry of the Interior (HELIOS), the continuation of HELIOS in early 2020 (at the premises of Wiener Netze GmbH), the exercise at Netz Oberösterreich GmbH in late 2020, and the "Energie.21" national crisis exercise in 2021. The exercise organised by APG in 2018 became the basis for almost all subsequent energy intervention exercises on account of its in-depth coverage of the detailed processes in energy intervention scenarios and the wide range of companies that took part.

Likewise, as a key operational entity in the event of an energy intervention, APG was proactively involved with similar events in 2022: the Wien Energie and Wiener Netze exercise in October, the Carinthia "Combined Success 2022" exercise in November and the BMK and BMI gas shortage exercise in December. The exercise in Carinthia from 7 to 10 November 2022 was exemplary in its coverage of practically every stage of an escalating gas and electricity shortage, with extremely valuable insights for all involved. APG also organised simulated training, working with distribution grid operators to run through the operational processes required in the event of entire areas being cut off.

The Electricity Consumption Reduction Act (SVRG)

At European level, the Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices was issued to counteract soaring electricity prices. The measures in the regulation include a binding target to reduce gross electricity consumption during peak hours by an average of 5% from 1 December 2022 to 31 March 2023 with the aim of lowering electricity prices and reducing the use of fossil fuels.

Management Report

The SVRG was announced on 30 December 2022 in order to meet this binding requirement. Under the legislation, APG's role as a settlement agency is to determine peak hours, tender for electricity consumption reductions and monitor gross electricity consumption.

Having established a methodology for determining peak hours in accordance with the EU regulation, APG implemented a system that automates and calculates the peak hours when demand reduction is required each day, depending on the renewables supply at the time. This system was already in place before 1 December 2022. The information is published and displayed in charts on the newly established Powermonitor accessible from APG's homepage, and is also sent to the BMK for potential incorporation into public energy-saving campaigns.

If it transpires that the voluntary reduction in consumption fails to meet the 5% savings target, the SVRG also provides for APG to set up a new electricity-saving product for procurement by means of a weekly call for tender. Preparations for the first tender for this new demand-side response product were well under way by the end of 2022. We expect to issue the first tender as early as February 2023.

Management Report

Strategic system development

The energy system in a state of upheaval

Due to Europe's common consensus on climate action, renewables are increasingly shaping the energy system. The Austrian Government Programme 2020–2024 and the Renewable Energy Development Act (Erneuerbaren-Ausbau-Gesetz, EAG, Federal Law Gazette BGBl., 27 July 2021) set out extensive specifications for RES expansion in Austria by 2030, with the integration of an additional 19 GW of RES generation capacity and a 100% renewable electricity supply, plus climate neutrality in Austria by 2040. Russia's war on Ukraine and the imperative to reduce Europe's dependence on oil and gas are also accelerating the pace of RES expansion.

The resulting demands on the future energy system are enormous. APG has a key role to play in achieving these climate policy targets, as demand-based expansion of the grid infrastructure (including corresponding storage capacity) in parallel with the expansion of RES generation plants are vital to the long-term success of the energy transition.

Energy system modelling as a new planning tool

The energy system of the future is complex, and we can only build it by taking a cross-sector approach (electricity, gas, heat, manufacturing and transport). In the process, and in the interest of society, we also need to ensure that the transition to a climate-neutral overall energy system is as cost-effective as possible. This requires new planning tools that can map the energy system as a whole as well as in a European context. Long-term, cross-sectoral, cost-optimised planning is the only way forward for tomorrow's infrastructure. That is why APG began developing its own energy system model in 2022, which maps the complex interrelationships accordingly and can deliver major insights for infrastructure planning over the coming decades. This will ensure we reach the right conclusions where tomorrow's infrastructural requirements are concerned.

Asset management

The rapid expansion of RES has also had a transformative effect on the way the system behaves: generation from RES exhibits a relatively high degree of volatility and is dependent on the supply of primary energy sources, i.e. water, wind and sun, whereas production at conventional (mainly thermal) power plants was previously guided by electricity consumption. Moreover, energy flows are now largely determined by market activity, supply and demand and pricing on the electricity market and electricity exchanges in combination with import and export.

Over the course of 2022, we saw a marked rise in raw material and fuel prices (e.g. gas), which led to a significant increase in energy prices and therefore electricity prices. The political will to reduce or eliminate raw materials dependencies in the energy sector underlines the need for more expansion in domestic RES generation (as well as climate action). Consequently, primarily through the EAG, the strong push for RES expansion continues, which means even higher grid volatility and energy flows to come. This requires additional grid capacity along with efficient distribution and transmission grids. However, thermal power plants (mainly gas power plants for demand coverage and congestion management purposes) are still needed to cover periods of insufficient RES supply and to ensure back-up options are on hand to safeguard grid operations (cf. congestion prevention).

In order to meet the ambitious 2030 targets set out in Austria's climate and energy strategy – including the gradual decarbonisation of industry and, above all, the intention to cover 100% of total national electricity consumption (net energy balance) with RES – we need to expand the APG grid quickly. Alongside these grid improvements, we need to establish new flexibility options (e.g. sector coupling, power-to-gas/hydrogen plants). APG believes that electricity and energy storage systems and the use of new, innovative technologies will be crucial.

Management Report

Network Development Plan: a sustainable and optimised grid concept

Every two years, APG prepares and publishes a Network Development Plan (current version: NDP 2021) that includes input from market participants and distribution system operators. This is based on the long-term forecasts in the pan-European coordinated Ten-Year Network Development Plan (TYNDP) prepared by APG and ENTSO-E, likewise in a two-year cycle (latest version TYNDP 2022, see <http://tyndp.entsoe.eu>). The TYNDP paints a comprehensive and detailed picture of the grid infrastructure projects that will be required over the next ten years along with their needs and benefits.

Preparation of a Network Development Plan (NDP) is a legal requirement under ElWOG 2010. It must be based on sound scenario assumptions and detailed grid analyses as well as the grid access and customer projects requested by APG. The NDP ensures that grid expansion requirements and the associated projects are set out, consulted on and published in a transparent manner. The NDP 2021 covers 46 projects in the planning period from 2022 to 2031 and was approved in an official notice issued by the ECA. It is published online by APG (www.netzentwicklungsplan.at) and is also available on the ECA website. The expansion provided for in the NDP 2021 can be broken down as follows:

- » Around 240 km of new transmission lines, 110 km of line conversions to higher voltage levels and 290 km of general overhauls/upgrades to existing power lines
- » An additional 20 substations by 2030 to improve the connections between distribution grids, and the expansion of existing substations plus around 50 transformers with a total capacity of 18,000 MVA
- » Extensive projects in addition to age-related switching station overhauls and upgrades

The NDP 2021 envisages a structured, targeted expansion of APG's transmission grid in Austria. The projects and measures in the plan are geared in particular towards serving energy market trends (primarily the integration of RES and new power plants into the grid, grid access for distribution system operators, EAG and climate change targets,

market integration, and so on). It includes plans for 20 new substations as well as the expansion of existing switching stations, the general overhaul of 220-kV lines, and further expansion of the 380-kV grid (e.g. the 380-kV ring). This aims to ensure RES integration in Austria, improved connection between the south and west of the country with pumped storage power plants, and high-performance connections to load centres and neighbouring countries.

Overall investment volumes

The projects in the Network Development Plan represent an investment volume of over €3.5bn by 2031. Since studies conducted at the Graz University of Technology and the Austrian Institute for Industrial Research (IWI) show that APG's projects will add up to 70% in value for the Austrian economy, their implementation will not only provide significant economic stimulus, but also permanently safeguard Austria as a business location. According to these studies, every billion euros invested in the APG grid will create around 10,000 jobs in Austria. This economic stimulus is of particular importance in overcoming the challenges of the current economic climate (inflation, the energy crisis, etc.).

APG's top line projects are outlined below.

Weinviertel line project

We have reached a key milestone in the energy transition. The new 380-kV Weinviertel line and the Zaya substation went live on schedule in July 2022. The new line underpins the security of electricity supply in Austria and Lower Austria, and provides additional grid access for RES expansion (mainly wind and solar (PV) power). Going forward, the Weinviertel line will feed up to 2,400 MW of renewable energy from Lower Austria into APG's trans-regional grid. By way of comparison, this is equivalent to the output of eight Danube power plants. APG has invested some €200m in the implementation of the 380-kV line from Seyring to the 380/220-kV Zaya substation and the 220-kV line section to the Czech border. Thanks to optimised planning, the replacement line has 53 fewer pylons than its predecessor and is 15 km shorter, with huge benefits for nature conservation areas. Work to dismantle the old 220-kV line is under way and will be complete in spring 2023.

Management Report

Salzburg line project (St. Peter-Tauern)

The commissioning of the 114 km-long 380-kV Salzburg line between the Salzburg and Tauern substations/network nodes will represent a significant step in establishing high-capacity connections from Austria's major (pumped storage) power plant sites to the country's load centres and metropolitan areas. The Salzburg line will enable RES in eastern Austria (especially wind and solar) to interact with the pumped storage power plants and thus facilitate the storage of surplus RES or the provision of balancing services in the event of deviations in forecasts. Without the Salzburg line, climate change targets under the EAG and Austria's climate action targets for the electricity sector are unachievable.

The project has been in the implementation phase since October 2019 and construction is progressing on schedule. The Salzburg line is due to go into operation in quarter 2/2025. Due to the massive delays in the approval process, APG has had to introduce additional contingency measures aimed at increasing grid security and reducing congestion management.

Germany line project (St. Peter-national border)

The 380-kV Germany line between St. Peter and the national border will be a highly efficient interconnecting line on an optimised route. The removal of the two existing 220-kV lines permanently eases the burden on local residential areas. The project facilitates the optimised interaction of RES in north-western Europe and Germany with Austria's load centres and pumped storage power plants. The Germany line therefore plays a key role in the European energy transition. APG has already started the construction work.

Central Upper Austria project

Electricity in central Upper Austria (UACR) is currently supplied by a 110-kV line that no longer meets the future requirements of the region and the Linz metropolitan area. This joint project between APG, Netz Oberösterreich GmbH and Linz Netz GmbH will future-proof central Upper Austria's electricity supply. A 220-kV supply ring will provide UACR with a secure, efficient electricity supply, facilitate its regional energy transition and

support the increasing electrification of the local economy.

The plan is to construct a 220-kV supply ring to replace the 110-kV grid supply. This local 220-kV supply ring will link APG's Ernstshofen, Pichling, Hütte Süd, Wegscheid and Kronstorf substations. The project will also expand the project partners' 110-kV substations in Franzosenhausweg, Kleinmünchen, Tillysburg and Kronstorf West and improve their feed (including the development of two 110-kV subgrids). The necessary works include replacing existing lines and converting voltages from 110 kV to 220 kV on sections of lines already designed for the latter, and expanding and converting eight substations. To minimise the impact on people and the environment, most of the new transmission lines will be installed along the grid operators' existing line routes.

The hearing on the environmental impact assessment (EIA) took place in late November 2022. The result of the hearing and a decision from the EIA authorities (Province of Upper Austria) on the application for approval are expected by the end of quarter 1/2023. Pending successful approval, implementation is planned from 2024 to 2031, with certain construction phases (e.g. the 220/110-kV Hütte Süd substation) scheduled to be put into operation as of 2026.

Reschen Pass project

APG's existing connecting line between Austria (Lienz/East Tyrol) and Italy (Soverzene) dates back to 1953 and is far from able to handle the requirements of today's European electricity market. The increasing generation of hydropower in Austria's western Alpine region (primarily pumped storage power plants), the ongoing expansion of wind power and developments in Italy's energy market (including massive RES expansion), require higher grid capacity between Austria and Italy. A new 220-kV connection from Nauders/Reschen Pass to Premadio (the Lombardy region) will enable an additional connection with higher transmission capacity between APG and TERN transmission grids. Construction of the 380/220-kV Nauders substation is on schedule and should be commissioned by the end of 2023. A subsequent general overhaul of the 220-kV line

Management Report

from Lienz to Italy is planned for completion by 2030.

Other projects and maintenance capital expenditures

APG is also planning extensive maintenance capex to modernise and improve substations and lines in the 220-kV and 110-kV grids (see also APG Network Development Plan 2021). When enhancements and expansion of existing switching stations are considered, the end result can be extensive renovation, particularly in the case of older systems, or, often, replacement for the purpose of optimising them from a technical and economic viewpoint. In addition, old 220-kV lines require extensive renovation and – above all – general overhauls along with the expansion of the 380-kV grid. Besides the investments in grid expansion projects, significant APG resources will also be needed in the coming years for grid modernisation measures and maintenance capex for existing switching stations and lines.

Digitalisation arrives on APG's large construction sites

On its two large Weinviertel line and Salzburg line projects, APG worked with partners to develop a comprehensive construction documentation system called ProlisBau, which has been put to good use since the construction activities began. Installed on the smartphones and PCs of employees, this software continuously ensures that the project is implemented as decided and on schedule and its implementation is documented. ProlisBau is also used to document line construction quality assurance for each specific site. The data and information generated by the software are transferred to the central systems and can be retrieved from the central data archives at any location.

Additional specialist modules are currently being developed so that we can make greater use of the software for construction site coordination at substations and ensure that the construction process is fully documented. In cooperation with our partners, APG experts are developing a corresponding software solution based on a joint needs analysis. The software's success in helping to manage the 380-kV projects underscores the trend towards process digitalisation at APG construction sites and demonstrates our efficiency in managing large-scale projects.

Project environment management

In all projects, APG deals at length with the diverse demands and needs of the stakeholders involved. In 2022, as far as COVID-19 restrictions would allow, project environment management continued to focus on direct dialogue with community representatives, landowners and other stakeholders. Besides our policy of transparent information on the status of current projects, activities included the implementation of measures planned in connection with projects. APG aims to wind up future approval processes for large projects quickly and efficiently by working as constructively as possible with stakeholders, based on rigorous and proactive management of the various stakeholders locally. This requires sensitivity, transparency and an awareness of our social responsibility for the security and expansion of Austria's power system. APG will continue to apply these guiding principles on future projects.

Management Report

Economic trends

Earnings performance in 2022

Operating profit – APG's most important earnings ratio – rose significantly on the prior-year level of €121.8m to €145.1m.

This result was positively influenced above all by the high level of investing activities and a resulting increase in the regulatory asset base (RAB). 2022 was also marked by positive non-recurring effects attributable to social capital and interest rate adjustments. In addition, the high investment volume resulted in an increase in headcount and cost-reimbursement projects (including in connection with maintenance work) combined with a rise in operating costs, although these were strictly managed.

Investing activities/RAB

An adequate regulatory capital return was posted as a result of capital expenditure (net investment) of €373.4m, which represents the basis for the standard capital cost reimbursements. Massive annual investment less depreciation and amortisation led to an increase in the RAB from €1,920.2m to €2,182.4m, full utilisation of capacity across the Company and an increase in own work capitalised.

Social capital

The line items "Expenses for termination benefits" and "Cost of old age pensions" in the income statement show income of €14.3m. This figure is attributable to actuarial gains of €17.5m. These gains are due, in turn, to the change in interest rates for termination benefits from 0.75% to 3.50%, for pensions, burial benefits and anniversary bonuses from 1.00% to 3.75%, and for supplementary health insurance from 1.25% to 3.75%. By contrast, the performance of pension plan assets declined 11.74% to €-3.2m.

Liability for investment reserves (presented under the balance sheet item "Other liabilities")

The investment reserves represent regulatory liabilities from the past. These are reserves for past auction proceeds which were recognised once only in this form in order to bolster equity. The regulator recoups a tranche of this earmarked reserve each

year. The provision recognised (including the interest component) serves to compensate the annual repayment obligation. As the interest rate for long-term obligations of 1.00% in 2021 increased to 3.75% in 2022, the remeasurement of the liability for investment reserves resulted in a positive effect of €14.0m on net income.

EPEX investment income

Since 2015, APG has been a shareholder in the holding company for Gestionnaires du Réseau de Transport d'Électricité (HGRT), which consolidates all of the shares (49%) held by the TSOs (Elia, RTE, Swissgrid, Amprion, TenneT, APG) in the EPEX SPOT electricity exchange. APG's equity investment was an important milestone in Austria's further integration into the Central and Western Europe electricity trading area. In 2022, it also generated investment income of €650.0k.

"Systems, Processes, Integrated and Digitalised" (SPIDi) project

In 2022, APG also devoted considerable time and attention to the SAP S/4HANA project in connection with the Company's digital transformation. To ensure that this project is implemented efficiently and effectively, it is following the SAP Activate four-phase approach. Based on the results of the Explore phase completed in 2021, the following measures were put in place ready for the start of implementation (the Realize phase):

- » The tendering processes for selecting implementation partners for each of the sub-projects (S/4HANA implementation, archiving implementation, temporary business warehouse solution implementation) are complete.
- » A concept for transferring the existing ERP system to an audit-compliant archive has been developed and is now integrated into the Realize phase roadmap.
- » As part of project management, we worked with our implementation partners on a detailed analysis of the Explore phase results and transferred them to a centralised phase plan.
- » Resources and schedules for 2023 were developed with a view to successfully completing all sub-projects by early 2024.
- » The Realize phase officially started in early December 2022.

Management Report

Because the scope of the project embraces all major business processes, close consultation is required with the VERBUND Group to ensure that, first and foremost, the processes for producing financial statements as well as consolidation and planning procedures are uniform and compliant with the ITO. The project will continue to monitor the business side as well as APG as a whole in 2023 and the years ahead.

“Energy Trading and Risk Management” project

In line with APG’s trading company approach, Energy Trading and Risk Management (ETRM) will be the central trading platform for standardised logging and processing of all energy products. 2022 saw the implementation of the Electricity Balancing Guideline, a European Commission regulation implementing pan-European cooperation in the exchange of aFRR, namely PICASSO.

Market distortions are having a huge impact on APG’s procurement activities

The market distortions caused by the COVID-19 pandemic and the war on Ukraine (raw material shortages, supply chain issues, volatile prices and the resulting sellers’ markets, etc.) combined with the comprehensive expansion plans of all other infrastructure companies in Europe forced APG to evaluate its existing (and hitherto successful) procurement strategies. Working with Arthur D. Little, interdisciplinary teams from APG developed a strategic package of more than 50 individual initiatives designed to improve our procurement resilience so that we can continue to cater for the vast increase in project volumes under APG’s Network Development Plan in the years ahead.

APG’s economic performance is dominated by the electricity business

Earnings volatility under the Austrian Commercial Code (UGB) is neutralised by recognising regulatory accounts. Nevertheless, the prevailing volatility in the electricity market has a major impact on cash flows as well as on VERBUND’s Group result under IFRS. The need for additional short- and medium-term liquidity is therefore set to continue.

Management Report

Legal developments

Planned amendment to the Environmental Impact Assessment Act (UVP-G)

The expansion of the transmission grid is crucial if Austria is to integrate renewables and meet its climate targets. The targets in the EAG – namely covering 100% of total national electricity consumption (national balance) from renewable energy sources by 2030 – demand much faster EIA processes for electricity grid expansion projects. APG therefore commented extensively in the consultation on the draft federal law amending the Environmental Impact Assessment Act (Umweltverträglichkeitsprüfungsgesetz, UVP-G) 2000 submitted by the Federal Ministry for Climate Protection, Environment, Energy, Mobility, Innovation and Technology in July 2022. APG most definitely welcomes the draft amendment. We take a positive view of its generic simplifications and efforts to speed up the process. We are particularly pleased to see that energy transition projects are defined in the legislation and that it specifically aims to make them easier. Nevertheless, APG pointed out that UVP-G 2000 provisions aimed at streamlining the EIA approval procedure are subject to the constitutional proviso of necessity, as they represent a deviation from the General Administrative Procedure Act (Verwaltungsverfahrensgesetz, AVG). From APG's perspective, it would therefore be preferable to include these provisions in the AVG itself – for practical purposes in the major procedure provisions (Sections 44a to 44g AVG) – as consistent procedural rules would then apply to all types of administrative matters involving 100 or more parties. Special regulations in the UVP-G 2000 itself on the other hand, as already initiated by adding Section 9a to the UVP-G 2000, are only the second-best solution.

Expanding the major procedure provisions in this way should – in addition to the proposed amendment to the UVP-G 2000 – cover the following points:

- » Limiting the right to inspect records to the point in time when the edict is announced
- » Modernising and standardising the announcement provisions (standardised portal for serving edicts)

- » Eliminating edict freezes
- » Shortening the edict announcement period and the objection period to a minimal period of four weeks
- » When documents are served, they should enter into effect the day after the announcement instead of two weeks later
- » Introducing a new legal framework for hearings with respect to operational arrangements

Furthermore, for the sake of efficiency in all administrative procedures, amending the AVG effectively – including the main points – is both desirable and important. Nonetheless, the draft submitted in July 2022 can in any case be regarded as a successful intrasystematic evolution of the UVP-G 2000. From APG's perspective, a timely resolution of the EIA amendment (which regrettably has not yet been implemented) and further amendments for procedural efficiency and speed are urgently required.

Current status of approval procedures in central Upper Austria

In an application on 29 November 2021, APG and its project partners Netz Oberösterreich GmbH and Linz Netz GmbH requested approval for the "Energy security for central Upper Austria" project from the relevant EIA authorities, namely the provincial governments of Upper Austria and Lower Austria. After public disclosure of the project documents as of May 2022 and the subsequent four-week public disclosure of the EIA report as of 27 October 2022, the Upper Austrian Provincial Government held hearings – concerning the part of the project located in the province of Upper Austria – from 29 November to 2 December 2022 at the Design Center Linz. The four-day proceedings were attended in person by a team of some 60 APG staff, plus project partners and external experts. The proceedings opened with a project presentation by APG and its partners and continued over the four days with a public discussion of the 22 specialist areas, such as nature conservation, forestry, human medicine, water, soil and agriculture. All those involved had the opportunity to comment fully on the project and to question the experts and promoters. The preliminary proceedings closed on 2 December 2022. The decision will be issued in writing.

Management Report

Actions seeking compensation for economic disadvantages resulting from a reduction in wind power feed-in

As claimants invoking Section 23(9) of EIWOG 2010, several wind farm operators requested appropriate compensation from APG for the economic disadvantages resulting from a reduction in wind power feed-in.

APG's view was that there is no contractual claim, nor can a claim be derived from the law, as the instruction from APG as control area manager was not issued directly to the producer, but to the distribution system operator, which in turn ordered the wind farm operators feeding into the grid to reduce feed-in.

The claim was dismissed in the court of first instance, which found in favour of APG's legal opinion. The claimants filed an appeal against this decision. The Vienna Higher Regional Court found in favour of the wind park operators, referring to the decision of the Supreme Court in a parallel case of the same nature based on an appeal by APG. Only a few months earlier, this court had ruled in the last instance that the applicability of Section 23(9) EIWOG 2010 does not necessarily require the control area manager to address and issue the order directly to the producer. As a result, the producers connected to the distribution grid may claim for compensation against the control area manager.

Given this decision by the Supreme Court, APG did not file an appeal, but paid the economic disadvantages and costs to the wind farm operators in accordance with the decision of the Vienna Higher Regional Court.

Further court proceedings

Aside from the above, there were no significant court proceedings in 2022.

Management Report

Regulatory developments

The regulatory method used by APG is a combination of the cost-plus and revenue cap models. Based on the most recently available annual financial statements and the investment planning, reasonable costs are established as part of the annual cost-finding process. Furthermore, differences between budgeted and actual revenues and costs are rolled up based on statutory provisions. The RAB is the basis for the standard capital cost reimbursements and records a risk-adjusted regulatory capital return.

Tariff review 2022

In the 2021 tariff review, the weighted average cost of capital (WACC) was ultimately set with reference to establishing a multi-year rate of 4.88% before tax and thus confirmed until the end of the WACC/regulatory period on 31 December 2022. In addition, a mark-up of 0.32% was offered as an incentive for new investments (excluding operating and office equipment).

In the 2022 tariff review, the ECA also published the specifics of the new WACC/regulatory period starting on 1 January 2023. During the review, rigorous discussions on the individual regulatory parameters were held with the regulator and other APG stakeholders. APG believes a paradigm shift is required. The energy transition, ongoing market integration and the increasing challenges in system stability demand a regulatory system that also incentivises and promotes new, innovative, smart solutions. This is the only way for the regulatory framework to support the energy transition and achieve an optimum overall economic outcome. The discussion with the regulator and the legal parties included all the input from the "New regulatory system" project, in particular a scientific academic WACC report and one from an audit firm, expert reports on legal changes in the Clean Energy Package, and a report from NERA emphasising APG's role as a market facilitator and enabler in the energy transition. Furthermore, the supply chain crisis specifically caused by COVID-19 lockdowns, the effects of the war in Ukraine, the sharp rise in inflation, and soaring prices in the energy markets were pointed out along with the imperative for a new regulatory system that responds appropriately to these circumstances.

In addition, changes in European Central Bank policy have altered the capital market significantly, with sharp rises in interest rates for debt and equity financing.

Consequently, the notice of 6 December 2022 set a new weighted average cost of capital (WACC) until 31 December 2028. For 2023, this was 3.72% before tax for legacy plants and 4.88% before tax for new plants. For next year's procedure, ECA promised to update the parameters for the following years. The notice also introduced a new incentive system to promote the energy transition and market integration.

On 3 January 2023, APG filed a complaint against the 2022 tariff notice, as current macroeconomic developments – such as the interest rate level, which has been rising sharply for months, the sharp increase in inflation and a highly volatile energy market environment – were not adequately reflected. There are differences of opinion between the authority's experts and APG as to how a risk-adjusted interest rate can be applied to the record investment volume of €3.3bn in the regulatory period up to 2028. Irrespective of the complaint, the current tariff notice is valid. On this basis, APG will fulfil its statutory duties.

The tariff basis for APG's gross and net tariffs at levels 1 and 2 increased by 16% year-on-year to €390.1m. The overall tariff basis – including level 3 costs, grid loss and system services – rose by 85% compared with the previous year to around €764.6m.

The increase in costs is partly attributable to a higher level of investing activities, but primarily to the huge increase in procurement prices for system losses. The higher price trend in the energy markets as of the second half of 2021 continued in 2022. System losses expenses rose at all three levels, increasing by 537% overall.

Management Report

Corporate social responsibility

APG prepares an integrated annual report that encompasses the topic of sustainability. As a wholly owned subsidiary of VERBUND, APG also makes a contribution to its integrated annual report. This complies with the latest requirements under the Austrian Sustainability and Diversity Improvement Act (Diversitätsverbesserungsgesetz, NaDiVeG) and the Standards of the Global Reporting Initiative (GRI).

APG commits to the principles of sustainable action in its Code of Conduct, which in turn is founded on a corporate policy that respects economic requirements as well as ecological limits and strives for social equilibrium.

Global frameworks such as the United Nations' Sustainable Development Goals (SDGs), the Paris Agreement and the European Green Deal are major influencers in the ongoing development of APG's sustainability strategy.

Among other things, the European Green Deal incorporates the global climate targets and key areas of the SDGs. Its objective is to make Europe the world's first climate-neutral continent by 2050. It also focuses on clean, affordable and safe energy, decarbonisation and the circular economy, protecting the ecosystem, biodiversity and a zero-emission action plan. APG is fully committed to these goals.

The impact of climate change is increasingly clear. Decarbonising our economic system is now a matter of urgency. One of the key metrics involved is carbon footprint.

APG's greenhouse gas (GHG) emissions are calculated based on the criteria set out in the Greenhouse Gas Protocol (GHG Protocol), which divides GHG emissions into three scopes. Scope 1 includes all direct emissions produced by APG's in-house operations and activities. Scope 2 emissions are those indirectly produced by our in-house electricity consumption, and system losses. Scope 3 includes other indirect GHG emissions based on consumption in our upstream and downstream value chain.

APG's 2022 GHG emissions in tonnes of CO₂e:

	Activity	Site-based	Market-based
Scope 1	SF ₆ (sulphur hexafluoride insulation gas)	447	
Scope 1	Vehicle fleet	755	
Scope 2	Electricity purchases for system losses and administration	126,457	264,407
Scope 3	Commodities (mobile phones, servers, photocopier paper, etc.)	605	
Scope 3	Business trips (car, plane, train)	567	
Scope 3	Capital goods (power lines, transformers)	103,264	
Scope 3	Upstream energy and fuel production processes	42,222	88,313

System losses and administrative electricity consumption are allocated to Scope 2 electricity purchases. These are specified with two different values: site-based and market-based. The site-based figure is calculated using the CO₂ emission factor of the local power grid. Consequently, it can change depending on the quantity of electricity purchased or due to changes in the European energy production landscape. In contrast, the market-based figure can be reduced by strategically procuring electricity produced with lower emissions per kWh purchased. The same methods are used to calculate Scope 3 emissions from upstream energy production processes.

System losses (recorded in Scope 2 and 3) are by far the largest proportion of APG's emissions, accounting for around 77% (352,544 tonnes of CO₂e). This means that minimising them is essential for mitigating climate change. However, system loss reductions are also subject to tight technical tolerances.

In 2021 we did our first comprehensive data gathering exercise for GHG emissions produced by manufacturing capital goods such as lines and transformers. These represented around 22% of our 2022 carbon footprint, taking account of all lines and transformers that APG commissioned during the reporting period. To reduce these GHG

Management Report

emissions further, we started work on a supply chain optimisation project in 2022.

Sulphur hexafluoride (SF₆) is the main insulation gas used in gas-insulated substations and in current and voltage transformers. However, as SF₆ has very high climate-damage potential, we are constantly testing alternative technologies, though barely any are technically mature enough at the moment.

Another focal point in our sustainability strategy, and one that we have consistently implemented for many years, is protecting biodiversity along APG routes and lines. For more information, see Sustainable Habitat Management.

Alongside climate action and nature conservation measures, APG takes steps to ensure sustainability in the workforce. We place great emphasis on occupational safety, health and the promotion of young talent.

Success factor personnel

Development measures

Expectations, goals and training needs are coordinated in annual performance reviews to ensure a common direction and goal-oriented, consistent professional and personal development. This helps employees to carry out their work in the best way possible, aligned with the Company's strategy and in the Company's best interests.

Additional joint development programmes are offered to those with management responsibilities and in the context of Company-wide training measures, such as the Meister training programme for master tradespersons in existence since 2017, the management development programme launched in 2018, the next-level leadership programme initiated in 2021, the talent management programme started in 2022, and the training sessions in preparation for 2022 performance reviews, focused on "Managing change – from returning to in-person working, to being result- and goal-oriented".

In 2022 we put gender balance in the spotlight by carrying out a diversity analysis based on our current situation. We also started a project that will enable us to produce more detailed analyses and to promote diversity and gender balance in the Company going forward. Given the current shortage of skilled workers, recruiting and developing more women will help APG acquire essential skills for the future as well as adding value to our appeal as an employer, our innovative strength, our cohesion, and our capacity for knowledge transfer.

The "SK 1920 – Safety culture at APG" project is now an integral part of daily working life at the Company, with ongoing support from safety coaches.

In autumn 2021, we conducted a Great Place to Work (GPTW) employee survey to identify new development needs and action requirements. Based on the results (5th in the XL category), we ran follow-up workshops in 2022 in order to create an action plan. Our ranking in the "Best Employer" ratings published by Trend (in cooperation with Kununu and Xing) saw us rise from 76th to 17th place.

Management Report

Creating a positive setting

To bring about a more positive environment, e.g. with home working and flexible hours as well as support for paternity leave and granting fathers a month of "family time" after the birth of a baby, we make an effort to help employees maintain a balance between work and family and to support them with respect to working hours that match their personal biorhythms. APG is going through the Federal Ministry's work-life balance re-certification process for 2022/23 (the last assessment was in 2019), which has also instigated the creation of new improvement targets.

To safeguard succession planning, we increased the number of young skilled workers and adapted our career paths where deemed necessary to meet the needs of the labour market.

Based on the current structure applicable to team manager and expert careers, we are constantly working to make our various career paths clearer and more detailed and to improve transparency and employee retention.

To ensure compliance with the stringent security requirements for operators of critical infrastructure, we also introduced extended security checks for new entrants in relevant functions as part of a Company-wide security project.

Under a multiannual digitalisation roadmap, personnel administration processes are gradually being converted to digital workflows, thus also expanding self-service options ongoing.

Cross-functional understanding

We promote cross-functional understanding and facilitate better intra-departmental collaboration in various ways. Examples include joint events, such as the two highly effective internal workshops "Our network - from design concept to reliable operation" and "From the basic idea of deregulation to current market design", targeted job rotations of limited duration between departments, plus manager meetings and closed-door sessions.

Human resources management

To maximise support for APG's strategy implementation and meet the ever-increasing requirements and general challenges we face (labour market, etc.), in 2022 we started a re-evaluation project looking at our existing strategic human resources plan. As a result, we have already reached some important milestones. The forthcoming plan is now being developed using new processes and tools.

By way of a cover strategy, we specified a set of measures based on a comprehensive employer branding project. These measures will allow us to consistently address the relevant target groups, reach potential applicants more effectively and refine APG's employer profile. In the process, we also took steps to increase our appeal to applicants from other countries.

In addition, again to mitigate the aforementioned challenges, we intend to expand our internal skills development (training programmes for career starters, trainee programmes). This is currently focused on the existing pool of young skilled workers, but will be widened to other specialist areas. We also plan to improve internal mobility.

Co-determination

Integration of the employee representatives above and beyond the legal requirements results in an extremely cooperative working environment and leads to decisions and measures being supported by the employees with understanding.

Regular dissemination of current information to employees guarantees cooperation and innovation.

Management Report

Focus on occupational safety

Safety is of primary importance in all of APG's activities and at all of its construction sites. Accordingly, safety and health plans are drawn up for all projects, contracting firms receive a comprehensive briefing in all areas and the working premises are regularly inspected by the construction site coordinator. These tasks are documented in APG's document management system. We ensure a high level of safety and health for our employees and external contractors through intensive training sessions, seminars and proactive experience sharing. Close collaboration with the labour inspectorates and the Austrian General Accident Insurance Institution (AUVA) is also an important part of these measures.

Reportable accidents fell year-on-year, with three in 2022 (compared with five in 2021). Accident rate (number of accidents per 1,000 employees) and accident severity were therefore both lower than in 2021. There was one severe accident in 2022.

Since 2018, the Lost Time Injury Frequency (LTIF) ratio has been included in the accident statistics. The LTIF ratio reflects the percentage of workplace accidents involving time away from work per one million work hours. The calculation includes all workplace accidents resulting in absences of one day or more (excluding accidents on the way to or from work), and includes accidents suffered by contractors. When the ratio is being computed, the hours clocked by external companies working on behalf of APG at APG workplaces and their accident events are taken into account. The 2022 LTIF was 7.02 and therefore somewhat lower than 2021 (7.41).

To permanently improve the accident trend, job instructions continue to place special emphasis on the risk of slipping, stumbling and falling accidents as part of the 2022 safety priority programme. Actions identified in the SK 1920 safety culture project are also designed to have a positive effect on the accident rate by promoting awareness of occupational safety. Greater emphasis is placed on potential hazards when instructions are being issued to agency staff and external personnel. APG's health and fitness programme is also intended to play a role in further reducing the severity of accidents.

Following on from its evaluation of work-related psychological stress produced in summer of 2016, APG continues to publish information concerning all aspects of this topic on a regular basis via the intranet.

SK 1920 safety culture project

APG aspires to become a national and international leader in occupational safety by working hard to foster a safety culture. The SK 1920 safety culture project – a dedicated project lasting around three years – is one such example. Along with employee protection, the project aims to increase understanding of property protection, fire prevention and IT security as important corporate objectives.

In 2022, the project focused on ensuring that our safety coaches (who are responsible for day-to-day safety awareness) completed their training, and on identifying permanent measures for routine business. The actions identified during the project and subsequently integrated into our daily routines will help to underpin a consistent safety culture at APG over the long term.

Integrated management system (IMS)

All of APG's sites and lines are certified under the current ISO 14001 (international environmental management systems), ISO 9001 (international quality management systems), ISO 45001 (safety and health management systems) and ISO 27001 (information security management) standards. Annual internal and external audits of the IMS contribute to a continuous process of improvement in all areas and provide valuable guidance on optimising processes. The certified management system also increases organisational stability and legal certainty in the Company and raises awareness.

In 2022, IMS certification was confirmed by auditors from SystemZert, who carried out a surveillance audit. The information security management system (ISMS) was examined by Certification & Information Security Services GmbH (CIS) and APG's overarching management system was audited for compliance with prevailing standards.

Management Report

The audits found high levels of acceptance and engagement at APG with respect to the specifications of the IMS. Employees are exceedingly conscious of risk and opportunity, and the specified internal control mechanisms are very well established.

All environment, quality, safety, health and information security certificates remain in effect.

Sustainable habitat management

As an energy company committed to the principles of sustainability, APG also seeks to measure up to the importance of environmental protection in all aspects of line maintenance. Building on its corporate concept, APG has developed a comprehensive approach for sustainable habitat management. Ecological route maintenance is one of the cornerstones of this strategy, aiming to minimise or avoid interfering with the countryside and the ecosystem. Constructive cooperation with landowners, NGOs and contractors is a basic prerequisite for putting sustainable habitat management into practice.

Doing business in harmony with nature

Our sustainable habitat management measures reflect the natural potential of sites and open up unexploited or little-exploited development opportunities. At APG, we give preference to environmentally friendly and, where possible, near-natural management of the areas surrounding the routes over purely cost-based management. Experience shows that working in harmony with nature generally makes good business sense.

Sustainable habitat management also helps to support specific regional nature conservation objectives. APG embraces such initiatives and seeks to integrate them into its maintenance planning wherever operational safety allows. These habitats are populated exclusively by ecological biotopes of particular importance, whose existence will be nurtured or gradually restored in consultation with the nature conservation authorities.

Routes as a habitat

Many valuable biotopes in our countryside have emerged as a result of cultivation methods such as grazing, mowing or other uses. Likewise, route biotopes are man-made habitats with exceptional biodiversity; their flora and fauna are highly valuable to the ecosystem. Take dry grasslands for example: no other habitat has such a high number of rare insect species. Many Red List species (such as orchids) are also starting to thrive again specifically in route corridors.

The nature conservation value of these areas is therefore of paramount importance, similar to floodplain waters and primeval forest remnants. About 40% of the plant and animal species that depend on dry sites are endangered or threatened with extinction.

Intensive communication with landowners

Constructive cooperation with landowners is a basic prerequisite for putting sustainable habitat management into practice. We work very closely with landowners when planning and implementing ongoing route maintenance and individual biotope conservation projects.

Management Report

The guiding principles of sustainable habitat management

In practice, sustainable habitat management at APG means:

- » Ensuring operational safety is the utmost priority. Measures that are indispensable for this are implemented by APG's maintenance personnel under their own responsibility. Where there are several alternatives for maintaining security of supply, landowners can choose the appropriate measure.
- » Burdens on the population and its environment are avoided as best as possible when carrying out maintenance on high-voltage grid systems (precautionary principle).
- » APG factors the natural and cultural situation of the region into its maintenance measures and is guided by the natural potential of the location and its surroundings. APG's maintenance personnel assist landowners and stakeholders in an advisory capacity and promote awareness of the advantages of ecological route maintenance. APG itself is a stakeholder in promoting ecologically valuable projects in the region.

Sustainable forest routes

The ecological development potential of a forest route depends on various criteria: the local site requirements (relief, ground, climate), the orientation of the power line corridor (heat budget, wind) and the maximum possible fully grown height of plants along the route. The ecological make-up of the surrounding area also influences the appearance of a route. Consequently, line route maintenance is as varied as the routes themselves. Each area requires a specific approach.

In practice, the methods and measures utilised are adapted to the gradual transition of the local environment and are flexibly implemented. However, this does not extend to creating artificial microhabitats ("furnishing the route") as the maintenance and planning work involved is disproportionate to the ecological value added.

Basic management at standard sites

The resulting route biotopes pass through the natural sequence from open pioneer sites to tall shrubs to scrub phases and "ramble" along the route. The co-existence of small- and large-scale structured sections does not follow a stereotypical pattern.

Landscape conservation measures such as permanent vegetation at the edge of the route or screening in the immediate vicinity of the pylon are an integral part of route management.

Species protection in APG's grid

Regrettably, infrastructure projects always entail intervention in both human and natural habitats. This must be minimised by taking an innovative and environmentally compatible approach. Sustainable habitat management is therefore a cornerstone of our corporate philosophy. We place great emphasis on managing our line routes using methods that help to conserve biodiversity and to protect people, animals and habitats.

Since 1989 we have dedicated ourselves to minimising the collision risk for birds by using line marking. We have developed a wide variety of marking methods and tested their effectiveness. In addition, we have devised many different nesting aids in order to supplement the lack of natural breeding grounds. High-voltage pylons can be surprisingly good substitutes for rock and tree breeding sites. High up, the animals are protected from access and have an ideal vantage point to survey their habitat.

Summary

Overhead power lines are APG's calling card and – to the outside observer – a sign that we are aware of our responsibility to nature. Routes open up opportunities to establish rare or special habitats for nature conservation. Furthermore, overhead power lines and even the individual pylon sites provide habitats for many animals and plants, helping to conserve species that are threatened with extinction.

Management Report

Research and innovation

2022 brought the need for fossil-fuel independence and the associated transformation of our energy system into unprecedented focus. Migrating the electricity system to 100% renewables by 2030 is a mammoth task for all concerned, including APG as Austria's transmission system operator. Faced with meeting the challenges of the energy transition while also maintaining maximum security of supply, research and innovation (R&I) play a crucial role in this transformative process. Full details of APG's comprehensive R&I portfolio are provided in our latest R&I Report: <http://www.apg.at/FI-Bericht21>. An illustrative selection of our initiatives is outlined below.

Digital substation

Substations are the hubs of Austria's transmission grid. They are essential to the voltage changes required for transregional transport of renewable energy – for example from wind farms in the Weinviertel region to the west of the country, or from the Alpine pumped storage facilities to consumer centres in the east.

Substations are already remotely controlled. Thanks to advances in digital technology, we can now monitor and control the use of equipment even more precisely, in real time. This enables early detection of critical statuses (for example of transformers), avoidance of costly shut-downs and optimum use of equipment.

Preventing unexpected outages helps to maintain a high security of supply, and improved maintenance work means that savings can be passed on to grid users in the form of lower prices.

For more information, visit:
<https://www.youtube.com/watch?v=fMnbjI8i1YI>.

Wind turbine icing

Owing to Austria's climate and geography, national wind power generation is beset by the challenges of ice accumulation on the turbines. In extremely cold weather conditions, this poses the risk of a sudden drop in wind power production relative to planned production. A brief outage of entire wind farms can cost millions in balancing energy as well

as jeopardising electricity supplies. Ice thrown by or falling from wind turbines is also a danger to people or infrastructure in the area.

APG is pursuing two projects aimed at pre-empting this type of outage. One is designed to predict ice accumulation based on weather data. The other is a real-time detection system that identifies production deviations in Austria's wind power. These two projects will save precious time so that potential corrective action can be taken before it is too late, thus preventing costly interventions to stabilize the grid.

For more information, visit: <https://pb1-medien.apg.at/im/dl/pboxx-pixelboxx-18125/Themenfolder%20Windradvereisung.pdf>

Geomagnetically Induced Currents – Impact on Assets and Network Infrastructure

Direct currents caused by solar storms pose a risk to the transmission grid. In the "Geomagnetically Induced Currents – Impact on Assets and Network Infrastructure (GIANT)" project, APG and Graz University of Technology co-developed an instrument that can measure solar storms remotely, automatically, and without restricting operations. This cuts costs and improves operational safety. It also expands Central Europe's unique sun and wind measurement network.

In 2022, the GIANT project won the TÜV Science Award.

For more information, visit:
<https://www.youtube.com/watch?v=eZiEsTNSp3c>

Research spending and outlook

Expenditure for research amounted to approximately €1.8m in 2022.

Working with its national and international partners, APG will continue focusing on research and innovation in order to maintain its high standards in security of supply while identifying and exploring new tasks in the changing energy system.

Construction needs electricity.



Austrian Power Grid
www.apg.at

Austria
needs
electricity.



Management Report

Financial performance indicators

All key figures are calculated based on reports by the Expert Committee for Business Administration and Organisation of the Austrian Chamber of Public Accountants and Tax Advisors (Fachsenat für Betriebswirtschaft und Organisation der Kammer der Wirtschaftstreuhänder, KFS-BW 3), with the exception of figures determined in accordance with the Austrian Business Reorganisation Act (Unternehmensreorganisationsgesetz, URG). The method for calculating key figures is also cited in the glossary.

Results of operations

€K	2021	2022
Revenue	1,082,279.8	1,876,366.6
Earnings before interest and taxes (EBIT)	124,202.3	147,103.6
Profit before tax	97,950.8	119,086.6
Average capital employed	796,051.9	847,409.6
Return on equity (ROE)	20.6%	22.8%
Return on investment (ROI)	5.8%	5.8%
APG Return on Capital Employed (APG-ROCE)	6.3%	6.6%
Return on sales (ROS)	11.5%	7.8%

Standard capital cost reimbursements

APG's investing activities form the basis for the standard capital cost reimbursements. The increase in the regulatory asset base from €1,920.2m to €2,182.4m is due mainly to annual capital expenditure being at a very high level of €373.4m.

Revenue and electricity purchases

APG's revenue increased by €794.1m year-on-year to €1,876.4m.

Expenses for electricity purchases were also up on the previous year, rising from €756.7m to €1,520.1m.

Both effects are attributable mainly to congestion management. In 2022, congestion management expenses showed an overall increase compared with 2021, although a large proportion of the expenses can be passed on to international grid operators.

Likewise, prices and therefore expenses for electricity purchases rose very sharply in the grid loss energy and control power segments. This also increased revenue due to the charging mechanism for control power and the components that can be charged on.

Personnel expenses

Personnel expenses increased year-on-year by €2.3m to €67.6m. In spite of staff increases stemming from the high level of investing activities, personnel expenses only rose slightly in 2022 due to the one-off effects in connection with the measurement of social capital.

Depreciation and amortisation

As a result of the continuous growth in investment volumes, depreciation and amortisation also increased year-on-year, rising by €9.6m to €109.3m.

Other operating expenses and other revenue

At €85.4m in 2022, other operating expenses were higher than the prior-year figure (2021: €75.5m). Despite an increase in cost reimbursement projects, the increase in other operating expenses compared with 2021 was kept at a moderate level thanks to strict cost management. The extra cost was mainly due to the particularly wide range of tasks associated with the energy transition and the European energy crisis.

Results

Earnings before interest and taxes (EBIT) stood at €147.1m, up €22.9m year-on-year. This was due primarily to a high level of positive one-off effects in 2022 from social capital and interest rate adjustments.

The standard capital cost reimbursements due to the higher regulatory asset base also had a positive impact in 2022.

The result from ordinary activities rose by €21.1m to €119.1m.

Profit after tax amounted to €92.9m and was thus €19.0m higher than the prior-year figure.

Management Report

After the allocation of revenue reserves to bolster equity, the net retained profits to be paid out in 2023 came to €47.1m.

Net assets

€K	2021	2022
Fixed assets	2,186,891.2	2,462,208.2
Current assets	365,633.6	710,808.0
Working capital	307,051.4	539,396.4
Current liabilities	650,384.0	948,437.6
Equity	540,826.7	596,429.1
Regulatory equity as percentage of assets without time lag	51.3%	51.2%

* Calculation for the applicable year based on the official cost notice

Fixed assets

Fixed assets showed a net increase of €275.3m, as additions to intangible and tangible fixed assets and long-term financial assets considerably exceeded the depreciation and amortisation charges on account of investing activities.

Current liabilities

Current liabilities increased year-on-year by €298.1m. This was largely a result of the increase in current tariff provisions, which in turn are attributable to rapidly changing market conditions and their associated price volatility.

Regulatory capital-to-assets ratio

The regulatory capital-to-assets ratio remained very stable at 51.3% compared with 51.2% due to the increase in the interest-earning basis (mostly tangible fixed assets) and the proportionate rise in interest-bearing debt.

Financial position

€K	2021	2022
Net gearing	185.5%	192.1%
Net debt	1,003,256.4	1,145,753.1
Net working capital	343,332.6	409,041.2
Notional debt repayment period	11.1 Jahre	12.4 Jahre
Equity ratio	21.2%	18.8%

The notional debt repayment period was 12.4 years in 2022. The equity ratio was kept at a high level of 18.8% despite the enormous investment volumes.

Cash flows for the financial year are presented separately in the following table.

Management Report

Cash flow statement

€K	Note	2021	2022
Profit before tax		97,950.8	119,086.6
Amortisation of intangible assets and depreciation of fixed assets		99,608.3	109,250.7
Amortisation of financial assets		- 403.9	401.0
Result from disposal of fixed assets		- 312.7	- 10.3
Change in long-term provisions		- 13,983.4	- 21,213.7
Change in long-term liabilities		19,259.2	30,274.7
Change in long-term other receivables and assets		- 42,465.5	- 113,078.6
Income from the reversal of building-cost contributions and investment grants		- 8,409.5	- 9,725.7
Investment income, income from other securities classified as long-term financial assets and other interest and similar income/interest and similar expenses		23,705.6	24,836.5
Other non-cash expenses		- 29.0	12.8
Change in inventories		- 2.1	- 507.3
Change in trade receivables and other receivables		- 77,608.9	- 164,022.8
Change in trade payables, other liabilities and deferred income		18,529.1	178,051.9
Change in current provisions		144,986.7	73,919.9
Taxes paid		- 6,845.4	- 3,977.4
Net cash flow from operating activities	(1)	253,979.3	223,298.2
Investments in intangible and tangible fixed assets		- 386,270.2	- 357,144.6
Disposals of intangible and tangible fixed assets		1,644.0	2,816.6
Investments in long-term financial assets		- 10.0	- 20.0
Disposals of long-term financial assets		477.0	509.4
Cash inflow from investment, interest and securities income		1,898.0	2,368.8
Net cash flow from investing activities	(2)	- 382,261.2	- 351,469.7
Building-cost contributions and grants received		35,474.3	15,130.7
Proceeds/disbursements from increases/decreases in Group financing		182,875.0	232,875.0
Proceeds/disbursements from increases/decreases in Group clearing balances		- 46,375.8	- 54,453.4
Dividends paid		- 18,163.5	- 37,342.9
Cash outflow for interest and similar expenses		- 25,603.6	- 27,205.3
Net cash flow from financing activities	(3)	128,206.4	129,004.2
Change in cash and cash equivalents		- 75.5	832.6
Cash and cash equivalents as at 1/1		1,018.1	942.7
Cash and cash equivalents as at 31/12		942.7	1,775.3

[1] Net cash flows from operating activities

Net cash flows from operating activities are calculated using the indirect method and decreased by €30.7m year-on-year to €223.3m. Compared with the regulatory earnings potential, these remain at a very high level.

Summary of the main drivers of operating cash flows

- » A reduction in APG's own need for congestion management due to load flows and environmental influences, combined with a high level of charging on to foreign transmission system operators, resulted in lower cash outflows.

Management Report

- » An increase in international auction revenue resulted in higher cash inflows.
- » The extreme price situation and price volatility in the procurement of control power and energy to cover grid losses resulted in higher cash outflows.

Changes in liabilities, receivables and provisions

Regulatory liabilities are presented as current provisions for liabilities in the year of recognition. In the following year, the provisions for liabilities are reclassified to regulatory liabilities and their maturity is determined once the extent of the regulatory liability has been ascertained in the tariff notice. Changes in maturity (current or non-current) from year to year also result from changes in assumptions about future use. Some individual items of operating cash flow are significantly impacted by this method.

[2] Net cash flows from investing activities

The outflow of funds from investing activities for intangible and tangible fixed assets amounted to €357.1m. The primary capital expenditures related to the 380-kV Salzburg line, the Reschen Pass project and the Weinviertel line replacement as well as other expansion and operating investments. Taking into account the disposal of intangible fixed assets, tangible fixed assets and long-term financial assets as well as cash inflows from investment, interest and securities income, investing activities required €351.5m in cash funds.

[3] Net cash flows from financing activities

Contributions to building costs and grants

The €15.1m received in contributions to construction costs and investment grants related in particular to the Neusiedl/Zaya substation and the increase in pumping capacity at the Malta-Hauptstufe substation.

Group financing and clearing balances

Proceeds/disbursements from increases/decreases in Group financing result from new long-term borrowings of €250m to finance grid expansion.

The annual repayment of a further tranche of €17.1m also took place in 2022, giving a net cash inflow of €232.9m.

For this, APG used corresponding Group financing from a tranche of the green and sustainability-linked bond issued by VERBUND in 2021. The bond combines green use of proceeds with a margin step-up linked to Company-wide sustainability targets (sustainability-linked). As an expression of its ambitious efforts to integrate renewable sources of energy with a view to achieving the EU climate targets, APG provides the metric for the sustainability target "additional installed transformer capacity". Transformers are central to the power grid. They connect all grid elements at lower voltages to the transmission grid and the voltage levels in the transmission grid to one another, thereby enabling electricity from renewable energy sources to be fed into the grid.

Based on the auditor-confirmed baseline of 30,810 MVA as at 31 December 2020, APG undertakes to install a further 12,000 MVA of additional transformer capacity by 31 December 2032.

The additional installed transformer capacity in financial year 2022 and confirmed by the auditor was 1,670 MVA (cumulative 33,630 MVA). This is the maximum capacity available to the grid.

APG's plant statistics show the transformer capacity connected to the grid. As at 31 December 2022, the cumulative capacity was 33,310 MVA (2022 annual value: +1,350 MVA).

The 320 MVA difference is due to installed but reserved transformer capacity.

Furthermore, Group clearing balances changed by €54.5m. Current receivables from the Group arising from Group clearing balances therefore increased to €172.7m as at 31 December 2022.

Dividends

In financial year 2021, net retained profits after the allocation of revenue reserves to bolster equity amounted to €37.3m, all of which was distributed to the owners in 2022.

Management Report

Risk and opportunity management

APG's operational risk management aims to ensure Company-wide identification and analysis of the risks to which the Company is exposed as well as adequate action management and documentation. The task is to identify risks at an early stage and thus ensure the smallest possible deviation from the corporate goals and targets (result, security of supply and image).

Building on its corporate strategy, APG has implemented a strategic risk management system to capture and manage strategic risks and opportunities.

Overall assessment of risk

No risks were identified in financial year 2022 that individually or in their entirety could jeopardise the Company's ability to continue as a going concern or have a significant negative effect on its financial position and financial performance. As things stand today, there are no foreseeable risks to the Company as a going concern.

Significant risks and opportunities

Financial risks

Financial risk mainly involves planning risks arising from deviations in volumes or prices. This primarily includes risks arising from the electricity business such as those related to congestion management, control power and energy to cover system losses, or from cross-border electricity trading. Such risks are sometimes subject to considerable volume and price volatility due to market, weather or seasonal factors, which have also been exacerbated by the Ukraine crisis and its impact on the energy markets. This volatility will be mitigated through international alliances, the development of national markets, forecasting models and safeguarding of grid reserves. New IT systems such as energy trading and risk management software have also been implemented.

Personnel risks

Due to a general shortage of skilled workers and the fact that certain functions require training which is only available in-house, we often face delays in filling current vacancies as well as posts required for the future. The large numbers of baby

boomers retiring, business growth and a (demographic) shortage of jobseekers are exacerbating this problem. The steps we are taking to mitigate this risk include expanding our employer branding activities and recruitment capacities, setting up a trainee pool and trainee programme, adapting our remuneration policy and career path development, and widening our recruitment net to include candidates from other countries.

Risk arising from systems and operations

The main risks associated with systems and operations are the risk of operational disruptions, physical safety and the risk of damage from natural hazards such as flooding, mudslides, avalanches and storms, and damage caused by climate change. A catalogue of measures to reduce such risk – in addition to regular maintenance measures such as flyovers, thermal imaging and cable checks – includes early observation of critical factors in planning, the preservation of susceptible towers, and comprehensive safety and property protection measures. We pursue alliances both within Austria and internationally in order to rectify any potential damage events as quickly as possible.

Risks relating to the environment and health

The environment and the health of employees must be protected. APG implements extensive measures to minimise risks in these areas, including safety briefings, technical safety inspections, training and continuing education, work instructions and corporate policies, and training for in-house safety coaches.

IT and cybersecurity

Information technology underlies most of our business processes. Protecting our systems and data is vital in guaranteeing a secure power supply. APG has long set itself high standards for information security that are regularly reviewed and confirmed through external certification in accordance with ISO 27001 and ISO 27019. We also meet and comply with the statutory safety provisions of the Austrian Network and Information System Security Act (Netz- und Informationssystemssicherheitsgesetz, NISG) with respect to essential services. The information security process is fully integrated throughout the

Management Report

Company. We pay particularly close attention to ongoing digitalisation at APG. The rapidly changing threat situation is monitored continuously, relevant cyber risks are evaluated and measures are developed and implemented to mitigate them. A high level of security awareness is ensured in all areas through ongoing awareness-raising.

Risks from hedging transactions

Electricity forwards of up to two years into the future are purchased in order to cover system losses. The procurement process coordinated with the regulatory agency E-Control Austria precludes any price risk. APG utilises the "own use" method of accounting, as all purchases of forwards are physically settled and therefore facilitate operating activities.

Horizontal monitoring and tax review system

By taking part in the horizontal monitoring ("Begleitende Kontrolle") project, APG has a duty to maintain a tax review system pursuant to Section 153b(6) of the Austrian Federal Fiscal Code (BAO). The tax review system comprises all measures designed to ensure that the tax base for the type of taxes and charges in question is presented in the correct amount and that the correct amount of taxes charged is transferred in good time. This tax review system is a critical part of APG's internal control system. It supplements the specification and regulations of the Group policy for VERBUND's review network. We started the legally required effectiveness review in 2021 and successfully completed it this year. We therefore meet the prerequisite for remaining in the horizontal monitoring project.

Report on branch offices

The Company had one non-operating branch office in financial year 2022. This is the substation in Jochenstein, Germany, which was put into technical operation in 2018. As of 1 January 2023, an additional branch office in Dortmund, Germany assumed the operating activities for technical planning.

Management Report

Outlook

The electricity system is undergoing massive changes due to the common consensus in Europe – and thus in Austria too – to take action on climate change. The expansion of renewable energy sources is being accelerated to comply with climate change legislation and to help make the energy transition a reality. The increasing electrification of the mobility and heating sectors in combination with the massive expansion of renewables represents an important step towards achieving CO₂ reduction targets. There have also been some developments in this regard in the industrial and commercial sectors.

The need for appropriate efforts to protect the world's climate is also reflected in the Austrian Government Programme and the EAG. In addition, the creation of the Austrian Network Infrastructure Plan (ÖNIP) brings together the previously separate infrastructural requirements planning for electricity and gas. This provides the basis for coordinated expansion of the energy infrastructure in line with demand in order to meet climate and energy targets while also ensuring security of supply and a reliable grid, which will present APG with yet more major challenges in grid expansion over the coming years. APG plays a key role in these climate policy objectives, because the success of the energy transition depends on a secure, efficient electricity system, as does the electricity market.

On account of new technologies, the digitalisation and democratisation of the energy system is taking place at the same time. APG will continue to face enormous challenges going forward due to the resulting trends in the energy market, the implementation of the energy transition and the process of transforming the energy system itself. So that this complex and dynamic environment can continue to be actively influenced for the benefit of Austria, its people and its businesses, the next year will be dominated by the following tasks, among others:

- » High trans-regional load flows in the European transmission grid will continue to necessitate interventions in Austrian power-generating facilities in order to secure grid operations over the long term. Congestion management measures will continue to be one of APG's biggest cost items. We must also go on monitoring and managing legal interventions (such as the Austrian Electricity Consumption Reduction Act (SVRG) and grid loss subsidies) by legislative bodies.
- » In light of the current energy market situation, the timely and efficient implementation of the APG grid expansion and modernisation programme is urgently necessary in order to be able to ensure the performance and stability of the system in the long term. Furthermore, APG is planning extensive capital expenditures for the modernisation and reinforcement of substations and line systems. These investments are a key factor for ensuring the permanent security of supply of Austria as a place to live and conduct business and being able to grow the domestic economy. Sharply rising investment volumes will lead to an expansion of the regulatory asset base and therefore to permanently increased earnings in the future.
- » The planned increase in investing activities and the changing operating environment will ultimately lead to an increase in the Company's own personnel, own work capitalised and purchased external services.
- » Long-term borrowings will continue to be used to finance grid expansion, with green finance instruments playing an important role here. APG's debt level will continue to rise.
- » APG will take advantage of digitalisation in all of its facets and tasks in order to be sustainable, innovative and efficient.
- » Due, among other things, to global trends in sustainability, APG will in future sharpen its strategic focus on the issue.
- » The electricity business with monopoly and market products in the national and international context will become increasingly important in connection with the further development of the energy market and be correspondingly reflected in APG's figures. These developments will have a substantial impact on the regulatory account, which will

Management Report

stabilise the results under the Austrian Commercial Code (UGB). However, the effects on APG's cash flow and balance sheet are important in this context. Based on current developments, a high level of provisions will need to be recognised to cover future contingencies.

- » In addition, APG's business activities should continue to be considered from the perspective of generating sustainable and appropriate EBIT under the regulatory return parameters and delivering cost efficiencies. Furthermore, the outcome of our complaint against the tariff notice remains to be seen. This will determine

whether future macroeconomic trends – such as the sharp increase in the interest rate, the steep rise in inflation and a highly volatile energy market environment – will be reflected in the notice. APG will be proactively involved in the proceedings and will make every effort to obtain better tariff conditions in 2023.

Based on current information and forecasts, despite planned growth in the regulatory asset base and continuing to manage costs tightly in 2023, we anticipate a slight fall in earnings due to these regulatory effects.

Vienna, 31 January 2023
Executive Board



DI Mag. (FH) Gerhard Christiner



Mag. Thomas Karall

Family needs electricity.



Austrian Power Grid
www.apg.at

Austria
needs
electricity.



Financial Statements

Balance sheet as at 31/12/2022

ASSETS in €K	Note	2021	2022
A. Fixed assets			
I. Intangible fixed assets	(1)	19,024.6	18,483.3
II. Tangible fixed assets	(2)	2,152,587.6	2,429,583.6
III. Long-term financial assets	(3)	15,278.9	14,141.3
		2,186,891.2	2,462,208.2
B. Current assets			
I. Inventories	(4)		
1. Consumables and operating supplies		490.6	997.9
		490.6	997.9
II. Receivables and other assets	(5)		
1. Trade receivables		141,066.9	262,243.8
of which due in > 1 year €0.0k (previous year: €0.0k)			
2. Receivables from affiliated companies		105,762.7	173,384.4
of which due in > 1 year €0.0k (previous year: €0.0k)			
3. Receivables from other long-term investees and investors		38,224.0	37,093.5
of which due in > 1 year €0.0k (previous year: €0.0k)			
4. Other receivables and assets		79,146.7	235,313.1
of which due in > 1 year €172,011.0k (previous year: €58,932.4k)			
		364,200.3	708,034.8
III. Cash-in-hand and bank balances		942.7	1,775.3
		942.7	1,775.3
C. Prepaid expenses			
1. Other		350.3	599.4
		350.3	599.4
		2,552,875.0	3,173,615.6

Financial Statements

EQUITY AND LIABILITIES in €K	Note	2021	2022
A. Equity			
I. Called and paid-in share capital	(6)	70,000.0	70,000.0
Available share capital €70,000.0k (previous year: €70,000.0k)			
II. Capital reserves	(7)	15,383.5	15,383.5
III. Revenue reserves	(8)	418,100.2	463,934.4
IV. Net retained profits	(9)	37,342.9	47,111.1
		540,826.7	596,429.1
B. Provisions	(10)		
1. Provisions for termination benefits		19,437.0	15,518.8
2. Provisions for pensions and similar obligations		58,960.0	42,147.6
3. Provisions for taxes		13,027.1	35,191.0
4. Other provisions		417,697.7	508,361.0
		509,121.7	601,218.3
C. Liabilities	(11)		
1. Payments received on account of orders		1,777.0	29,603.7
of which due in < 1 year €29,603.7k (previous year: €1,777.0k)			
2. Trade payables		30,757.6	61,043.5
of which due in < 1 year €58,677.0k (previous year: €29,404.0k)			
of which due in > 1 year €2,366.4k (previous year: €1,353.6k)			
3. Liabilities to affiliated companies		1,013,293.9	1,279,344.8
of which due in < 1 year €85,532.3k (previous year: €52,356.4k)			
of which due in > 1 year €1,193,812.5k (previous year: €960,937.5k)			
4. Liabilities to other long-term investees and investors		564.1	1,433.9
of which due in < 1 year €1,433.9k (previous year: €564.1k)			
5. Other liabilities		308,752.4	435,028.7
of which from taxes €395.5k (previous year: €2,868.2k)			
of which from social security €1,588.7k (previous year: €1,504.7k)			
of which due in < 1 year €248,412.9k (previous year: €151,604.6k)			
of which due in > 1 year €186,615.9k (previous year: €157,147.9k)			
		1,355,145.1	1,806,454.7
D. Deferred income	(12)		
1. Contributions to building costs		134,457.6	140,277.7
2. Other		13,324.0	29,235.8
		147,781.6	169,513.5
		2,552,875.0	3,173,615.6

Financial Statements

Income statement for financial year 2022

€K	Note	2021	2022
1. Revenue	(13)	1,082,279.8	1,876,366.6
2. Other own work capitalised		22,474.9	23,898.5
3. Other operating income	(14)		
a. Income from disposal and reversal of write-downs of fixed assets with the exception of long-term financial assets		279.0	585.3
b. Income from reversal of provisions		3,925.2	14,343.3
b. Miscellaneous		9,903.4	12,218.9
		14,107.5	27,147.4
4. Gross profit (subtotal from lines 1 to 3)		1,118,862.2	1,927,412.5
5. Expenditures for electricity and other purchased services and production services		- 756,674.0	- 1,520,095.0
6. Personnel expenses	(15)		
a. Wages		- 369.6	- 373.6
b. Salaries		- 58,604.8	- 65,396.0
c. Social expenses		- 6,290.5	- 1,794.0
of which cost of old age pensions €12,931.6k (previous year: €8,407.1k)			
aa. Expenses for termination benefits and payments to employee pension funds €1,360.5k (previous year: €396.8k)			
bb. Expenses for social security contributions as required by law as well as income-based charges and mandatory contributions €15,218.7k (previous year: €13,523.9k)			
		- 65,264.9	- 67,563.7
7. Depreciation and amortisation	(16)	- 99,608.3	- 109,250.7
8. Other operating expenses	(17)		
a. Taxes not included under line 16		- 372.0	- 726.3
b. Miscellaneous		- 75,109.5	- 84,679.3
		- 75,481.6	- 85,405.6
9. Operating profits (subtotal from lines 4 to 8)		121,833.5	145,097.6

Financial Statements

10. Income from long-term equity investments		1,616.2	2,291.2
of which from affiliated companies €1,276.9k (previous year: €763.1k)			
11. Income from other securities and long-term loans		120.3	39.3
12. Other interest and similar income		161.5	38.3
of which from affiliated companies €33.4k (previous year: €2.2k)			
13. Income from the disposal of long-term financial assets		470.7	38.1
14. Expenses from long-term financial assets and securities classified as current assets		0.0	- 401.0
of which amortisation €401.0k (previous year: €0.0k)			
15. Interest and similar expenses		- 26,251.5	- 28,017.0
of which from affiliated companies €25,759.2k (previous year: €25,049.5k)			
16. Financial result (subtotal from lines 10 to 15)	(18)	- 23,882.8	- 26,011.0
17. Result from ordinary activities		97,950.8	119,086.6
18. Taxes on income	(19)	- 24,028.1	- 26,141.3
of which deferred taxes €22,163.9k (previous year: €17,182.7k)			
19. Net income for the financial year		73,922.7	92,945.3
20. Allocation to revenue reserves		- 36,579.8	- 45,834.2
21. Net retained profits		37,342.9	47,111.1

Financial Statements

Statement of changes in fixed assets

	Historical cost in €k				
	Balance as at 1/1/2022	Additions	Disposals	Reclassifications	Balance as at 31/12/2022
I. Intangible fixed assets					
1. Concessions, industrial property rights, electricity purchase rights, usage fees and similar rights and benefits as well as licences derived therefrom	73,601.4	6,051.8	167.6	55.2	79,540.7
	73,601.4	6,051.8	167.6	55.2	79,540.7
II. Tangible fixed assets					
1. Land, land rights and buildings, including buildings on third-party land					
a. with residential buildings	269.7	0.0	0.0	0.0	269.7
b. with plant facilities and other structures	333,376.8	8,529.8	380.9	37,300.8	378,826.4
c. undeveloped land	8,621.4	5,017.1	0.0	- 958.9	12,679.6
2. Machinery	5,412.7	40.0	2.6	0.0	5,450.1
3. Electrical installations	1,380,538.4	43,243.0	20,251.8	112,943.7	1,516,473.3
4. Power lines	1,499,867.6	16,270.1	3,584.1	105,007.2	1,617,560.9
5. Other equipment, operating and office equipment	59,062.0	8,473.2	1,660.0	58.4	65,933.6
6. Assets under construction, projects and prepayments	768,752.4	300,924.7	2.5	- 254,406.4	815,268.1
	4,055,900.9	382,497.9	25,881.9	- 55.2	4,412,461.7
Tangible and intangible fixed assets	4,129,502.2	388,549.7	26,049.5	0.0	4,492,002.4
III. Long-term financial assets					
1. Shares in affiliated companies	127.2	0.0	0.0	0.0	127.2
2. Other long-term equity investments	6,764.3	20.0	0.0	0.0	6,784.3
3. Long-term securities	11,648.3	0.0	752.4	0.0	10,895.9
	18,539.8	20.0	752.4	0.0	17,807.4
Fixed assets	4,148,042.1	388,569.7	26,801.9	0.0	4,509,809.9

Value of properties as at	31/12/2022	€42,454.1k
	31/12/2021	€36,913.9k

Financial Statements

Depreciation and amortisation in €k						Net carrying amount in €k	
Balance as at 1/1/2022	Additions	Disposals	Write-ups	Reclassifications	Balance as at 31/12/2022	Net carrying amount as at 31/12/2022	Net carrying amount as at 1/1/2022
54,576.7	6,600.3	119.6	0.0	0.0	61,057.5	18,483.3	19,024.6
54,576.7	6,600.3	119.6	0.0	0.0	61,057.5	18,483.3	19,024.6
260.7	0.3	0.0	0.0	0.0	261.0	8.6	8.9
170,659.9	9,620.4	71.9	0.0	0.0	180,208.4	198,618.0	162,716.9
0.0	0.0	0.0	0.0	0.0	0.0	12,679.6	8,621.4
3,001.7	255.6	1.2	0.0	0.0	3,256.1	2,194.0	2,411.0
896,013.2	55,081.2	17,868.0	0.0	0.0	933,226.5	583,246.8	484,525.2
787,633.0	32,235.9	3,581.0	0.0	0.0	816,288.0	801,272.9	712,234.6
45,744.7	5,456.9	1,563.4	0.0	0.0	49,638.2	16,295.4	13,317.3
0.0	0.0	0.0	0.0	0.0	0.0	815,268.1	768,752.4
1,903,313.3	102,650.3	23,085.5	0.0	0.0	1,982,878.1	2,429,583.6	2,152,587.6
1,957,890.0	109,250.7	23,205.1	0.0	0.0	2,043,935.6	2,448,066.9	2,171,612.2
0.0	0.0	0.0	0.0	0.0	0.0	127.2	127.2
0.0	0.0	0.0	0.0	0.0	0.0	6,784.3	6,764.3
3,260.9	621.5	216.2	0.0	0.0	3,666.1	7,229.8	8,387.4
3,260.9	621.5	216.2	0.0	0.0	3,666.1	14,141.3	15,278.9
1,961,150.9	109,872.1	23,421.3	0.0	0.0	2,047,601.7	2,462,208.2	2,186,891.2

Disclosures on long-term equity investments in accordance with Section 238(1)(4) UGB

€k	Registered office	Share of capital in % as at 31/12/2022	Most recent annual financial statements	(+) (-)	Net income/loss for the financial year	Equity
Affiliated companies non consolidated						
VUM Verfahren Umwelt Management GmbH	Klagenfurt	100.00	2022	+	1,276.9	1,158.0
Other long-term equity investments						
OeMAG Abwicklungsstelle für Ökostrom AG	Wien	24.40	2021	-	88.7	5,512.9
Equigy B.V.	Arnhem	20.00	2021	+	1,358.0	1,408.0

Notes to the financial statements

I. Accounting policies

Preliminary remarks

The annual financial statements were prepared in accordance with Austrian Generally Accepted Accounting Principles and the general standard of giving a true and fair view of the Company's financial position and financial performance.

The accounting, measurement and presentation of the individual items in the annual financial statements have been carried out in accordance with the general provisions of Sections 195 to 211 of the Austrian Commercial Code (UGB), taking into account the special provisions for corporations in Sections 221 to 235 UGB. It was assumed that the Company will continue as a going concern.

The Company is a large corporation as defined in Section 221 of the Austrian Commercial Code (UGB).

Rounding differences may occur when adding rounded amounts and percentages due to the use of automated calculation systems.

Fixed assets

As a rule, depreciable fixed assets are measured at cost less depreciation and amortisation.

In addition to direct costs, an appropriate amount of material and indirect labour costs is capitalised in the production cost of internally generated assets. APG has chosen not to apply the optional method of measurement with respect to the inclusion of social security expenses, termination benefits and contributions to the employee pension funds defined under Section 203(3) of the Austrian Commercial Code (UGB) as well as with respect to the capitalisation of borrowing costs in accordance with Section 203(4) UGB. Low-value assets are fully written off in the year of acquisition in accordance with Section 226(3) UGB.

Tangible and intangible assets used for more than six months during the financial year are depreciated at the full annual rate; those used for less than six months are depreciated at half the annual rate.

Purchased intangible assets are measured at cost and – if amortisable – are amortised based on the typical useful life.

The current catalogue of uniform depreciation rates applied by Austrian Power Grid AG (APG) essentially comprises the following rates of depreciation:

	Depreciation rate in %	Useful life in years
Intangible fixed assets		
Rights to telecommunications facilities	10	10
Rights to software products	25	4
Other rights	5	20
Buildings		
Residential and office buildings	2 and 3	33.3 and 50
Plant buildings	3	33.3
Technical equipment and machinery		
Machinery	4 and 5	20 and 25
Electrical installations	4 and 5	20 and 25
Telecommunications facilities	10	10
Power lines	2	50
Office and plant equipment	10–25	4–10

Long-term financial assets are recognised at cost or fair value in accordance with Section 189a(4) of the Austrian Commercial Code (UGB). Due to the fact that the option previously granted under Section 208(2) UGB no longer applies, the reversals of write-downs that were omitted until 2015 were recognised in 2016. The option granted under Section 906(32) in conjunction with Section 124b(270) of the Austrian Income Tax Act (EStG) 1988 was exercised and the reversals of write-downs were recognised under deferred income.

Loans bearing interest are recognised at nominal value. Receivables with a remaining term of more than one year are reported as loans under long-term financial assets.

The useful lives of the tangible fixed assets stipulated by taxation requirements were evaluated together with Österreichs Energie and the Tax Office in 2020 and extended and adapted for the entire industry. These must be applied to all

Notes to the financial statements

new tangible fixed assets commissioned from 1 January 2021.

Current assets

Inventories of consumables and operating supplies are measured at cost or fair value in accordance with the strict lower of cost or market value principle. A permanent inventory is kept of stored supplies and spare parts measured based on the moving average price method. Inventory risks arising from the storage period and reduced utility are taken into account through appropriate write-downs in value.

Receivables and other assets are measured at nominal value, unless a lower amount is to be recognised in the event of identifiable specific risk.

Prepaid expenses and deferred income

Prepaid expenses relate to expenses already paid for future financial years and are reversed in accordance with the contractual term.

Deferred income includes building cost contributions and investment grants, which are depreciated based on the useful life of the tangible fixed assets.

In financial year 2020, APG applied for the COVID-19 investment subsidy. According to information published in December 2020 by the Austrian Financial Reporting and Auditing Committee (AFRAC) in a document entitled "AFRAC-Fachinformation COVID-19", the subsidy shall only be capitalised in proportion to the expenses actually incurred that have already been recognised in the financial statements.

Deferred tax liabilities

Deferred tax liabilities are recognised in the balance sheet for tax charges expected in subsequent years. This item results from different depreciation methods and differences between the carrying amounts under commercial law and the tax base of line items that cannot be offset until future tax periods. The deferred taxes attributable to APG as a group member¹ based on tax allocation are

presented under the current result in the income statement.

Regulatory assets and liabilities

APG's grid rates are set by E-Control Austria (regulator) using estimates of costs and revenues based on audited prior-year figures for the year following the review. Lower or higher costs or revenues in previous periods are taken into account when determining future tariffs.

In order to ensure the steady development of fees over time, the regulatory account was introduced under Section 50 of the Austrian Electricity Industry and Organisation Act (EIWOG) 2010 and also under Section 59(8) EIWOG 2010. These special provisions in EIWOG 2010 regarding accounting treatment are applied by APG.

The option granted under Section 50(2) EIWOG 2010 to distribute relevant extraordinary income or expenses over the regulatory account is exercised as needed. The option granted under Section 59(8) EIWOG 2010 to recognise an asset item for the time lag arising in connection with the settlement of system charges is also applied.

- » Regulatory assets: APG's higher costs and/or lower revenue will be compensated in future years by grid users being charged higher tariffs. This future claim is presented as an asset under other receivables.
- » Regulatory liabilities: APG is obligated to reimburse grid users for lower costs and/or higher revenue by charging lower tariffs. Such obligations are presented as current provisions in the year of recognition. In the subsequent year, this provision will be reclassified as a regulatory liability as specified in a notice received from the regulator and presented under other liabilities.

Provisions

Provisions reflect all identifiable risks attributable to a past financial year and include all amounts deemed necessary based on prudent business judgement.

¹See taxes on income

Notes to the financial statements

Provisions for termination benefits are allocated at the full actuarial amount based on the projected unit credit method typically used in international accounting. With respect to termination benefit obligations, service cost is allocated over the entire length of service, but at most over the period in which the employee maximises their termination benefit entitlement (or reaches the age of 62). Employees whose contracts began after 31 December 2002 are not entitled to a direct claim against their employer for statutory termination benefits. For these employment contracts, the employer pays 1.53% of the salary monthly into an employee pension fund in which the premiums are invested for the employee. The provisions for termination benefits reflect regulations that go beyond the statutory claims specified under the collective agreement for energy providers.

APG is obligated based on labour-management agreements and contracts to pay pension benefits to employees when they retire if certain requirements are met. Dedicated pension fund assets of APK Pensionskasse AG are available to cover some of these defined benefit obligations. The provisions determined in accordance with the projected unit credit method typically used in international accounting are presented net of pension fund assets. The employer is obligated to provide additional funding to the extent that these defined benefit obligations are to be fulfilled by APK Pensionskasse AG. The defined contribution plans do not result in any obligation on the part of the employer in excess of the premium payments.

Provisions for current pensions, vested pension benefits and similar obligations are determined based on the projected unit credit method.

Interest expense arising from personnel-related obligations is presented in the financial result in accordance with international standards.

The calculations were based on the "AVÖ 2018-P Actuarial Assumptions for Pension Insurance" in force since 2018.

The interest rate applied for the expected return on plan assets was the same as the one used to calculate the associated provisions.

Calculations as at 31 December 2022 and 31 December 2021 are based on the following assumptions:

	2021	2022
Interest rate		
Pensions and similar obligations	1.00% and 1.25%	3.75% and 3.75%
Termination benefits	0.75%	3.50%
Trend		
Increases in pension	1.75%	1.75% to 5.75%
Increases in salary	2.75%	2.75% to 6.75%
Contribution payments for obligations similar to pensions - old contracts	5.50%	5.50%
Contribution payments for obligations similar to pensions - new contracts	3.75%	3.75%
Turnover	0.00% - 4.10%	0.00% - 5.80%
Retirement age for women	56.5-65 y.	61-65 y.
Retirement age for men	61.5-65 y.	62-65 y.
Expected long-term return on fund assets	1.00%	3.75%

Notes to the financial statements

Liabilities

Liabilities are recognised at their settlement amount based on the principle of prudence.

Taxes on income

APG is not a taxable entity in terms of corporate income tax due to its inclusion as a member of the corporate group of the parent entity VERBUND AG (Group and Tax Allocation Agreement dated 21 September 2005).

The members of the group are charged attributable amounts for corporate income tax incurred by them in the form of positive tax allocations amounting to 25% of their attributable positive income; if a loss is generated, they are credited 25% of their attributable negative income in the form of negative tax allocations. The offsetting of allocated tax amounts shifts the tax expense within the group parent's income statement.

The tax offsets with the group members are only adjusted to reflect subsequent differences if they are material.

APG's participation in the horizontal monitoring project means there is permanent dialogue with the tax authorities instead of a subsequent external audit. The goal is to increase legal certainty and planning reliability in tax matters. Participants in this project first have to implement a tax review system. For more information, see the notes in the management report under "Risk and opportunity management".

II. Notes to the balance sheet and income statement

General information

Individual line items are consolidated in the balance sheet and income statement in the interest of clarity. These line items are explained separately in the notes to the financial statements.

In accordance with Section 223(7) UGB, items in the balance sheet and income statement that did not show an amount in either the financial year or the previous year are not stated. In accordance with Section 223(4) UGB, the descriptions of the

items were shortened or expanded to reflect their actual contents if it was deemed to increase the clarity and understanding of the annual financial statements.

As a general rule, if the presentation is changed in comparison with the previous year, the amounts reported for the previous year are adjusted and explained in accordance with Section 223(2) UGB.

Notes regarding assets

A. Fixed assets

For more details, see the separate "Statement of changes in fixed assets".

[1] I. Intangible fixed assets

The net carrying amount of the rights to use plants acquired from affiliated companies amounts to €46.1k (previous year: €64.6k).

[2] II. Tangible fixed assets

The capitalised borrowing costs related to the financing of tangible fixed assets in the years up to and including 1989 for the transmission systems contributed by VERBUND AG in 1999 amounted to €3,495.9k at the balance sheet date (previous year: €4,018.2k).

[3] III. Long-term financial assets

Disclosures required under Section 238(1)(4) UGB are presented in a separate schedule entitled "Disclosures on long-term equity investments in accordance with Section 238(1)(4) UGB".

Changes in equity investments and securities classified as fixed assets can be found in the separate "Statement of changes in fixed assets".

Long-term securities

These primarily consist of shares in Austrian investment funds and bonds.

Notes to the financial statements

B. Current assets

[4] I. Inventories

€K	2021	2022
Consumables and operating supplies	490.6	997.9

[5] II. Receivables and other assets

€K	2021	2022
Regulatory assets	75,399.4	230,968.4
Security deposits	1,848.3	3,248.3
Relating to social security	154.3	58.5
Personnel accounting	138.1	133.1
Local tax offices	42.3	580.3
Other	1,564.4	324.5
	79,146.7	235,313.1

Other receivables include income in the amount of €231,292.9k (previous year: €76,963.7k) that will be realised after the balance sheet date in accordance with Section 225(3) UGB.

The item "Other" includes receivables of €63.3k (previous year: €76.3k) from Austria Wirtschaftsservice Gesellschaft mbH (aws) from investment subsidies for investments made in the period up to the current balance sheet date and not yet billed. The investment volume for which an application was submitted pursuant to the COVID-19 Investment Subsidy Act (COVID-19-Investitionsprämienengesetz) is €148.1k.

Regulatory assets are described in the "Accounting policies" section. This line item shows the following changes:

€K	2021	2022
As at 1/1	29,941.2	75,399.4
Addition	58,932.4	172,035.9
Disposal	-13,474.2	-16,466.9
As at 31/12	75,399.4	230,968.4
of which maturity > 1 year	58,932.4	172,011.0

Notes regarding equity and liabilities

A. Equity

[6] I. Called and paid-in share capital

The share capital amounts to €70,000.0k and is fully paid in and composed of 70,000,000 registered no-par-value shares.

[7] II. Capital reserves

€K	2021	2022
Restricted capital reserves	7,000.0	7,000.0
Unallocated capital reserves	8,383.5	8,383.5
	15,383.5	15,383.5

The restricted capital reserves equate to 10% of the share capital.

[8] III. Revenue reserves

€K	2021	2022
Unappropriated reserves	389,508.9	434,823.2
Unappropriated reserves in acc. with Section 906(31) UGB	28,591.3	29,111.2
	418,100.2	463,934.4

Effective 1 January 2016, the untaxed reserves recognised in accordance with Section 205 UGB (version prior to the federal law published in the Austrian Federal Law Gazette (BGBl.) I no. 22/2015) were reclassified to revenue reserves less 25% deferred taxes in accordance with Section 906(31) UGB.

Notes to the financial statements

[9] IV. Net retained profits

Changes in net retained profits are shown below:

€K	
As at 31/12/2021	37,342.9
Distribution of dividends	- 37,342.9
Net income	92,945.3
Allocation to revenue reserves	- 45,834.2
As at 31/12/2022	47,111.1

[10] B. Provisions

1. Provisions for termination benefits

€K	2021	2022
Premium reserve based on actuarial calculations	19,437.0	15,518.8
Taxed portion of provisions	19,437.0	15,518.8

In accordance with Section 14 of the Austrian Income Tax Act (EStG), the provision was transferred in 2002 tax-exempt to a reserve qualifying as taxed (Section 124b(68) EStG).

2. Provisions for pensions and similar obligations

€K	2021	2022
Pension provisions	58,960.0	42,147.6
Of which obligations similar to pensions	25,819.2	18,221.3

3. Provisions for taxes

The provision for taxes consists entirely of the provision for deferred taxes.

€K	2021	2022
Social capital	- 15,219.4	- 9,331.2
Untaxed reserves	9,455.7	8,677.4
Other	18,790.8	35,844.8
	13,027.1	35,191.0

Due to the gradual reduction in the tax rate from 25% to 23%, this year deferred taxes were calculated based on an average tax rate.

4. Other provisions

€K	2021	2022
Other provisions related to the electricity/grid business		
Regulatory reserves	237,611.8	305,393.7
Grid billing		
Services not yet billed	79,086.7	81,052.6
	316,698.5	386,446.2
Other personnel-related provisions		
Premiums	5,304.4	6,585.3
Unused holidays	4,426.0	4,911.4
Anniversary bonuses	3,487.0	3,186.1
Holiday bonus	2,410.5	2,652.8
Time credits	871.5	914.2
Funeral benefit	746.5	564.3
	17,246.0	18,814.0
Deliveries and services not yet billed	83,753.1	103,100.7
	417,697.7	508,361.0

At the balance sheet date, the unbilled services from grid billing included a provision for subsequent billing of congestion management and redispatching by TenneT in the amount of €1,727.1k (previous year: €3,395.4k) for the years 2019 to 2021. In addition, in financial year 2020 several wind power operators had filed claims seeking appropriate compensation for the economic disadvantages incurred as a result of restrictions in wind power feed-in. A provision of €107.3k (previous year: €260.8k) was recognised for this.

Regulatory provisions are described in the "Accounting policies" section and show the following changes:

Notes to the financial statements

€K	2021	2022
As at 1/1	143,552.1	237,611.8
Addition	238,516.7	306,486.7
Disposal	0.0	0.0
Reclassification as a regulatory liability	- 144,457.1	- 238,704.8
As at 31/12	237,611.8	305,393.7

[11] C. Liabilities

1. Payments received on account of orders

€K	2021	2022
Payments received on account of orders	1,777.0	29,603.7
of which maturity > 1 year	1,777.0	29,603.7

2. Trade payables

€K	2021	2022
Trade payables	30,757.6	61,043.5
of which maturity > 1 year	1,125.6	1,787.7
of which maturity > 5 years	228.0	578.7

3. Liabilities to affiliated companies

€K	2021	2022
Liabilities to affiliated companies	1,013,293.9	1,279,344.8
of which financial liabilities	978,145.3	1,211,033.2
of which trade payables	35,148.6	68,311.7
of which maturity > 1 year	202,187.5	187,562.5
of which maturity > 5 years	758,750.0	1,006,250.0

5. Other liabilities

€K	2021	2022
Regulatory liabilities	282,490.0	411,058.5
Easement agreements	21,712.5	21,776.7
From taxes	2,868.2	395.5
Relating to social security	1,504.7	1,588.7
Personnel accounting	52.0	37.9
Other	124.9	171.5
308,752.4	435,028.7	
of which maturity > 1 year	99,040.2	140,594.9
of which maturity > 5 years	58,107.6	46,021.0

Other liabilities include expenses in the amount of €412,856.5k (previous year: €285,613.9k) that will be realised after the balance sheet date in accordance with Section 225(6) UGB.

Regulatory liabilities are described in the "Accounting policies" section. They show the following changes:

€K	2021	2022
As at 1/1	280,837.8	282,490.0
Addition	24,158.8	81,618.1
Disposal	- 166,963.6	- 191,754.6
Reclassification as a regulatory liability	144,457.1	238,704.8
As at 31/12	282,490.0	411,058.5
of which maturity > 1 year	97,584.0	139,181.9
of which maturity > 5 years	38,458.0	26,123.3

[12] D. Deferred income

€K	2021	2022
Building cost contributions (financial contributions)	134,457.6	140,277.7
Other		
Investment grants	10,775.6	10,353.1
Revaluation of securities in accordance with RAG 2014	948.4	663.1
Prepayments for auctions	0.0	17,710.7
Other	1,600.0	508.8
147,781.6	169,513.5	

Building cost contributions relate to third-party contributions associated with the use of individual facilities.

Deferred income includes €15,222.2k (previous year: €14,157.2k) related to affiliated companies.

In financial year 2021, applications were submitted for the COVID-19 investment subsidy in the amount of €148.1k. Of this figure, €115.7k (previous year: €76.3k) had already been recognised in the balance sheet as investment grants at the balance sheet date.

Notes to the financial statements

Notes to the income statement

[13] 1. Revenue

€K		2021	2022
Revenue from electricity delivery and grid tariff settlement			
Austria	Energy providers	476,146.2	629,940.0
	Industrial customers	5,005.1	5,915.7
	Other customers	80,656.0	196,923.5
		561,807.3	832,779.2
EU	Energy providers	342,551.8	679,464.4
	Other customers	17,346.6	129,230.3
		359,898.5	808,694.7
Other countries	Energy providers	667.7	23.2
	Other customers	0.0	0.0
		667.7	23.2
		922,373.5	1,641,497.1
User and management fees			
Austria	Energy providers ¹⁾	- 5,313.6	- 12,292.1
	Industrial customers	0.2	0.2
	Other customers	194.8	185.2
		- 5,118.6	- 12,106.7
EU	Energy providers ¹⁾	- 3,436.3	- 8,488.9
	Other customers ²⁾	162,305.4	247,004.0
		158,869.2	238,515.1
		153,750.6	226,408.4
Other revenue		6,155.7	8,461.0
		1,082,279.8	1,876,366.6

¹⁾ Negative revenue in the EU arises as a result of auction revenue forwarded to the merchant line.

²⁾ Other customers in the EU only include the Joint Auction Office (JAO) in Luxembourg, which carry out the auction of marginal capacities for APG.

[14] 3. Other operating income

€K		2021	2022
a) Income from the disposal of fixed assets with the exception of long-term financial assets		279.0	585.3
b) Income from the reversal of provisions		3,925.2	14,343.3
c) Miscellaneous			
	Reversal of building-cost contributions	7,896.0	9,261.1
	Reversal of investment grants	513.5	464.6
	Other	1,493.9	2,493.1
		9,903.4	12,218.9
		14,107.5	27,147.4

Notes to the financial statements

[15] 6. Personnel expenses

€K	2021	2022
a) Wages	369.6	373.6
b) Salaries	58,604.8	65,396.0
	58,974.4	65,769.6
c) Social expenses		
Cost of old age pensions		
Early retirement benefits, pension payments and similar obligations	3,067.5	3,009.9
Change in the provisions for pensions and similar obligations	-12,900.8	-17,439.3
Pension fund contributions (including additional funding obligations)	1,426.2	1,497.8
	-8,407.1	-12,931.6
aa) Expenses for termination benefits and payments to employee pension funds		
Termination benefits	1,883.8	1,945.9
Change in the provision for termination benefits	-2,126.3	-4,060.7
Premium payments to employee pension fund	639.3	754.3
	396.8	-1,360.5
bb) Expenses for social security contributions as required by law as well as income-based charges and mandatory contributions	13,523.9	15,218.7
Other social expenses	777.0	867.5
	65,264.9	67,563.7

Pension fund contributions include payments for defined contribution plans and defined benefit plans. Any obligation to provide additional funding to APK Pensionskasse AG relates exclusively to defined benefit commitments.

[16] 7. Depreciation and amortisation

€K	2021	2022
Amortisation of intangible fixed assets and depreciation of tangible fixed assets		
Depreciation and amortisation in the financial year	98,681.6	108,466.7
Immediate write-offs of low-value assets in accordance with Section 13 EStG	926.7	783.9
	99,608.3	109,250.7

Notes to the financial statements

[17] 8. Other operating expenses

€K	2021	2022
a) Taxes not included in taxes on income	372.0	726.3
	372.0	726.3
b) Miscellaneous		
Third-party deliveries and services for repair and maintenance	22,179.7	23,894.1
Telecommunications services and data services	11,078.6	12,015.5
IT support, electronic data processing	8,461.4	11,327.6
Regulatory costs	11,016.9	10,953.0
Operating costs for buildings, rent and leasing	4,157.6	4,569.9
Legal, audit and consulting expenses	3,447.3	4,061.1
Consumables for offices, operations and maintenance	2,725.9	3,092.6
Temporary staff and personnel secondment	2,632.4	2,672.8
Advanced training and further education (incl. apprentice training)	1,403.5	2,002.1
Travel expenses	908.9	1,546.1
Insurance	257.4	292.9
Miscellaneous administrative expenses	177.7	242.6
Write-downs of and valuation allowances on receivables	613.8	37.5
Allocations to other regulatory liabilities	0.0	0.0
Other expenses	6,048.5	7,971.3
	75,109.5	84,679.3
	75,481.6	85,405.6

[18] 16. Financial result

€K	2021	2022
Other interest and similar income		
From affiliated companies	2.2	33.4
Other	159.4	4.9
	161.5	38.3
Interest and similar expenses		
From affiliated companies	25,049.5	25,759.2
Interest components for long-term provisions for personnel expenses	647.9	811.7
Other	554.1	1,446.1
	26,251.5	28,017.0

Notes to the financial statements

[19] 18. Taxes on income

€K	2021	2022
From the group parent		
Income tax for the current period	6,845.4	3,977.4
Deferred tax assets		
from social capital	3,228.4	5,888.2
from untaxed reserves	- 113.0	- 778.3
from other	14,067.4	17,054.0
	17,182.7	22,163.9
	24,028.1	26,141.3

Upon the entry into force of the Austrian Accounting Provisions Amendment Act (Rechnungslegungs-änderungsgesetz, RÄG) 2014, the untaxed reserves were recognised in equity in the carrying amount as at 1 January 2016 less 25% deferred taxes. Deferred taxes were recognised for the first time directly in equity. Deferred taxes will be reversed in line with the gradual reversal of the untaxed reserves.

Earnings before taxes are reduced by income tax in the amount of €26,141.3k (previous year: €24,028.1k).

Notes to the financial statements

III. Other disclosures

1. Total amount of other financial commitments

€K	Total commitment	2023	2023-2027
Main items			
Rent and lease agreements	¹⁾	17,759.5	88,684.7
Other (insurance, compensations, fees for usage and operational management)	¹⁾	5,991.0	23,283.8
Purchase commitments for reserve capacity contracted for congestion management	105,089.3	105,089.3	105,089.3
Purchase commitments for supplies and services	477,148.3	318,381.8	477,148.3
Purchase commitments for energy to cover system losses	1,035,093.8	1,035,093.8	1,035,093.8
Purchase commitment for balancing energy	4,398.1	4,398.1	4,398.1
of which to affiliated companies	¹⁾	197,194.1	252,390.7

¹⁾ The total commitment cannot be determined because the contractual periods are indefinite.

APG is obligated to provide additional funding to land owners for a limited period of up to ten years after a power line is put into operation if a portion of the developable land is rededicated.

In June 2018, 31 European transmission system operators (including APG) involved in the Cross-Border Intraday Market (XBID) project concluded a contract stipulating indemnification for 16 power exchanges with respect to third-party claims for damages on the one hand and liability between the transmission system operators on the other. The liability regime provides for a cap on liability wherever possible. However, liability is unlimited where the law does not allow for a limitation on liability.

APG is obligated based on labour-management agreements and contracts to pay pension benefits to employees when they retire if certain requirements are met. The employer is obligated to provide additional funding to the extent that these pension obligations are to be fulfilled by APK Pensionskasse AG. Due to the trend on the financial markets, APK Pensionskasse AG reported an anticipated obligation to provide additional funding in the amount of €691.3k (previous year: €0.0k).

2. Transactions with related parties

As a transmission system operator, APG is obligated under ElWOG 2010 to ensure the balance between generation and consumption for the purpose of operating a secure system as well as to maintain frequency and voltage. To this end, reserve capacity for use in congestion management is contracted from a number of plant operators, including VERBUND Energy4Business GmbH.

Grid services in the form of control power and energy to cover system losses are also purchased from VERBUND AG, VERBUND Hydro Power GmbH, VERBUND Energy4Business GmbH and VERBUND Energy4Flex GmbH.

A contract has been entered into with VERBUND Services GmbH for the billing of services in the areas of IT and telecommunications as well as administrative services.

A contract has been entered into with VERBUND Finanzierungsservice GmbH for the billing of services relating to the processing of payment transactions and cash management.

In financial year 2022, all agreements entered into with members of the Supervisory Board or any entities closely associated with individual members of the Supervisory Board were formed at arm's length as defined under Section 238(1)(12) UGB. Services were rendered for various companies of the VERBUND consolidated group; these contracts were approved by E-Control Austria.

Notes to the financial statements

3. Number of personnel

Average	2021	2022
Salaried employees	589	650
Apprentices	22	20
	611	670

4. Expenses for termination benefits and pensions

€K	2021	2022
Members of the Managing Board	38.8	6.3
Managerial employees	22.2	- 124.1
Employees	- 8,071.3	- 14,174.3
	- 8,010.4	- 14,292.1

Overall in the financial year, the interest rate adjustment for managerial and other employees gave rise to income from termination benefits and pensions. For further information, see the commentary in the "Economic trends" section of the management report.

5. Governing bodies of the Company

The details regarding the Company's governing bodies (members of the Executive Board and Supervisory Board) are provided before the management report.

The Executive Board comprised two members in the financial year. No loans or advances were paid to members of the Executive Board.

€K	2021	2022
Remuneration of two members of the Executive Board		
Fixed remuneration	521.9	531.3
Variable remuneration ¹⁾	218.8	224.3
Total	740.8	755.7

¹⁾ Variable remuneration for the respective financial year is paid starting in June of the following year in 14 equal payments because whether or not goals have been achieved can only be determined during the first quarter of the following year. Consequently, the variable components shown are the proportionate variable components paid to the members of the Executive Board in 2022 in respect of financial years 2020 and 2021. Variable remuneration for 2022 will be paid starting in June 2023.

Remuneration for members of the Supervisory Board amounted to €52.5k in the financial year (previous year: €54.5k).

6. Intra-group relationships

The parent company of APG obligated to prepare consolidated financial statements is VERBUND AG, Am Hof 6a, 1010 Vienna.

APG is a member of the parent company's corporate group (as defined under Section 9(8) of the Corporate Income Tax Act (KStG)).

Due to APG's inclusion in the consolidated financial statements of VERBUND AG, Vienna, as well as the corresponding disclosure of expenses for the financial statements audit in the aforementioned consolidated financial statements, this information is omitted in these annual financial statements.

The consolidated financial statements are filed with the commercial register of the Vienna Commercial Court.

7. Influence of the 3rd EU Internal Energy Market Package in Austria

VERBUND has decided to implement the Independent Transmission Operator (ITO) as defined under the 3rd EU Internal Energy Market Package and EIWOG 2010, which entailed stricter unbundling rules, thereby remaining the owner of APG.

APG received ITO certification in a notice issued by E-Control Austria dated 12 March 2012. The official designation as an independent transmission operator was announced in the Austrian Federal Law Gazette (BGBl.) II 134/2012 on 19 April 2012 by the Austrian Federal Minister of Economy, Family and Youth. In accordance with Section 27(2)(3) EIWOG, the compliance officer began his activities on 1 March 2012.

Business transactions as defined under Section 8(3) EIWOG are carried out in particular with the following companies:

Notes to the financial statements

Electricity deliveries

VERBUND Hydro Power GmbH, VERBUND Thermal Power GmbH & Co KG, Ennskraftwerke Aktiengesellschaft, VERBUND Energy4Flex GmbH

Grid services

VERBUND Hydro Power GmbH, VERBUND Thermal Power GmbH & Co KG, VERBUND Wind Power Austria GmbH, VERBUND Energy4Business GmbH, VERBUND AG, Ennskraftwerke Aktiengesellschaft, Donaukraftwerk Jochenstein AG, Österreichisch-Bayerische Kraftwerke AG, Energienetze Steiermark GmbH, KNG-Kärnten Netz GmbH

Telecommunications

VERBUND Services GmbH

Managerial services

VERBUND Verfahren Umwelt Management GmbH, VERBUND Services GmbH, VERBUND AG

Financing

VERBUND Finanzierungsservice GmbH, VERBUND AG

Personnel secondments

VERBUND Services GmbH

IV. Appropriation of profit

The Executive Board proposes the following appropriation of profit to the Annual General Meeting:

€K	2022
Net income	92,945.3
Distributable profit	92,945.3
Retained profit	45,834.2
Distribution of dividends	47,111.1
Appropriation of profit	92,945.3

V. Events after the balance sheet date

No events occurred after the balance sheet date that would require separate disclosure in accordance with Section 238(1)(11) UGB.

Vienna, 31 January 2023
Executive Board



DI Mag. (FH) Gerhard Christiner



Mag. Thomas Karall

Glossary

EBIT

Earnings before interest (including personnel-related interest) and taxes.

Calculation

	Operating profit
+	Financial result
-	Interest expense
=	EBIT

Notional debt repayment period

Ratio of debt to the surplus funds from ordinary activities.

Calculation

	Provisions
+	Liabilities
-	Other securities and shares classified as current securities
÷	Surplus funds from current activities
=	NOTIONAL DEBT REPAYMENT PERIOD

Gearing

Net indebtedness in relation to equity plus untaxed reserves adjusted for deferred taxes and investment grants.

Calculation

	Net debt
÷	Equity
=	GEARING

Net cash flow

Balance of cash inflows and outflows, usually broken down into net cash flow from operating activities, investing activities and financing activities.

Calculation

	Net cash flow from operating activities
+	Net cash flow from investing activities
+	Net cash flow from financing activities
=	NET CASH FLOW

Net current assets

Current assets (including current loans and current prepaid expenses) less current liabilities (including current deferred income).

Calculation

	Net current assets from operating activities
+	Net current assets from financing activities
=	NET CURRENT ASSETS (WORKING CAPITAL)

Glossary

Net debt

Interest-bearing debt less cash and cash equivalents (including securities and shares classified as current securities) adjusted for closed assets and closed liabilities.

Calculation

	Interest-bearing provisions
+	Interest-bearing liabilities
-	Net balance with closed items
=	GROSS DEBT
-	Financial assets
=	NET DEBT

APG-ROCE

Return on capital employed according to APG's calculation: result before interest expense (including personnel-related interest) less attributable taxes in relation to the interest-earning capital basis.

Calculation

	Operating profit
÷	Interest-earning capital basis
=	APG-ROCE

ROE

Return on equity: result from ordinary activities in relation to equity plus untaxed reserves adjusted for deferred taxes and investment grants at the beginning of the financial year.

Calculation

	Result from ordinary activities
÷	Equity as at 1/1
=	ROE

ROI

Return on investment: result before interest expense (including personnel-related interest) and taxes in relation to total capital at the beginning of the financial year.

Calculation

	EBIT
÷	Total capital as at 1/1 adjusted for closed items
=	ROI

ROS

Return on sales: result before interest expense (including personnel-related interest) and taxes in relation to sales (revenue).

Calculation

	EBIT
÷	Revenue
=	ROS

Auditor's Report^{*)}

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of Austrian Power Grid AG, Vienna. These financial statements comprise the balance sheet as of December 31, 2022, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2022 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles.

Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated.

Responsibilities of Management and of the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

^{*)}This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

Auditor's Report*)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the application of ISA, will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- » identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 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 the Company's internal control.

- » evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Company to cease to continue as a going concern.
- » evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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.

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

Auditor's Report*)

Comments on the Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Vienna, February 2, 2023

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Stefan Uher mp
Wirtschaftsprüfer / Certified Public Accountant

Mag. (FH) Rosemarie König mp
Wirtschaftsprüfer / Certified Public Accountant

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

Report of the Supervisory Board

During the reporting period, the Supervisory Board performed its duties and exercised its powers under the law and the Articles of Association in four ordinary plenary meetings, four ordinary Working/Audit Committee meetings and one Annual General Meeting. In doing so, it took into consideration the specific statutory provisions (Sections 28-32 EIWOG 2010) applicable to APG as an independent transmission operator (ITO). Due to the nature of APG's activities, a voluntary Audit Committee was set up as defined under the Austrian Stock Corporation Act (Aktiengesetz, AktG). The Working Committee also acts as an Audit and Emergency Committee.

The managing directors of the Executive Board were reviewed by the Supervisory Board on an ongoing basis based on oral and written reports on the course of business and the position of the Company. These reviews did not lead to any objections. The accounting system and financial statements were audited by Ernst & Young GmbH, Vienna. The auditor reported on its findings in writing. The auditor found that the Executive Board had provided all requested information, that the bookkeeping system and the financial statements complied with the legal requirements and give a true and fair view of the Company's financial position and financial performance, and that the management report was consistent with the financial statements.

The Supervisory Board reviewed these annual financial statements prepared in accordance with the Austrian Commercial Code (UGB), for which the auditor issued an unqualified auditor's report, as well as the Executive Board's management report. The Executive Board's management report

was approved and acknowledged. The annual financial statements were approved by the Supervisory Board, whereby they are approved in accordance with Section 96(4) AktG.

The Chairman of the Supervisory Board is in regular contact with the Executive Board. In particular, they regularly discuss the business performance and new European developments. The Executive Board normally met every 14 days. The Chairman of the Supervisory Board and the Executive Board confirm that discussions in the meetings of the Supervisory Board, the Working and Audit Committee and the Executive Board were all held in an open manner.

The Supervisory Board would also like to thank the Executive Board and all of the Company's employees for mastering the difficult challenges with which they have been presented.

Vienna, March 2023

On behalf of the Supervisory Board



Dr. Peter F. Kollmann e.h.
(Chairman)

Editorial details

Publisher:

Austrian Power Grid AG
Wagramer Straße 19, A-1220 Vienna
www.apg.at
E-mail: apg@apg.at

Concept, layout and consulting:

» Purtscher Relations GmbH
» Great
» Produced in-house with firesys
(firesys GmbH)

Translation and linguistic consulting:

ASI GmbH

Printed by:

Der Schalk – Druck in Perfektion

Barring typesetting and printing errors.
Vienna, March 2023

Photo credits:

Cover: Great, p. 4: David Pereiras Villagrà, pp. 6–11: Ricardo Herrgott, p. 13: Verbund, p. 16: APG, p. 20: rawpixel.com/Freepik, p. 21: Inna/stock.adobe.com, p. 22: Michael Mair, p. 26: Michael Mair, p. 28: APG/Rudi Fröse, p. 29: APG/Lukas Pilz, p. 31: APG/Martin Huber, p. 32: APG, p. 33: APG/EXPA/Groder, p. 34: APG/EXPA/Groder, p. 35: Pexels/Malidate Van, p. 36: Szabo Ervin-Edvard/EyeEm, p. 38: Klaus Vedfelt/Gettyimages, p. 39 at the top: Klaus Rockenbauer, p. 39 at the bottom: APG, p. 40 at the top: Kleine Zeitung GmbH & Co. KG / Adobe Stock, p. 40 at the bottom: Franz Kovacs, p. 44: iStock/evgenyatamanenko, p. 83: Lisa Tichane/Westend61

