Consolidated financial statements for fiscal year 2023

Eurogrid GmbH

Berlin

Consolidated statement of profit or loss

EUR m	Note	2023	2022
Revenue	*(5.2.1)*	*10,027.8*	*6,935.1*
Cost-matching income	*(5.1)*	*(7,624.9)*	*(4,468.3)*
Revenue from contracts with customers	(5.2.1)	2,402.9	2,466.8
Other income	(5.2.2)	175.3	125.9
Revenue and other income	**(5.2)**	**2,578.2**	**2,592.7**
Cost of materials and purchased services	*(5.3.1)*	*(9,275.8)*	*(6,264.4)*
Income-matching cost	*(5.1)*	*7,624.9*	*4,468.3*
Cost of materials and purchased services, grid business	(5.3.1)	(1,650.9)	(1,796.1)
Personnel expenses	(5.3.2)	(201.8)	(168.1)
Depreciation and amortisation		(332.2)	(297.6)
Other expenses		(14.5)	(16.7)
Result from equity investments accounted for using the equity method	(6.4)	1.9	(0.1)
Earnings before financial result and taxes		**380.7**	**314.1**
Financial result		**(59.8)**	**27.3**
Finance income	(5.4)	37.5	73.9
Finance expenses	(5.4)	(97.3)	(46.6)
Earnings before taxes		**320.9**	**341.4**
Income taxes	(5.5)	(100.4)	(105.3)
Group profit		**220.5**	**236.1**

Consolidated statement of comprehensive income

EUR m	Note	2023	2022
Group profit		**220.5**	**236.1**
Other comprehensive income (OCI):			
Items that will not be reclassified to the statement of profit or loss in the future:		**(2.0)**	**44.9**
Actuarial gains and losses	(5.6)	(2.8)	17.4
Deferred taxes on changes recognised directly in equity	(5.6)	0.8	(5.2)
Changes in fair value of other financial assets designated at fair value through OCI	(5.6)	-	32.7
Items that may be reclassified to the statement of profit or loss in the future:		**(248.2)**	**(159.1)**
Cash-flow hedge - effective portion of fair value changes	(5.6)	(354.5)	(226.0)
Deferred taxes on changes recognised directly in equity	(5.6)	106.2	66.9
Other comprehensive income after taxes	**(5.6)**	**(250.2)**	**(114.2)**
Total comprehensive income	**(5.6)**	**(29.7)**	**121.9**

Consolidated statement of financial position

EUR m	Note	31.12.2023	31.12.2022
NON-CURRENT ASSETS		**8,635.9**	**7,246.3**
Property, plant and equipment	(6.1)	8,392.4	7,058.5
Intangible assets	(6.2)	162.0	108.2
Trade and other receivables		-	0.5
Derivatives and other financial assets	(6.3)	76.7	76.2
Investments accounted for using the equity method	(6.4)	4.8	2.9
CURRENT ASSETS		**2,412.2**	**4,594.7**
Inventories		26.9	6.4
Trade and other receivables	(6.6)	1,567.3	1,033.2
Receivables from income taxes		48.0	14.0
Derivatives and other financial assets	(6.3)	-	154.4
Cash and cash equivalents	(6.7)	761.4	3,368.3
Prepayments	(6.6)	8.6	18.4
Total assets		**11,048.1**	**11,841.0**

EUR m	Note	31.12.2023	31.12.2022
EQUITY		**2,143.2**	**2,183.5**
Issued capital	(6.8)	0.0	0.0
Capital reserve	(6.8)	834.6	714.6
Hedging Reserve	(6.8)	(157.4)	90.8
Other reserves	(6.8)	58.6	60.5
Retained earnings	(6.8)	1,407.4	1,317.6
NON-CURRENT LIABILITIES		**5,815.9**	**4,328.1**
Loans and borrowings	(6.9)	5,395.9	3,834.4
Provisions for employee benefits	(6.10)	30.7	23.1
Derivative liabilities	(6.3)	8.5	24.7
Other provisions	(6.11)	132.0	115.6
Deferred tax liabilities	(6.5)	80.8	156.2
Other liabilities	(6.12)	168.0	174.1
CURRENT LIABILITIES		**2,804.2**	**5,198.1**
Loans and borrowings	(6.9)	58.8	789.2
Other provisions	(6.11)	7.2	7.3
Derivative liabilities	(6.3)	216.3	-
Trade payables and other liabilities	(6.13)	2,516.7	4,373.5
Liabilities from income taxes		1.5	23.9
Anticipatory equity and liabilities	(6.14)	3.7	4.2
REGULATORY ITEMS	**(6.17)**	**284.8**	**131.3**
Total equity and liabilities		**11,048.1**	**11,841.0**

Consolidated statement of changes in equity

EUR m	Issued capital	Capital reserve	Hedging reserve	Other reserves	Retained earnings	Total
As of 1 January 2022	**0.0**	**464.6**	**249.9**	**15.7**	**1,201.5**	**1,931.7**
Group profit	-	-	-	-	236.1	236.1
Other comprehensive income (OCI)	-	-	(159.1)	44.9	-	(114.2)
Total comprehensive income	**-**	**-**	**(159.1)**	**44.9**	**236.1**	**121.9**
Distribution	-	-	-	-	(120.0)	(120.0)
Increase	-	250.0	-	-	-	250.0
As of 31 December 2022	**0.0**	**714.6**	**90.8**	**60.5**	**1,317.6**	**2,183.5**

EUR m	Issued capital	Capital reserve	Hedging reserve	Other reserves	Retained earnings	Total
As of 1 January 2023	**0.0**	**714.6**	**90.8**	**60.5**	**1,317.6**	**2,183.5**
Group profit	-	-	-	-	220.5	220.5
Other comprehensive income (OCI)	-	-	(248.2)	(2.0)	-	(250.2)
Total comprehensive income	**-**	**-**	**(248.2)**	**(2.0)**	**220.5**	**(29.7)**
Distribution	-	-	-	-	(130.0)	(130.0)
Increase	-	120.0	-	-	-	120.0
Adjustments	-	-	-	-	(0.6)	(0.6)
As of 31 December 2023	**0.0**	**834.6**	**(157.4)**	**58.6**	**1,407.4**	**2,143.2**

Other comprehensive income is explained in more detail in note 5.6 Total comprehensive income in the notes.

The adjustments in the 2023 fiscal year relate to migration effects from the implementation of a new reporting tool.

Changes in equity are explained in more detail in note 6.8 Equity in the notes.

Consolidated statement of cash flows

EUR m	Note	2023	2022
Cash flow from operating activities			
Group profit		**220.5**	**236.1**
Adjusted for:			
Net finance expenses	(5.4)	59.8	(27.3)
Non-cash items		-	1.6
Income tax expenses	(5.5)	68.7	70.0
Depreciation of property, plant and equipment and amortisation of intangible assets		332.2	297.6
Gain on the disposal of intangible assets and property, plant and equipment	(6.1, 6.2)	7.2	5.0
Impairment of current assets		2.5	0.6
Change in provisions	(6.11)	2.9	(5.0)
Change in deferred taxes	(5.5, 6.5)	31.6	35.2
Share of profit of associates accounted for using the equity method, after tax	(6.4)	(1.9)	0.1
Cash flow from operating activities without changes in working capital		**723.5**	**613.9**
Change in inventories		(20.6)	(1.2)
Changes in trade receivables and other receivables	(6.6)	(526.0)	(38.0)
Change in trade payables and other liabilities	(6.13)	(1,991.1)	568.9
Change in regulatory items	(5.4, 6.17)	150.2	(244.4)
Change in working capital		**(2,387.5)**	**285.3**
Interest paid		(88.5)	(53.9)
Interest received		34.6	0.7
Income taxes paid		(105.2)	(81.9)
Cash flow from operating activities		**(1,823.1)**	**764.1**
Cash flow from investing activities			
Cash paid for the procurement of property, plant and equipment and intangible assets	(6.1, 6.2)	(1,582.7)	(1,128.1)
Net cash flow from disposals of property, plant and equipment	(6.1)	0.9	3.6
Cash received from dividends from participations		1.2	1.2
Cash flow from investing activities		**(1,580.6)**	**(1,123.3)**
Cash flow from financing activities			
Cash received from the equity contribution of shareholders		120.0	250.0
Distribution	(6.8)	(130.0)	(120.0)
Repayment of borrowings	(6.16)	(757.5)	(7.1)
Proceeds from withdrawal of borrowings		1,564.3	747.4
Cash flow from financing activities		**796.8**	**870.3**
Change in cash and cash equivalents		**(2,606.9)**	**511.1**
Cash and cash equivalents as of 1 January		3,368.3	2,857.2
Cash and cash equivalents as of 31 December	(6.7)	761.4	3,368.3
Change in cash and cash equivalents		**(2,606.9)**	**511.1**

Notes to the consolidated financial statements for fiscal year 2023

Consolidated financial statements of Eurogrid GmbH

Berlin

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1. Basic information

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

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

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

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

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

Financial terms or alternative performance measures that are based on, but not defined in, IFRS are defined in the Appendix to the Notes to the Consolidated Financial Statements "Financial terms or Alternative Performance Measures ".

2. Basis of preparation

2.1. CONFIRMATION OF COMPLIANCE WITH IFRSs

We complied with the legal obligation to prepare consolidated financial statements and a group management report in accordance with Sec. 290 HGB by preparing consolidated financial statements pursuant to International Financial Reporting Standards (IFRSs) as endorsed by the EU and the supplementary applicable German legal requirements as well as a group management report in accordance with Sec. 315 HGB (Sec. 315e (1) HGB) which is supplemented by a consolidated non-financial statement (Sec. 315b HGB) and a voluntary group declaration on corporate governance (cf. section 315d HGB in conjunction with section 289f para. § Section 289f (4) HGB).

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

The exposure draft "Regulatory Deferral Accounts" was published in January 2021. The comment deadline ended on 30 June 2021. The draft stipulates the recognition of regulatory assets and liabilities. The Group is currently assessing potential effects of the implementation of the draft.

In addition, the supplementary requirements of German commercial law pursuant to Sec. 315e (1) of the German Commercial Code (HGB) are taken into account.

New and amended standards and interpretations applied for the first time in fiscal year 2023:

Standard	Topic	Endorsement date	Application date	Effects on the Group
Amendments to IAS 1	Disclosure of Accounting Policies	2 March 2022	1 January 2024	none
Amendments to IAS 8	Disclosure of Accounting Estimates	2 March 2022	1 January 2023	none
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	11 August 2022	1 January 2023	none
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules	8 November 2023	Immediately and 1 January 2023	none
IFRS 17	Insurance Contracts	19 November 2021	1 January 2023	none
Amendments to IFRS 17	Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information	8 September 2022	1 January 2023	none

Standards, interpretations and amendments to standards that were not yet subject to mandatory adoption in fiscal year 2023 and that have not been early adopted by the Group

Endorsed standards

Standard	Topic	Endorsement date	Application date	Effects on the Group
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	19 December 2023	1 January 2024	currently being assessed
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	21 November 2023	1 January 2024	none

Standards still not endorsed

Standard	Topic	Endorsement date	Application date	Effects on the Group
Amendments to IAS 7	Disclosures: Supplier Finance Arrangements	Pending	1 January 2024	currently being assessed
Amendments to IAS 21	Lack of Exchangeability	Pending	1 January 2025	none

2.2. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

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

2.3. BASIS OF MEASUREMENT

The consolidated financial statements were prepared based on historical cost.

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

The Group's planning and forecasts show that taking into account expected changes to operating profit, the Group can continue its business operations on the basis of current financing. Management expects the Group to have sufficient liquidity available to continue its business operations in the near future. As a result, the Group prepared the consolidated financial statements assuming the continued existence of the Company as a going concern. Neither Russia's war of aggression against Ukraine, which violates international law, nor the escalation of the Middle East conflict have jeopardized the ability of the Company to continue as a going concern.

The principal accounting policies adopted are explained below.

2.4. ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and judgements especially when calculating/deriving fair values, measuring non-current assets (see notes 6.1 to 6.4), calculating and measuring provisions (see notes 6.10 and 6.11) as well as determining deferred revenue in the energy business (see notes 6.6 and 6.13).

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

The useful lives of the fixed assets are chosen so as to obtain the best possible match with the actual depreciation of each asset. Depreciation of property, plant and equipment at 50Hertz Transmission is calculated based on the useful lives recognised by the Federal Network Agency for regulatory purposes; the Group believes that these values represent the best possible approximation of actual events in terms of economic utilization. An exception here from this are rights of use from lease contracts which are depreciated over the non-cancellable lease period taking into account periods covered by an extension option if the Group is reasonably certain to exercise it or by a termination option if the Group is reasonably certain not to exercise it.

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

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

2.5. AUTHORISATION OF THE FINANCIAL STATEMENTS FOR ISSUE

It will be proposed to the shareholders' meeting to distribute a dividend of EUR 180.0m from the reported net profit to the shareholders and to carry forward the remaining amount.

These consolidated financial statements will be released by the Executive Board for forwarding to the Supervisory Board on 15 February 2024. On 23 February 2024, the Supervisory Board will resolve on the recommendation to the shareholders' meeting to approve the consolidated financial statements. The shareholders' meeting will resolve on the approval of the consolidated financial statements at its next meeting.

The prior year financial statements were approved by the shareholders' meeting on 28 February 2023.

3. Summary of consolidation principles and significant policies

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

3.1. BASIS OF CONSOLIDATION

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

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

Subsidiaries are generally included in Eurogrid's consolidated financial statements (full consolidation) as of the date on which control is transferred to Eurogrid. They are deconsolidated on the date on which Eurogrid ceases to have control.

The purchase method is used to account for acquired subsidiaries. The cost of the business combination corresponds to the fair value of the assets given, the equity instruments issued and the liabilities incurred and assumed as of the date of exchange. Acquisition-related costs are always treated as expenses, regardless of whether they can be directly allocated or not. Identifiable assets, liabilities and contingent liabilities in the course of the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of non-controlling interests.

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

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

Associates are entities over which the Group has significant influence but not exclusive control. These entities are recognised at cost from the date on which significant influence is transferred to Eurogrid and are accounted for using the equity method until the date on which significant influence ceases to exist.

3.2. FOREIGN CURRENCY TRANSLATION

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

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

The functional currency of all subsidiaries included in the consolidated financial statements is the euro.

3.3. FINANCIAL INSTRUMENTS

INITIAL RECOGNITION AND MEASUREMENT

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

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

SUBSEQUENT MEASUREMENT

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

- Financial assets at amortised cost
- Financial assets designated at fair value through OCI

A financial asset is measured at amortized cost if both of the following conditions are met and it is not designated as at fair value through profit or loss (FVTPL):

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of certain equity instruments that are not held for trading, the Group has made the irrevocable election to present subsequent changes in the fair value of the investment in other comprehensive income. This choice is made on a case-by-case basis for each investment.

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

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises impairment losses for the expected credit losses ("ECL") of debt instruments. Default risk is recognised in two stages. For credit exposures where the credit risk has not increased significantly since initial recognition, an allowance for credit losses is recognised for credit losses within the next 12 months. For credit exposures with a significant increase in credit risk, an allowance for expected credit losses is recognised over the entire term of a financial instrument, irrespective of the time of default (overall ECL).

IFRS 9 requires the recognition of impairment losses on financial assets based on a forward-looking model of expected credit losses.

From 2022, the Group applies an individualised expected credit loss (ECL) approach. The applicable ECL formula is ECL = EAD x PD x LGD, where exposure at default (EAD) is equal to the carrying amount of the financial asset to which the corresponding probability of default (PD) and loss given default (LGD) are applied.

The Group uses external ratings when available or an internal rating for significant counterparties that do not have an external rating.

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

This approach is considered more relevant than the portfolio approach as it provides a better risk assessment.

Not in the scope of the determination of the expected default risk and the resulting allowance are the receivables from the pay-as-you-go business due to the legally existing compensation claim against a third party in the amount and at the time of default.

OFFSETTING FINANCIAL INSTRUMENTS

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

DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

Financial assets at amortised cost

Financial assets designated at amortised cost are measured after initial recognition using the effective interest method. In accordance with IFRS 9, impairment losses are recognised on the basis of expected losses (expected credit loss model).

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset. In the latter case, the gains from this are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has made the irrevocable decision to designate its non-listed investments, for which the Group does not exercise significant influence, in this category as these investments are held on a long-term basis for strategic purposes.

Derivative financial instruments at fair value through OCI

The Group recognises derivatives as price hedges for the future procurement of the physical demand for electrical energy to cover grid losses expected in subsequent periods and covered in each case by short-term procurement transactions on the spot market (hedged item). These derivatives are measured at fair value as part of cash flow hedge accounting and recognized in other comprehensive income and accumulated in equity under the item "hedging reserve" (OCI).

3.4. INTANGIBLE ASSETS

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

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

Additional impairment losses are recognised, if required.

3.5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

3.6. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

In fiscal year 2023, no impairment losses or reversals of impairment losses were recognised on non-financial assets.

3.7. INVENTORIES

Inventories relate to raw materials, consumables as well as supplies and work in progress if part of the ordinary course of business of a transmission system operator. .

Raw materials, consumables as well as supplies and work in progress are stated at the lower of cost of conversion or net realizable value. As a rule, raw materials, consumables and supplies are measured at average prices. Net realisable value is the estimated selling price in the ordinary course of business.

3.8. TRADE AND OTHER RECEIVABLES

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

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

3.9. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents are recognised at fair value upon recognition and at amortised cost in subsequent periods.

3.10. TRADE AND OTHER PAYABLES

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

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

3.11. INCOME TAXES

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

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

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

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

3.12. PROVISIONS FOR EMPLOYEE BENEFITS

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

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

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

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

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

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

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

3.13. OTHER PROVISIONS

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

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

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

3.14. REGULATORY ITEMS

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

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

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

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

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

3.15. GRANTS AND SUBSIDIES

Payments from public institutions are handled in such a way that reflects the conditions at which they are granted, depending on whether they are allocated to individual assets or certain purposes. They are recognised as other liabilities and released over the term of the corresponding asset within profit and loss. Income is presented within revenue and other income.

Investment-related grants and expense subsidies are generally amortised over the useful life of the asset concerned. Expenses are included in depreciation.

3.16. REVENUE RECOGNITION

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

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

Adjusting for the non-profit business, revenue largely results from the transfer of electrical energy via grids, additional services relating to the grid-based business, the establishment and operation of power lines and the related facilities for connecting offshore connection systems to an electricity transmission or distribution grid, regulatory corrections as well as payments for grid connection.

Interest income is recognised using the effective interest method.

3.17. LEASES

THE GROUP AS A LESSEE

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

Assets and liabilities arising from a lease are initially measured on a present value basis, discounted using the Group´s incremental borrowing rate.

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

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

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

The Group has decided not to recognise rights-of-use and lease liabilities for short-term leases and lease agreements of low value.

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

THE GROUP AS A LESSOR

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

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

4. Segment reporting

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

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

The "Non-operating business" segment comprises the levy mechanisms under the Energy Financing Act (EnFG) and the Renewable Energy Sources Act (EEG) and its ordinances, which do not affect the Group's earnings. The EEG process includes the purchase and marketing of EEG feed-in volumes on the electricity exchange, which result after deliveries to other TSOs for the nationwide balancing of the burdens of the TSOs from the EEG among themselves. The costs not covered by the marketing revenues were compensated until 30 June 2022 by levying a uniform nationwide EEG surcharge on the electricity distributors. With the reduction of the EEG surcharge to zero on 1 July 2022, compensation will be made through correspondingly high federal subsidies to the EEG account of the TSOs. The EnFG now also provides the basis for handling the levy procedures in accordance with the KWKG and Section 19 StromNEV. In 2023, the new levy mechanism under the Electricity Price Brake Act was added here for the first time. The levy in accordance with Section 18 AbLaV was charged for the last time in 2022. Furthermore, services provided for third parties are reported in this segment, which, with the exception of agreed service fees, are recognized in equity for the Group.

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

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

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

Segment reporting by business segment for the period from 1 January 2022 to 31 December 2022

EUR m	Non-profit business	Grid business	Total
Revenue	4,468.3	2,466.8	6,935.1
Other income	-	125.9	125.9
Revenue and other income	**4,468.3**	**2,592.7**	**7,061.0**
Cost of materials and purchased services	(4,468.3)	(1,796.1)	(6,264.4)
Personnel expenses	-	(168.1)	(168.1)
Amortisation	-	(297.6)	(297.6)
Other expenses	-	(16.7)	(16.7)
Result from equity investments accounted for using the equity method	-	(0.1)	(0.1)
Net finance expenses	-	27.3	27.3
Finance income	-	73.9	73.9
Finance expenses	-	(46.6)	(46.6)
Profit before tax	**-**	**341.4**	**341.4**
Income taxes	-	(105.3)	(105.3)
Profit for the year from continuing operations	**-**	**236.1**	**236.1**
Group profit	**-**	**236.1**	**236.1**
Timing of revenue recognition			
At a point in time	4,468.3	2,465.2	6,933.5
Over time	-	1.6	1.6

Segment reporting by business segment for the period from 1 January 2023 to 31 December 2023

EUR m	Non-profit business	Grid business	Total
Revenue	7,624.9	2,402.9	10,027.8
Other income	-	175.3	175.3
Revenue and other income	**7,624.9**	**2,578.2**	**10,203.1**
Cost of materials and purchased services	(7,624.9)	(1,650.9)	(9,275.8)
Personnel expenses	-	(201.8)	(201.8)
Amortisation	-	(332.2)	(332.2)
Other expenses	-	(14.5)	(14.5)
Result from equity investments accounted for using the equity method	-	1.9	1.9
Net finance expenses	-	(59.8)	(59.8)
Finance income	-	37.5	37.5
Finance expenses	-	(97.3)	(97.3)
Profit before tax	**-**	**320.9**	**320.9**
Income taxes	-	(100.4)	(100.4)
Profit for the year from continuing operations	**-**	**220.5**	**220.5**
Group profit	**-**	**220.5**	**220.5**
Timing of revenue recognition			
At a point in time	7,624.9	2,401.5	10,026.4
Over time	-	1.5	1.5

The settlement of the EEG gives rise to interest income and interest expenses for the Group, which are refinanced via the EEG cost allocation. These items do not have any impact on profit for the Group and are shown to fully present earnings generated in the operating non-profit business within cost of materials and purchased services. In the reporting year, this related to interest expenses of EUR 0.0m (prior year: EUR 0.1m). In addition to interest, cross-charges include personnel (2023: EUR 4.2m, prior year: EUR 4.7m), IT (2023: EUR 1.3m, prior year: EUR 2.7m) and other expenses (2023: EUR 0.3m, prior year: EUR 0.5m) which are allocated to the non-profit business.

All revenue were generated with external customers. In fiscal year 2023, there is no customer in the grid use segment with which revenue of more than 10% each of total revenue from grid use is generated (prior year: no customer). Revenue generated with external customers from other countries is immaterial in terms of amount.

Segment reporting by business segment as of 31 December 2022

EUR m	Non-profit business	Grid business	Total
Non-current assets	-	7,246.3	7,246.3
Current assets	275.2	4,319.5	4,594.7
Non-current liabilities	-	4,328.2	4,328.2
Current liabilities	3,159.8	2,038.2	5,198.0
Equity and regulatory items	-	2,314.8	2,314.8

Segment reporting by business segment as of 31 December 2023

EUR m	Non-profit business	Grid business	Total
Non-current assets	-	8,635.9	8,635.9
Current assets	956.8	1,455.4	2,412.2
Non-current liabilities	-	5,815.9	5,815.9
Current liabilities	1,414.4	1,389.8	2,804.2
Equity and regulatory items	-	2,428.0	2,428.0

Of the current assets and liabilities from the non-profit business, EUR 805.9m (prior year: EUR 41.9m) and EUR 1,061.1m (prior year: EUR 2,976.3m) relates to the development of the EEG business, respectively. The change in current assets includes the recognition of the federal subsidy in accordance with Section 6 EnFG.

Additions to non-current assets relate primarily to property, plant and equipment (EUR 1,389.6m, prior year: EUR 823.0m) and grid business.

The carrying amount of the equity-accounted investee EGI (EUR 4.8m, prior year: EUR 2.9m) is allocated to the grid business.

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

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

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

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

In the 2023 financial year, a new reporting tool was introduced in collaboration with Elia. As part of this, the presentation of some accounts in the income statement was changed. The aim is to standardize reporting within the Elia Group. The changes compared to the previous year are explained in the respective paragraphs.

5.1. NON-PROFIT BUSINESS

In addition to revenue from the grid business, the Group largely generates income from the non-profit settlement of the EEG and the KWKG, services rendered for third parties, Sec. 19 StromNEV as well as from the cost allocation for interruptible loads.

This revenue is matched by expenses of the same amount.

EUR m	2023	2022
EEG income	4,032.0	3,826.7
KWKG income	295.9	367.0
Sec. 19 StromNEV income	290.0	272.5
Energy price brake	3,007.0	-
AbLaV income	-	2.1
Cost-matching income	**7,624.9**	**4,468.3**
EEG expenses	(4,032.0)	(3,826.7)
KWKG expenses	(295.9)	(367.0)
Sec. 19 StromNEV expenses	(290.0)	(272.5)
Energy price brake	(3,007.0)	-
AbLaV expenses	-	(2.1)
Income-matching costs	**(7,624.9)**	**(4,468.3)**

The EEG surcharge was abolished in 2022. Since then, EEG financing has been secured by a state subsidy to the TSOs in accordance with the EnFG.

5.2. REVENUE FROM THE GRID BUSINESS AND OTHER INCOME

5.2.1 Revenue from the grid business

Revenue from the grid business breaks down as follows:

EUR m	2023	2022
Revenue from contracts with customers	**2,402.9**	**2,466.8**
Revenue from incentive regulation	1,407.9	1,107.1
Revenue from offshore regulation	400.9	295.1
Revenue from ancillary services and balancing management	576.5	1,055.4
Construction cost subsidies	1.5	1.6
Other revenue	16.1	7.6
Revenue	**2,402.9**	**2,466.8**

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

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

In fiscal year 2023, the period effects resulting from regulatory items excluding the interest portion led to a EUR 150.1m increase in consolidated net income (prior year: increase of EUR 244.4m). Considering the interest portion and a tax rate of 30.00%, the recognition of regulatory issues led to a change in group result of EUR -107.5m (prior year: EUR 219.7m).

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

5.2.2 Other income

EUR m	2023	2022
Services and technical expertise	26.6	8.5
Own work capitalised	112.7	72.2
Communication income	3.1	2.9
Sundry other income	32.9	42.3
Total	**175.3**	**125.9**

Sundry other income contains primarily income (EUR 10.0m) from cross-charging and IT (EUR 3.1m).

5.3. OPERATING EXPENSES

5.3.1 Cost of materials and services grid business

EUR m	2023	2022
Cost of materials	12.8	78.7
Electricity expenses	1,296.2	1,564.0
Third-party services and other operating expenses	136.9	(0.5)
Cost of grid utilisation offshore acc. to the old mechanism	-	3.3
Other operating expenses	205.0	150.6
Total	**1,650.9**	**1,796.1**

Other operating expenses mainly include third-party and service expenses.

In the 2023 reporting year, changes were made to the following items compared to the previous year:

In the previous year, third-party services were mainly reported under cost of materials. From 2023, these (EUR 66.1 m; prior year: EUR 73.2 m) are reported under other operating expenses.

Until 2022, other interest-like expenses (mainly transaction costs from the issue of bonds) and other expenses related to financing were reported under purchased services. From 2023, these (EUR 2.4 m; prior year: EUR 6.0 m) are reported under financial expenses.

In the previous year, various other expenses were reported under purchased services. From 2023, they (EUR 1.6 m; prior year: EUR 1.0 m) are reported under other expenses.

The previous year's table has not been adjusted.

Electricity expenses contain the following items:

EUR m	2023	2022
Expenses for system services	141.5	130.6
Expenses to cover grid losses	330.9	171.0
Expenses for measures pursuant to Sec. 13 EnWG	487.2	583.0
Expenses for Sec. 14/15 EEG compensation	(3.6)	(5.9)
Expenses for balance energy	214.6	430.7
Expenses for unwanted exchange	7.7	34.9
Expenses for reserve costs	34.5	185.5
Expenses for cross-border redispatch	10.0	34.2
Other electricity expenses	73.4	0.0
Electricity expenses	**1,296.2**	**1,564.0**

5.3.2 Personal expenses

Personnel expenses comprise the following components:

EUR m	2023	2022
Salaries and wages	159.6	132.2
Social security contributions	27.2	21.5
Pension and welfare expenses	6.3	7.4
Other personnel expenses	1.5	1.0
Change in personnel provisions	7.2	6.0
Total	**201.8**	**168.1**

	2023	2022
Administrative employees	531	467
Technical employees	1122	978
Total	**1653**	**1445**
Trainees	35	32

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

5.4. FINANCIAL RESULT

EUR m	2023	2022
Finance income	**37.5**	**73.9**
Interest income	34.9	3.7
Interest income on regulatory items	0.7	69.2
Other finance income	1.9	1.0
Finance expenses	**(97.3)**	**(46.6)**
Interest portion of euro bonds and other interest expenses	(110.7)	(62.0)
Capitalised borrowing costs	25.1	18.0
Interest portion of provisions	(6.7)	(1.7)
Interest portion of regulatory items	(4.2)	0.0
Interest cost on leasing	(0.8)	(0.9)
Foreign currency translation	0.0	0.0
Financial result	**(59.8)**	**27.3**

The total net gain relating to the measurement category “loans and receivables” amount to EUR 32.3m (prior year: EUR 3.0m). Finance income relating to the measurement category “measured at fair-value through OCI” amounts to EUR 1.2m (prior year: EUR 1.2m). Interest expenses relating to other financial liabilities amount to EUR 110.3m (prior year: EUR 64.5m).

Until 2022, other interest-related expenses and costs associated with financing were reported under purchased services. From 2023, these (EUR 2.4m; prior year: EUR 6.0m) will be reported under financial expenses within other interest expenses.

5.5. INCOME TAXES

As the parent company, Eurogrid concluded a profit transfer agreement with 50Hertz Transmission with effect from 1 June 2010 (with amendment agreement dated 30 November 2021) and established a consolidated tax group for income tax purposes. The control and profit transfer agreement between 50Hertz Transmission and 50Hertz Offshore, which has been in place since 1 January 2008 (with amendment agreement dated 30 November 2021), continues to exist with 50Hertz Transmission as the intermediate controlling company. Since 18 October 2023, there has been a control and profit and loss transfer agreement between 50Hertz Transmission and 50Hertz Connectors. The domination and profit transfer agreement was entered in the commercial register on 24 October 2023.

Income taxes break down as follows:

EUR m	2023	2022
Tax expenses for current year	67.2	69.5
Tax expenses for prior years	1.6	0.6
Current taxes	**68.8**	**70.1**
Deferred taxes	31.6	35.2
Deferred taxes	**31.6**	**35.2**
Income taxes recognised in the statement of profit or loss	**100.4**	**105.3**

The deferred tax expense of EUR 31.6m (prior year: expense: EUR 35.2m) relates to temporary differences that originated or were reversed in the current year. The following reconciliation presents the differences between the expected tax expense and the disclosed tax expense/rate in the Group:

EUR m	2023	2022
Profit/loss before income taxes	**320.9**	**341.4**
Group tax rate	30.00 %	29.93 %
Expected income taxes	96.2	102.2
Changes in tax rates	0.3	0.6
Non-deductible expenses	4.1	2.3
Adjustment for prior years	0.4	0.4
Other tax-free income	(0.1)	(0.2)
Other	(0.5)	0.0
Effective tax expenses	**100.4**	**105.3**

Deferred taxes were calculated using an overall tax rate of 30.00%. The tax rate comprises the corporate income tax rate in Germany of 15.0% plus solidarity surcharge applied on the corporate income tax rate (5.5%) and the trade tax rate of 14.17%, which reflects the weighted levy rate of all the municipalities within Eurogrid's consolidated tax group for 2023.

The effective tax rate amounts to 31.28% (prior year: 30.83%). The difference between the actual tax expenses and the imputed tax expenses is primarily due to trade tax addbacks.

The Group has applied the temporary exemption from the accounting requirements for deferred taxes in IAS 12 published by the IASB in May 2023. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities in connection with global minimum taxation ("Pillar 2").

On 27 December 2023, the Act to Ensure Global Minimum Taxation for Corporate Groups (Minimum Tax Act - MinStG) was published in the Federal Law Gazette (Part I 2023, No. 397). It applies for the first time to financial years beginning after 30 December 2023. According to this law, the parent company in Germany must pay an additional tax on the profits of its subsidiaries that are taxed at an effective tax rate of less than 15%.

However, based on the analyses carried out, the Group assumes that it will not be subject to any additional tax in relation to its activities.

As the newly enacted law will not come into force until January 1, 2024, there will be no ongoing tax effects for the financial year ending 31 December 2023.

If the supplementary tax had come into force in 2023, no minimum tax would be due under the applicable safe harbor transition rules.

Based on the Group's income tax projections and currently available information, a similar conclusion can be drawn for the foreseeable future (2024 to 2026).

The Group is continually assessing the impact of the global minimum tax on its future financial performance.

5.6. TOTAL COMPREHENSIVE INCOME

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

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

EUR m	2023	2022
Recognised actuarial gains/losses	(2.8)	17.4
Deferred taxes on changes in provisions for employee benefits recognised directly in equity	0.8	(5.2)
Changes in the fair value of other investments	-	32.7
Cashflow hedge - Effective portion of changes in fair value	(354.5)	(226.0)
Cashflow hedge - Deferred taxes on effective portion of changes in fair value	106.2	66.9
Other income after tax	**(250.2)**	**(114.2)**

6. Notes to the statement of financial position

6.1. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

EUR m	Land and buildings	Plant and machinery	Furniture and fixtures, vehicles	Leasing and similar rights	Prepayments on property, plant and equipment and assets under construction	Total
COST						
As of 1 January 2022	**274.7**	**5,409.2**	**233.4**	**84.3**	**1,700.5**	**7,702.1**
Additions	5.2	231.4	21.4	4.0	827.3	1,089.3
Disposals	(0.7)	(15.8)	(3.2)	-	-	(19.8)
Reclassifications	3.3	440.7	105.5	-	(548.4)	1.1
As of 31 December 2022	**282.5**	**6,065.4**	**357.1**	**88.3**	**1,979.4**	**8,772.7**
As of 1 January 2023	**282.5**	**6,065.4**	**357.2**	**88.3**	**1,979.4**	**8,772.7**
Additions	4.5	167.6	24.3	4.8	1,449.7	1,650.9
Disposals	(1.2)	(16.9)	(3.4)	(0.5)	-	(22.0)
Reclassifications	7.5	176.0	7.4	-	(190.3)	0.6
As of 31 December 2023	**293.3**	**6,392.1**	**385.5**	**92.6**	**3,238.8**	**10,402.3**

EUR m	Land and buildings	Plant and machinery	Furniture and fixtures, vehicles	Leasing and similar rights	Prepayments on property, plant and equipment and assets under construction	Total
DEPRECIATION AND IMPAIRMENT						
As of 1 January 2022	**(32.1)**	**(1,282.9)**	**(110.0)**	**(19.4)**	**-**	**(1,444.3)**
Depreciation of the year	(4.3)	(221.4)	(48.0)	(7.5)	-	(281.2)
Disposals	0.2	8.1	3.0	0.0	-	11.3
As of 31 December 2022	**(36.2)**	**(1,496.2)**	**(155.0)**	**(26.9)**	**-**	**(1,714.2)**
As of 1 January 2023	**(36.2)**	**(1,496.2)**	**(155.0)**	**(26.9)**	**-**	**(1,714.2)**
Depreciation of the year	(4.1)	(245.0)	(51.5)	(8.9)	-	(309.5)
Disposals	0.8	9.6	2.9	0.5	-	13.8
As of 31 December 2023	**(39.5)**	**(1,731.6)**	**(203.6)**	**(35.3)**	**-**	**(2,009.9)**
Carrying amount						
As of 1 January 2022	242.6	4,126.3	123.4	64.9	1,700.5	6,257.8
As of 31 December 2022	246.3	4,569.2	202.1	61.4	1,979.4	7,058.5
As of 1 January 2023	246.3	4,569.2	202.1	61.4	1,979.4	7,058.5
As of 31 December 2023	253.8	4,660.5	181.9	57.3	3,238.8	8,392.4

Borrowing costs totalling EUR 25.1m (prior year: EUR 18.1m) were recognised in the fiscal year in accordance with IAS 23. The weighted average interest rate amounted to 1.7% (prior year: 1.4%).

As of 31 December 2023 as in prior year, there were no indications of existing or potential impairment.

Changes in presentation were made in the 2023 financial year, which are reported under reclassifications. Due to a different delimitation of content, assets under construction for IT hardware in the amount of EUR 0.8m, which were previously reported as software, are now reported as assets under construction under property, plant and equipment.

6.2. INTANGIBLE ASSETS

Intangible assets break down as follows:

EUR m	Software	Licences	Intangible assets in developement	Total
COST				
As of 1 January 2022	**133.1**	**33.4**	**-**	**166.6**
Additions	46.7	-	-	46.7
Disposals	-	-	-	-
Reclassifications	(1.1)	-	-	(1.1)
As of 31 December 2022	**178.7**	**33.4**	**-**	**212.2**
As of 1 January 2023	**178.7**	**33.4**	**-**	**212.2**
Additions	22.9	-	54.2	77.2
Disposals	(0.1)	-	-	(0.1)
Reclassifications	(24.1)	-	23.5	(0.6)
As of 31 December 2023	**177.5**	**33.4**	**77.7**	**288.7**

EUR m	Software	Licences	Intangible assets in developement	Total
AMORTISATION AND IMPAIRMENT				
As of 1 January 2022	**(70.7)**	**(16.8)**	**-**	**(87.5)**
Amortisation of the year	(15.0)	(1.5)	-	(16.5)
Disposals	-	-	-	-
As of 31 December 2022	**(85.7)**	**(18.3)**	**-**	**(104.0)**
As of 1 January 2023	**(85.7)**	**(18.3)**	**-**	**(104.0)**
Amortisation of the year	(21.3)	(1.4)	-	(22.7)
Disposals	0.1	-	-	0.1
As of 31 December 2023	**(106.9)**	**(19.7)**	**-**	**(126.6)**
CARRYING AMOUNT				
As of 1 January 2022	62.4	16.6	-	79.0
As of 31 December 2022	93.1	15.1	-	108.2
As of 1 January 2023	93.1	15.1	-	108.2
As of 31 December 2023	70.6	13.7	77.7	162.0

Changes in presentation were made in the 2023 financial year, which are reported under reclassifications. Due to a different definition of content, assets under construction for IT hardware in the amount of EUR 0.8m, which were previously reported as software, are now reported as assets under construction under property, plant and equipment.

To further break down the intangible assets item, intangible assets under development amounting to EUR 43,1m are reported separately from software. These are ongoing IT projects that have not yet been completed as at the reporting date and are measured at acquisition or production cost.

As of 31 December 2023 as in prior year, there were no indications of existing or potential impairment. No internally generated intangible assets were recognised.

6.3. DERIVATIVES AND OTHER FINANCIAL ASSETS

EUR m	2023	2022
Other investments	76.7	76.2
Derivatives	-	154.4
Total	**76.7**	**230.6**

The Group holds 5.4% of the shares in European Energy Exchange (EEX), Leipzig, Germany, of a total value of EUR 75.4m as of the reporting date. These shares are disclosed under other investments as well as a 4.0% shareholding in JAO Joint Allocation Office S.A., Luxembourg, Luxembourg, a 7.9% shareholding in CORESO SA, Brussels, Belgium, a 6.3% shareholding in TSCNET Services GmbH, Munich, Germany, and a 10.4% shareholding in the foundation Stiftung Kurt-Sanderling-Akademie des Konzerthausorchesters Berlin, Berlin, Germany.

Other investments are measured at fair value. At each reporting date, a re-measurement is performed to re-evaluate these investments. Any deviation from the previous period is recorded outside profit and loss under other comprehensive income and cumulative within equity.

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

6.4. EQUITY-ACCOUNTED INVESTEES

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

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

	Elia Grid International NV/SA	
EUR m	**2023**	**2022**
Shareholding in %	49.99	49.99
Non-current assets	1.2	1.3
Current assets	27.4	20.7
Non-current liabilities	0.4	0.4
Current liabilities	18.6	15.7
Equity	9.6	5.9
Investment carrying amount	**4.8**	**2.9**

EUR m	2023	2022
Revenue and other income	19.5	11.2
Profit before tax	**4.8**	**0.1**
Income taxes	(0.9)	(0.3)
Net profit for the year	3.9	(0.1)
Total comprehensive income	3.9	(0.1)
Dividends received from associates	**-**	**-**

6.5. DEFERRED TAXES

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

	2023		2022	
EUR m	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	-	(14.7)	-	(13.0)
Property, plant and equipment	21.7	(222.9)	23.7	(203.0)
Other financial assets	67.4	-	7.4	(46.2)
Other receivables and assets	9.3	(13.1)	1.2	-
Interest-bearing loans and other financial liabilities	27.7	(4.6)	26.5	(3.3)
Employee benefits	6.7	-	4.1	-
Provisions	36.5	-	32.6	-
Anticipatory liabilities	-	(1.2)	-	(1.1)
Regulatory items	-	(12.3)	79.4	(76.3)
Off-balance corrections	10.2	-	11.6	-
Other items	8.5	-	0.2	-
Deferred tax assets/liabilities before netting	**188.0**	**(268.8)**	**186.7**	**(342.9)**
Offsetting	(188.0)	188.0	(186.7)	186.7
Deferred tax assets/liabilities after netting	**-**	**(80.8)**	**-**	**(156.2)**

In 2023, deferred tax assets of EUR 188.0m (prior year: EUR 186.7m) are netted with deferred tax liabilities. Deferred tax assets on off-balance corrections of EUR 10.2m were recognised (prior year: EUR 11.6m). Temporary differences in accordance with IAS 12.81(f), for which no deferred tax liabilities were recognised, amount to EUR 0.0m (prior year: EUR 0.0m). All deferred taxes are non-current.

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

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

EUR m	As of 1 January	Recognised in the statement of profit or loss	Recognised in OCI	As of 31 December
2022				
Intangible assets	(11.0)	(2.0)	-	(13.0)
Property, plant and equipment	(162.1)	(17.2)	-	(179.3)
Other financial assets	(105.7)	-	66.9	(38.8)
Other receivables and assets	1.3	(0.1)	-	1.2
Loans and borrowings	24.8	(1.6)	-	23.2
Employee benefits	10.3	(1.0)	(5.2)	4.1
Provisions	25.4	7.2	-	32.6
Anticipatory liabilities	(1.5)	0.4	-	(1.1)
Regulatory items	22.3	(19.1)	-	3.1
Off-balance corrections	13.0	(1.4)	-	11.6
Other items	0.6	(0.4)	-	0.2
Total	**(182.7)**	**(35.2)**	**61.7**	**(156.2)**
2023				
Intangible assets	(13.0)	(1.7)	-	(14.7)
Property, plant and equipment	(179.3)	(21.9)	-	(201.2)
Other financial assets	(38.8)	-	106.2	67.4
Other receivables and assets	1.2	(5.0)	-	(3.8)
Loans and borrowings	23.2	(0.1)	-	23.1
Employee benefits	4.1	1.8	0.8	6.7
Provisions	32.6	3.9	-	36.5
Anticipatory liabilities	(1.1)	(0.1)	-	(1.2)
Regulatory items	3.1	(15.4)	-	(12.3)
Off-balance corrections	11.6	(1.4)	-	10.2
Other items	0.2	8.3	-	8.5
Total	**(156.2)**	**(31.6)**	**107.0**	**(80.8)**

Of the deferred tax assets and liabilities recognised, a total of EUR 107.1m (prior year: EUR 61.7m) was recorded in other income. EUR 106.2m relate to the fair value changes of the derivatives booked within other income. The remaining deferred taxes (EUR 0.8m) relate to the actuarial gains and losses for defined pension obligations and similar obligations booked in other income.

6.6. CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES (AND ANTICIPATORY ITEMS)

EUR m	2023	2022
Trade receivables	1,016.9	463.3
Prepayments	24.9	1.3
VAT and other taxes	77.9	88.8
Contract assets	4.0	-
Securities and other	443.6	479.8
Subtotal	**1,567.3**	**1,033.2**
Anticipatory items	8.6	18.4
Total	**1,575.9**	**1,051.6**

Trade receivables are due within 12 months.

Prepayments include EUR 23.6 m for a short-term construction contract.

Collaterals and other receivables primarily comprise claims in connection with the settlement of the cost allocations as well as margins at EEX, Nordpool and EXAA electricity exchanges (EUR 289.5m; prior year: EUR 240.6m). The decline corresponds with the fall in energy prices.

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

EUR m	2023	2022
Not past due	1,029.7	410.9
0 to 30 days past due	8.1	43.2
31 to 60 days past due	0.1	0.7
61 days up to one year past due	1.5	9.1
More than one year past due	2.7	1.4
Total (excluding valuation allowances)	**1,042.1**	**465.3**
Doubtful debts	201.5	198.2
Valuation allowances	(201.5)	(198.2)
Provision for expected credit losses	(0.3)	(0.7)
Total	**1,041.8**	**464.6**

Trade receivables and prepayments of EUR 1,041.8m (prior year: EUR 464.6m) were fully recoverable as of 31 December 2023. As of 31 December 2023, trade receivables of EUR 12.4m (prior year: EUR 54.4m) in total were past due but not impaired. The amount of receivables of 61 days up to one year past due has remained stable. For non-impaired trade receivables, there were no indications of a need for impairment. The maximum credit exposure on the reporting date corresponds to the recorded net value of the receivables. All valuation allowances were recognised on individual basis.

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

The Group received security deposits of EUR 10.5m (prior year: EUR 6.6m).

6.7. CASH AND CASH EQUIVALENTS

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

EUR m	2023	2022
Call deposits	660.3	3,337.3
Balance at bank	101,1	31.0
Total	**761.4**	**3,368.3**

Cash and cash equivalents contain EUR 255.7m restricted cash (prior year: EUR 2,936.0m).

6.8. EQUITY

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

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

In fiscal year 2022, Eurogrid International and Selent made other additional payments of EUR 250.0m to Eurogrid's capital reserves. In fiscal year 2023, both shareholders made another additional payments of EUR 120.0m to Eurogrid's capital reserves

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

Hedging reserves contain the fair-value measurement of open derivatives for the Group's grid loss procurement for the years 2024 and 2025. The resulting deferred taxes are recognised directly in equity.

In 2023, there was an amount remaining from the net profit of the Group for 2022 (EUR 236.1m) of EUR 106.1m in the revenue reserves following a distribution to the shareholders in fiscal year 2023 of EUR 130.0m (prior year: EUR 120.0m).

For fiscal year 2023, there was a consolidated net income of EUR 220.5m.

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

EUR m	2023	2022
Actuarial gains/losses recognised in other comprehensive income	4.0	6.9
Deferred taxes	(1.1)	(2.1)
Changes in fair value of other financial assets designated at fair value through OCI	55.7	55.7
Cashflow hedge: Effective portion of changes in fair value	(224.8)	129.6
Cashflow hedge: Deferred taxes on effective portion of changes in fair values	67.4	(38.8)
Closing balances of hedging and other reserves on 31.12.	**(98.8)**	**151.3**

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

6.9. FINANCIAL LIABILITIES

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

EUR m	2023	2022
Bonds	4,474.8	3,629.3
Lease liabilities	51.1	55.2
Liabilities to banks	870.0	150.0
Total non-current loans and borrowings	**5,395.9**	**3,834.5**
Bonds	-	749.7
Lease liabilities	8.0	7.4
Deferred interest	50.8	32.1
Total current loans and borrowings	**58.8**	**789.2**
Total	**5,454.7**	**4,623.7**

In fiscal year 2023, EUR 88.5m (prior year: EUR 53.9m) was paid for liabilities to banks and bonds.

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

Information concerning the terms and conditions of the bonds is given below:

EUR m	Maturity	Nominal value	Carrying amount	Coupon
Bond as part of Debt Issuance Programme 2015	2025	500.0	499.0	1.875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2015	2023	750.0	749.7	1.625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2015	2030	140.0	139.4	2.625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2016	2028	750.0	748.0	1.500% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2032	750.0	747.7	1.113% p.a. (fixed)
Bond as part of Debt Issuance Programme 2022	2031	750.0	747.4	3,279% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2040	200.0	199.5	0,875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2033	500.0	498.3	0,741% p.a. (fixed)
Total bonds as of 31 December 2022		**4,340.0**	**4,329.0**	
Registered bond 2014	2044	50.0	50.0	3,000% p.a. (fixed)
Total as of 31 December 2022		**4,390.0**	**4,379.0**	

EUR m	Maturity	Nominal value	Carrying amount	Coupon
Bond as part of Debt Issuance Programme 2015	2025	500.0	499.4	1,875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2016	2030	140.0	139.4	2,625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2028	750.0	748.4	1,500% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2032	750.0	747.9	1,113% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2031	750.0	747.7	3,279% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2040	200.0	199.5	0,875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2033	500.0	498.4	0,741% p.a. (fixed)
Bond as part of Debt Issuance Programme 2023	2030	800.0	794,2	3,722% p.a. (fixed)
Bond as part of Debt Issuance Programme 2023	2038	50.0	49,9	4,065% p.a. (fixed)
Total bonds as part of Debt Issuance Programme as of 31 December 2023		**4,440.0**	**4,424.8**	
Registered bond 2014	2024	50.0	50,0	3,000% p.a. (fixed)
Total as of 31 December 2023		**4,490.0**	**4,474.8**	

The bonds 2020 and 2022 as part of the Debt Issuance Programme amounting to EUR 1,500.0m were issued for a special purpose (green financing).

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

All bonds (excepted the registered bond 2014 and the bond 2023 amounting EUR 50m) are placed on the Luxembourg Stock Exchange (Bourse de Luxembourg, LuxSE) and measured at amortised cost using the effective interest method. The fair value of bonds presented under financial liabilities is disclosed in note 6.15.

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

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

6.10. PROVISIONS FOR EMPLOYEE BENEFITS

GENERAL DESCRIPTION OF EXISTING PLANS IN THE GROUP

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

DEFINED CONTRIBUTION PLANS

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

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

The following defined contribution plans exist in the Group:

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

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

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

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

Collective bargaining agreement on the company pension scheme

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

Direct insurance

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

Individual commitments

There are individual commitments in place which are financed exclusively by external pension funds (welfare fund and pension fund).
In fiscal year 2023, expenses related to defined contribution plans amounted to EUR 3.8m (prior year: EUR 2.7m).

DEFINED BENEFIT PLANS

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

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

The following defined benefit plans exist within the Group:

Group works agreement on the company pension scheme

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

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

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

Individual contractual and other contribution plans

Individual contractual contribution plans are in place for management board members and executives. These include old age, disability and surviving dependants' pensions. The contribution plans are based on the 1996 pension scheme for head management ["Ruhegeldordnung leitender Führungskreis 1996"] from 10 May 1996 as well as on pension agreements with individual employees. They all relate to pension obligations that depend on years of service and remuneration. Plan assets were recognised for one of these commitments in the form of a pledged pension insurance policy. These plan assets solely serve to fulfil pension obligations; the present value of the corresponding obligation was therefore offset against the plan assets. Pension obligations also still exist for individual employees that were acquired as a result of their employment at Vattenfall Europe (e.g., 1991 pension scheme, additional regulation to the old-age and life provident scheme for pension fund members).

TVV Energie

This relates to direct guarantees resulting from the collective bargaining agreement from 16 October 1992 (collectively bargained agreement on the termination of the collectively bargained agreement on the company's additional agreement concerning the AVEU's ["Arbeitgeberverband energie- und versorgungswirtschaftlicher Unternehmen"] tariff category "energy" (TVV Energie) dated 20 July 1990/9 October 1990/8 November 1990. This pension plan was closed for new hires from 1 January 1993. These contribution plans apply to employees that worked at Vereinigte Energiewerke AG until 30 November 2001 and whose vested benefits are allocable to Vattenfall Europe Transmission GmbH upon its formation (now 50Hertz Transmission GmbH). This relates to pension obligations that depend on years of service and remuneration and that grant old age and disability pensions,

but none for surviving dependants. The indexation of current post-employment benefits due for the first time after 1 January 1993 is not possible.

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

- Obligations for long-service benefits
- Obligations for working lifetime accounts.

In addition, there are miscellaneous other obligations to shift employees (EUR 0.4m, of which EUR 0.2 m short-term), which are not included in the following tables as they are not subject to actuarial measurement.

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

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

The total net liability for employee-benefit obligations contains:

EUR m	2023	2022
Defined benefit plans	26.0	20.9
Post-employment benefits other than pensions, thereof:	7.5	4.3
Obligations for long-service benefits	0.7	0.7
Obligations from working lifetime accounts	6.8	3.7
Total provisions for employee benefits	**33.5**	**25.2**

Of the total obligations, an amount of EUR 3.1m is current (prior year: EUR 3.1m).

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

	Pensions		Other	
EUR m	2023	2022	2023	2022
Present value of defined benefit obligation	(26.1)	(20.9)	(52.8)	(41.1)
Fair value of plan assets	0.1	0.1	45.3	36.8
Net obligation	**(26.0)**	**(20.8)**	**(7.5)**	**(4.3)**

MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION

	Pensions		Other	
EUR m	**2023**	**2022**	**2023**	**2022**
As of 1 January	**(20.9)**	**(34.0)**	**(41.1)**	**(39.7)**
Current service cost	(2.1)	(4.4)	(10.3)	(1.0)
Interest expenses	(0.8)	(0.5)	(1.4)	(0.5)
Gains/losses recognised in other comprehensive income				
Change in actuarial parameters:	**(2.8)**	**17.4**	**-**	**-**
1) Change in financial assumptions	(2.4)	15.9	-	-
2) Change from experience adjustments	(0.4)	1.5	-	-
3) Demographic changes	-	-	-	-
Benefits paid	0.6	0.6	-	0.1
As of 31 December	**(26.1)**	**(20.9)**	**(52.8)**	**(41.1)**

MOVEMENT IN THE FAIR VALUE OF THE PLAN ASSETS

	Pensions		Other	
EUR m	**2023**	**2022**	**2023**	**2022**
As of 1 January	**0.1**	**0.1**	**36.8**	**31.8**
Employer payments	0.0	0.0	8.9	5.0
Benefits paid	0.0	0.0	(0.3)	0.0
As of 31 December	**0.1**	**0.1**	**45.3**	**36.8**

All plan assets comprise insurance agreements.

The plan asset for one individual contractual obligation under a defined benefit plan discloses an actual return of 6.16%.

AMOUNTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	Pensions		Other	
EUR m	**2023**	**2022**	**2023**	**2022**
Service cost				
Current service cost	(2.1)	(4.4)	(1.5)	4.0
Benefits paid	0.6	0.6	0.0	0.1
Utilisations	0.0	0.0	(0.3)	0.0
Net interest expense				
Interest expense	(0.7)	(0.4)	(1.4)	(0.5)
Amounts recognised in the statement of profit or loss	**(2.3)**	**(4.3)**	**(3.2)**	**3.5**
Actuarial gains/losses				
Actuarial gains/losses				
1) Change in financial assumptions	(2.4)	15.9	-	-
2) Change from experience adjustments	(0.4)	1.5	-	-
3) Demographic changes	-	-	-	-
Remeasurements of net defined benefit liability/asset recognised in other comprehensive income (OCI)	**(2.8)**	**17.4**	**-**	**-**
Total	**(5.1)**	**13.1**	**(3.2)**	**3.5**

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

Expected payments for defined benefit plans in 2024 amount to EUR 0.6m (prior year: EUR 0.6m).

BREAKDOWN OF DEFINED BENEFIT OBLIGATIONS

EUR m	2023	2022
By type of plan participants:	**(78.9)**	**(62.1)**
Active plan participants	(70.3)	(53.9)
Terminated plan participants with defined benefit entitlement	(0.5)	(0.4)
Retired plan participants and beneficiaries	(8.1)	(7.8)
By type of benefits:	**(78.9)**	**(62.1)**
Retirement and death benefits	(26.1)	(20.9)
Working lifetime accounts	(52.1)	(40.5)
Long-service awards	(0.7)	(0.7)

RISKS

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

ACTUARIAL PARAMETERS

(in %)	2023	2022
Discount rate	3.13%	3.59%
Future expected wage and salary increase	5.25%	5.25%
Expected inflation rate	2.25%	2.50%
Expected increase in social security costs	2.25%	2.25%
Future expected pension increase	0,0/1,0/2,5	0,0/1,0/2,5
Average retirement age (in years)	65	65
Biometrics	2018 G Heubeck mortality tables	2018 G Heubeck mortality tables
Life expectancy for a 65-year-old on 31 December (in years):		
male	20.8	20.7
female	24.2	24.1

SENSITIVITY ANALYSIS

	Effect on defined benefit obligation	
EUR m	Increase	Decrease
Discount rate (+/- 0.5%)	(6.2)	7.1
Wage and salary increase (+/- 0.5%)	3.5	(0.1)
Pension increase (+/- 0.25%)	0.2	(0.2)
Life expectancy of a pensioner (+1 year), male and female	1.0	-

MATURITY OF DEFINED BENEFIT OBLIGATIONS

The average term of defined benefit pensions plans is 24.9 years, of working lifetime accounts obligations 13.5 years and of long-service benefits obligations 9.7 years. The maturities of the benefit payments break down as follows:

EUR m	< 12 months	1-5 years	6-10 years	> 10 years
Pensions	0.6	2.5	3.3	56.3
Other	3.0	10.5	12.1	58.0
Total	**3.6**	**13.0**	**15.3**	**114.3**

6.11. OTHER PROVISIONS

Other provisions break down as follows:

EUR m	2023	2022
Provisions for environmental protection measures	1.2	1.3
Provision for dismantling obligations	130.7	114.2
Provision for archiving costs	0.1	0.1
Other non-current provisions	**132.0**	**115.6**
Provisions for environmental protection measures	0.6	0.6
Provision for litigation risks	3.4	3.5
Other current provisions	**4.0**	**4.1**
Total other provisions	**136.0**	**119.7**
Current portion of other personnel obligations	3.2	3.2
Total provisions	**139.2**	**122.9**

The item litigation risks contains anticipated burdens from current lawsuits which take into account the principal claim as well as any interest payable.

The provision for dismantling obligations has been set up for offshore platforms, sea cables and several transfer stations. If the estimated pre-tax discount rate used in the calculation had been 1% higher than management´ estimate, the carrying amount of the provision would have been EUR 16.7m lower. If the pre-tax discount rate had been 0%, the carrying amount of the provision would have been EUR 80.4m higher.

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

EUR m	Environmental protection measures	Litigation risks	Dismantling obligations	Other	Total
As of 1 January 2022	**2.2**	**4.0**	**89.0**	**0.1**	**95.3**
Addition	-	0.3	57.9	-	58.2
Reversal	-	(0.6)	(33.8)	-	(34.4)
Utilisation	(0.2)	(0.2)	-	-	(0.4)
Unwinding of the discount/change in interest rate	(0.1)	-	1.1	-	1.0
As of 31 December 2022	**1.9**	**3.5**	**114.2**	**0.1**	**119.7**
Non-current	1.3	-	114.2	0.1	115.6
Current	0.6	3.5	-	-	4.1

EUR m	Environmental protection measures	Litigation risks	Dismantling obligations	Other	Total
As of 1 January 2023	**1.9**	**3.5**	**114.2**	**0.1**	**119.7**
Addition	-	0.5	12.1	-	12.6
Reversal	-	(0.5)	-	-	(0.5)
Utilisation	(0.2)	(0.1)	-	-	(0.3)
Unwinding of the discount/change in interest rate	0.1	-	4.4	-	4.5
As of 31 December 2023	**1.8**	**3.4**	**130.7**	**0.1**	**136.0**
Non-current	1.2	-	130.7	0.1	132.0
Current	0.6	3.4	-	-	4.0

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

EUR m	Carrying amount as of 31 December 2022	2023	2024 to 2027	From 2028
Environmental protection measures	1.9	0.6	1.3	-
Litigation risks	3.5	3.5	0.0	-
Dismantling obligations	114.2	-	-	114.2
Other	0.1	-	-	0.1
Total	**119.7**	**4.1**	**1.3**	**114.3**

EUR m	Carrying amount as of 31 December 2023	2024	2025 to 2028	From 2029
Environmental protection measures	1.8	0.6	1.2	-
Litigation risks	3.4	3.4	-	-
Dismantling obligations	130.7	-	-	130.7
Other	0.1	-	-	0.1
Total	**136.0**	**4.0**	**1.2**	**130.8**

6.12. OTHER NON-CURRENT LIABILITIES

EUR m	2023	2022
Grants and subsidies	133.3	137.8
Other	34.7	36.3
Total	**168.0**	**174.1**

Sundry other non-current liabilities mainly comprise construction cost subsidies (2023: EUR 29.0m; prior year: EUR 30.5m) and liabilities from the pension plan (2023: EUR 2.6m; prior year: EUR 1.8m).

6.13. TRADE PAYABLES AND OTHER LIABILITIES

EUR m	2023	2022
Trade payables due to third parties	911.1	892.8
VAT and other taxes	8.7	11.5
Other liabilities, personnel	8.1	6.3
Other liabilities, sundry	69.4	287.0
Accruals and deferrals	1,519.4	3,175.9
Total	**2,516.7**	**4,373.5**

Sundry other liabilities relate primarily to liabilities from compensation mechanisms of EUR 56.4m (prior year: EUR 54.0m). In prior year, sundry other liabilities also included securities towards the electricity exchange for an amount of EUR 130.0m.

Accruals and deferrals primarily comprise obligations resulting from the settlement of the EEG of EUR 1,053.0m (prior year: EUR 2,966.6m) as well as additional cost allocations of EUR 304.7m (prior year: EUR 131.9m).

All trade payables and other liabilities are current.

6.14. ANTICIPATORY EQUITY AND LIABILITIES

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

6.15. FINANCIAL INSTRUMENTS - FAIR VALUES

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

EUR m	Carrying amount: Fair value through OCI	Carrying amount: Amortised cost	Carrying amount: Other financial liabilities at amortised cost	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Other financial assets	230.6	-	-	230.6	154.4	-	76.2	230.6
Trade and other receivables	-	944.0	-	944.0	240.7	-	-	240.7
Cash and cash equivalents	-	3,368.3	-	3,368.3	-	-	-	-
Loans and borrowings	-	-	4,561.0	4,561.0	3,988.3*	39.7*	0*	4,028.0
Derivative liabilities	24.7	-	-	24.7	24.7	-	-	24.7
Lease liabilities			62.6	62.6	-	-	-	-
Trade and other payables	-	-	4,343.2	4,343.2	130.0	-	-	130.0
Total as of 31 December 2022	**255.3**	**4,312.3**	**8,966.8**	**13,534.4**	**4,538.1**	**39.7**	**76.2**	**4,654.0**

EUR m	Carrying amount: Fair value through OCI	Carrying amount: Amortised cost	Carrying amount: Other financial liabilities at amortised cost	Carrying amount: Total	Fair value: Level 1	Fair value: Level 2	Fair value: Level 3	Fair value: Total
Other financial assets	76.7	-	-	76.7	-	-	76.7	76.7
Trade and other receivables	-	1,464.5	-	1,464.5	289.5	-	-	289.5
Cash and cash equivalents	-	761.4	-	761.4	-	-	-	-
Loans and borrowings	-	-	5,395.6	5,395.6	4,919.2	93.9	-	5,013.1
Derivative liabilities	224.8	-	-	224.8	224.8	-	-	224.8
Lease liabilities	-	-	59.1	59.1	-	-	-	-
Trade and other payables	-	-	2,500.5	2,500.5	-	-	-	-
Total as of 31 December 2023	**301.6**	**2,225.8**	**7,955.1**	**10,482.6**	**5,433.5**	**93.9**	**76.7**	**5,604.1**

This table excludes information about the fair value of financial assets and liabilities that are not measured at fair value, such as trade and other receivables, cash and cash equivalents, and trade and other payables, as their carrying amounts are largely equal to their fair values. The fair value of lease liabilities does not need to be disclosed.

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

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

The derivative from the price hedge for grid loss procurement, which is measured at fair value in OCI without affecting profit or loss, falls under level 1 of the measurement hierarchy. Its value is determined on the basis of the reporting date valuation of the existing futures contracts, which are fully contracted via the EEX electricity exchange and quoted there. Level 1 also includes financial assets (EUR 289.5m; prior year: EUR 240.7m) and in prior year financial liabilities (EUR 130.0m) from cash collateral in connection with trading transactions on the electricity exchange, which are reported under other receivables and other liabilities, respectively.

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

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

On the reporting date, other participations at FVOCI had a total fair value of EUR 76.7m and fall under level 3 in the fair value hierarchy. The fair value has been determined by reference to an evaluation method using discounted cash flows and therefore non-observable market data. The Group uses third party qualified valuers to perform the valuation. In fiscal year 2022, the new valuation led to a remeasurement gain of EUR 32.7m. In fiscal year 2023, the Group received a dividend from other participations at FVOCI for an amount of EUR 1.2m (prior year: EUR 1.2m).

The fair value of the bonds amounted to EUR 4,049.2m on the balance sheet date (prior year: EUR 3,838.3m). The fair value is based on the market price published on an active market (classified in level 1 of the measurement hierarchy). As at the reporting date, the fair value of the registered bond amounted to EUR 43.6m and the fair value of the private placement from 2023 amounted to EUR 50.3m, which were derived from observable prices for comparable bonds (categorized in level 2 of the fair value hierarchy).

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

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

6.16. LEASING

THE GROUP AS A LESSEE

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

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

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

RIGHT-OF-USE ASSETS

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

EUR m	Use of land and overhead lines	Rent of buildings/offices	Cars	Optical fibres	Other	Total
As of 1 January 2022	40.1	16.6	5.7	1.4	1.1	64.9
Additions	1.3	(0.1)	2.2	0.3	0.4	4.1
Depreciations	(1.2)	(3.8)	(1.9)	(0.4)	(0.2)	(7.5)
As of 31 December 2022	**40.2**	**12.7**	**6.0**	**1.3**	**1.3**	**61.5**

EUR m	Use of land and overhead lines	Rent of buildings/offices	Cars	Optical fibres	Other	Total
As of 1 January 2023	40.2	12.7	6.0	1.3	1.3	61.5
Other changes	0.8	-	0.2	(0.1)	(0.2)	0.8
Additions	-	0.1	3.2	0.6	-	3.9
Depreciations	(1.3)	(3.8)	(2.9)	(0.6)	(0.2)	(8.8)
Disposals	-	-	-	(0.1)	-	(0.1)
As of 31 December 2023	**39.7**	**9.0**	**6.5**	**1.1**	**1.0**	**57.3**

LEASE LIABILITIES

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

Maturity analysis - contractual undiscounted cash flows in EURm	2023	2022
< 1 year	8.8	8.3
1-5 years	18.1	21.0
> 5 years	42.0	44.3
Total undiscounted lease liabilities at 31 December	**68.9**	**73.6**
Lease liabilities in the statement of financial position at 31 December	**59.1**	**62.6**
Current	8.0	7.4
Non-current	51.1	55.2

AMOUNT RECOGNISED IN PROFIT OR LOSS

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

EUR m	2023	2022
Depreciation expense of right-of-use assets	8.9	7.5
Interest on lease liabilities	0.8	0.9
Expenses relating to short-term leases	0.1	0.1
Expenses relating to low-value assets	0.1	0.4
Total	**9.9**	**8.9**

There are not any contracts with variable rents.

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS

The total cash outflow for leases amounts to EUR 7.5m in 2023 (prior year: EUR 7.1m) and is disclosed within cash flows from financing activities under the item “Repayment of borrowings”.

THE GROUP AS A LESSOR

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

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

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

Rental income recognised by the Group during 2023 was EUR 2.1m (prior year: EUR 1.9m).

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

EUR m	2023	2022
within 1 year	2.4	2.1
1 to 2 years	1.6	1.3
2 to 3 years	1.3	1.3
3 to 4 years	1.0	1.0
4 to 5 years	0.5	0.7
more than 5 years	3.5	3.9
Total	**10.3**	**10.3**

6.17. REGULATORY ITEMS

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

EUR m	2023	2022
Regulatory claims	323.0	274.2
Regulatory obligations	(607.8)	(405.5)
Total	**(284.8)**	**(131.3)**

The obligation surplus as of 31 December 2023 of EUR 284.8m (prior year: EUR 131.3m) is the nominal amount of EUR 361.3m (prior year: EUR 209.3m) less an interest effect of EUR 76.5m (prior year: EUR 78.0m).

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

(in Mio. €)	Nominal amount 2022	Less than 1 year	1-5 years	More than 5 years
regulatory items	209.3	104.2	(103.8)	208.9

(in Mio. €)	Nominal amount 2023	Less than 1 year	1-5 years	More than 5 years
regulatory items	361.3	73.8	41.6	245.9

(in Mio.€)	Regulatory claims	Regulatory obligations	Total
As of 1 January 2022	**5.9**	**(450.8)**	**(444.9)**
Increase	273.6	(144.2)	129.4
Decrease	(5.9)	120.9	115.0
Unwinding of discount/interest rate change	0.6	68.6	69.2
As of 31 December 2022	**274.2**	**(405.5)**	**(131.3)**

(in Mio €)	Regulatory claims	Regulatory obligations	Total
As of 1 January 2023	**274.2**	**(405.5)**	**(131.3)**
Increase	55.9	(328.0)	(272.1)
Decrease	(8.5)	130.5	122.0
Unwinding of discount/interest rate change	1.4	(4.8)	(3.4)
As of 31 December 2023	**323.0**	**(607.8)**	**(284.8)**

7. Other notes

7.1. FINANCIAL RISK MANAGEMENT AND FACTORS

PRINCIPLES OF RISK MANAGEMENT

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

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

MARKET RISK

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

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

Risks from energy procurement

The Group counters the procurement price risk for grid loss energy by hedging prices at an early stage using futures contracts on the EEX power exchange. To cover the required grid loss volumes, the Group enters into daily day ahead transactions on the spot market (EPEX Spot). Due to the availability and liquidity of futures trading, the hedging period for the intended price hedging covers a period of up to two years from the balance sheet date. Credit and default risks are avoided with this form of price hedging via exchange transactions.

Spot market procurement is a highly probable transaction, because the actual occurrence of grid losses is physically determined and must necessarily be compensated for by the grid operator through the purchase of energy. The Group pursues a conservative recovery strategy aligned with the regulatory framework and regulatory recognition of the electricity procurement costs incurred, which enables timely and predictable price hedging. The Group aims at fully hedging the price of the expected volume of grid loss energy.

Price hedging of future required spot market procurement of grid loss energy volumes using futures provides a highly effective hedging method. The price development of the settlement price of EEX fully reflects the price change of the spot price on the EPEX spot market, so that a 100% effectiveness of the hedging relationship can be assumed in this respect.

As the volume of electricity required for the grid losses that will arise in the future is not known at the time the hedging transactions are entered into, the Group determines the highly probable volume required (expected value) and derives the procurement strategy for price hedging from this; this expected value forms the basis for the hedging transactions under hedge accounting.

The forecast of the future volume of electricity required to cover grid losses is naturally subject to uncertainties relating to external factors, in particular wind feed-in, the electricity generation mix and the respective grid situation (influenced by generation, consumption and interventions such as redispatch measures). The expected value for grid loss procurement determined with the aid of a model is based on historical experience values, taking into account as best as possible any future changes in the relevant factors and foreseeable events on the basis of available information at the time of procurement planning. Changes in the forecast quantity are monitored on an ongoing basis and lead to an adjustment of the procurement strategy as far as possible.

At the balance sheet date, the Group had already price-hedged a volume of 3.2 TWh for its expected physical requirements for grid loss energy in subsequent years. The futures contracts were concluded during the fiscal year at prices between EUR 108 and EUR 174 per MWh. As a result of the volatile price development on the electricity market, derivatives with a negative market value of EUR -224.8m (prior year: EUR -24.7m and positive market value of EUR 154.3m) as a result of the price drop shortly before the end of 2022 were recognised in the consolidated statement of financial position under financial assets and derivative liabilities.

In the financial year, a negative result of EUR 89.3m was realised from hedging with futures contracts (prior year: positive result of EUR 390.1m), which is included in the cost of materials.

Foreign currency risk

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

Interest rate risk

The interest rate risk takes into account any negative effects (e.g., resulting from a fall in market liquidity and/or the rating) by means of changes to the interest rates available on the market. It reflects the danger of the Group making repurchases with its financial resources at poorer conditions. The Group actively manages interest rate risks by continuously observing the market as well as regularly following up on short and mid-term financial planning, allowing it to manage risks and optimise its cash and cash equivalents. Given a long-term financial strategy, the fixed-interest bond of EUR 4,440m form the basis of the Group's debt financing, protecting the Group from short-term interest rate risks, along with the registered bond of EUR 50m issued in 2014 and the syndicated loan agreements taken out in 2016 and 2023.

LIQUIDITY RISK

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

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

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

EUR m	Carrying amount	Expected cash outflows	6 months or less	´6 to 12 months	1-2 years	2-5 years	> 5 years
Unsecured bonds	4,411.0	(4,935.5)	(32.7)	(793.7)	(64.2)	(673.8)	(3,371.1)
Unsecured bank loans and other loans	150.0	(157.5)	(1.1)	(1.2)	(2.3)	(152.9)	-
Total as of 31 December 2022	**4,561.0**	**(5,093.0)**	**(33.8)**	**(794.9)**	**(66.5)**	**(826.7)**	**(3,371.1)**
Unsecured bonds	4,525.6	(5,198.0)	(62.5)	(33.5)	(596.0)	(1,009.8)	(3,496.2)
Unsecured bank loans and other loans	870.0	(1,133.6)	(7.6)	(20.5)	(27.7)	(228.6)	(849.2)
Total as of 31 December 2023	**5,395.6**	**(6,331.6)**	**(70.1)**	**(54.0)**	**(623.7)**	**(1,238.4)**	**(4,345.4)**

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

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

EUR m	Maturity	Available amount	Amount used	Amount not used
Confirmed credit line	26 February 2027	750.0	-	750.0
Confirmed credit line	unlimited	150.0	-	150.0
Confirmed credit line	14 December 2026	150.0	150.0	-
Confirmed credit line	31 March 2033	600.0	600.0	-
Confirmed credit line	25 November 2033	120.0	120.0	-

The solvency of the Group and its Group entities was secured at all times in fiscal year 2023.

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

EUR m	Loans and borrowings
Balance at 1 January 2022	3,872.1
Changes in cash flow from financing activities	
Cashflow: Repayment of borrowings	(7.1)
Cashflow: Proceeds from withdrawal of borrowings	747.4
Total changes in cash flow from financing activities	**740.3**
Other changes	
Changes in interest accruals	5.7
Increase in lease liabilities	4.0
Transaction costs	1.6
Total other changes	**11.3**
Balance at 31 December 2022	**4,623.7**
Balance at 1 January 2023	4,623.7
Changes in cash flow from financing activities	
Cashflow: Repayment of borrowings	(757.5)
Cashflow: Proceeds from withdrawal of borrowings	1,564.3
Total changes in cash flow from financing activities	**806.8**
Other changes	
Changes in interest accruals	18.9
Increase in lease liabilities	3.6
Transaction costs	1.7
Total other changes	**24.2**
Balance at 31 December 2023	**5,454.7**

CREDIT RISK

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

Observing an investment policy, the Group participates in the short-term investment of freely available funds with various banks with good credit ratings. Investments are only made up to the deposit protection limit. As such, there are no significant risks posed for the Group as a result of the short-term nature of the term deposits and the high rating requirements placed on the banks. No credit limit was exceeded during the reporting period.

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

The maximum credit risk on the reporting date was equivalent to the total of trade and other receivables EUR 1,464.5m (prior year: EUR 944.0m). On the basis of past experience of actual defaults, the actual credit risk is deemed to be low.

The Group uses bank guarantees and cash collateral to hedge default risks.

Valuation allowances on trade receivables break down as follows:

EUR m	Doubtful debts	Valuation allowances	Balance
As of 1 January 2022	197.4	(197.4)	-
Changes in the fiscal year	0.8	(0.8)	-
As of 31 December 2022	**198.2**	**(198.2)**	**-**
As of 1 January 2023	198.2	(198.2)	-
Changes in the fiscal year	3.3	(3.3)	-
As of 31 December 2023	**201.5**	**(201.5)**	**-**

Total expected credit loss amounts to EUR 0.3m as of 31 December 2023 (prior year: EUR 0.7m).

7.2. CAPITAL MANAGEMENT

As part of its medium to long-term planning, the Group uses a projected statement of financial position, taking into account the requirements of capital maintenance. Management of the Group's equity ratio is aimed at maintaining its financing capability and credit rating. This objective is constantly monitored, actively managed and supported by the Group's regulatory management. The Group is not subject to any statutory or other such provisions on capital maintenance.

No changes were made in the objectives, policies or processes for managing capital in fiscal year 2023.

EUR m	2023	2022
Total financial liabilities	7,955.1	8,966.8
Less: cash and cash equivalents	(761.4)	(3,368.3)
Net debt	**7,193.7**	**5,598.5**
Equity	2,143.2	2,183.5
Total capital	**9,336.9**	**7,782.0**
Debt ratio*	**77.00%**	**72.00%**

* Debt ratio calculated as ratio of net debt to total capital

7.3. COMMITMENT AND CONTINGENCIES

On 31 December 2023, there was a purchase obligation for investments measures of EUR 9.485,5m (prior year: EUR 3,321.5m). The increase is mainly related to onshore projects.

The purchase commitment for maintenance measures amounts to EUR 12.0m as of 31 December 2023 (prior year: EUR 15.2m).

Offshore expenses between 50Hertz and TenneT TSO arising from the horizontal settlement gives rise to financial obligations for 50Hertz in future periods no longer exist (prior year: EUR 0,3m).

7.4. RELATED PARTY DISCLOSURES

Within the meaning of IAS 24, the Group defines the following entities and bodies as related parties:

CONTROLLING ENTITIES:

Via Eurogrid International, Elia Group holds an 80% stake in Eurogrid and thus obtained control in 2018. KfW contributed its 20% shareholding to Eurogrid GmbH to Selent in 2019.

No business transactions were entered into with Kfw in fiscal year 2023.

Various service agreements have been in place between Elia Transmission Belgium and 50Hertz Transmission GmbH. Costs for consulting projects and other services are also cross-charged. In fiscal year 2023, revenue of EUR 25.9m was generated (prior year: EUR 22.0m), while expenses amounted to EUR 34.6m (prior year: EUR 18.6m). On the reporting date, there were receivables of EUR 4.7m (prior year: EUR 6.5m) and liabilities of EUR 3.7m (prior year: EUR 8.7m).

Service agreements on general management and service functions are in place between Eurogrid and Eurogrid International. In fiscal year 2023, this resulted in expenses for purchased services of EUR 0.3m for the Group (prior year: EUR 0.3m). Trade and other payables remained at EUR 0.1m.

Furthermore, the Group distributed EUR 130.0m (prior year: EUR 120.0m) to the shareholders Eurogrid International and the Kfw (via its subsidiary Selent).

ASSOCIATES:

Elia Grid International NV/SA, Brussels, Belgium, is an associate company of the Group and is consolidated at equity in the Group. Assets under construction based on service agreements with EGI for consulting and engineering services in the area of grids and system services have been recognised in the amount of EUR 11.2m as of the end of the fiscal year 2023 (31 December 2022: EUR 14.9m). Furthermore various service agreements have been in place between EGI and 50Hertz. Expenses amount to EUR 0.1m.

Key management personal includes Eurogrid International´s board of directors, who are responsible for monitoring the activities of Eurogrid. Key management personal also includes the board of management of 50Hertz Transmission and the supervisory boards of Eurogrid and 50Hertz Transmission. Key management personnel did not receive stock options, special loans or other advances from the Group during the year. In fiscal year 2023, the general managers of 50Hertz Transmission received EUR 3.135.039,01 (prior year: EUR 2,895,348.61) in consideration, which breaks down as follows:

- Fixed basic salaries EUR 1,679,778.82
- Variable salary components – short-term EUR 468,217.89
- Variable salary components – long-term EUR 440,918.26
- Pension scheme (company pension scheme and direct insurance) EUR 403,998.78
- Other benefits and allowances (including share subscription programme) EUR 142,125.26.

Pensions liabilities relating to former members of the Board of Directors amounts to EUR 2.6m (prior year: EUR 4.1), thereof EUR 0.0m (prior year: EUR 0.6m) are funded.

There were transactions with entities in which the members of Eurogrid International board of directors, the board of management of 50Hertz Transmission or the supervisory boards exercise a significant influence (e.g., holding positions such as CEO, CFO or members of the management committee) in the amount of EUR 5.0m (expenses) and 0.5m (income) in the fiscal year 2023. No other material transactions with related parties took place.

7.5. LIST OF SHAREHOLDINGS AS OF 31 DECEMBER 2023

Name	Country of establishment	Headquarters	Commercial register number	Equity (EUR m)	Net result (EUR m)	Stake (%) 2023	Stake (%) 2022
Full consolidated companies							
50Hertz Transmission GmbH	Germany	Heidestraße 2 10557 Berlin	HRB 84446 B			100.0	100.0
50Hertz Offshore GmbH	Germany	Heidestraße 2 10557 Berlin	HRB 108780 B			100.0	100.0
50Hertz Connectors GmbH	Germany	Heidestraße 2 10557 Berlin	HRB 256198 B			100.0	0.0
Associated companies accounted for using the equity method							
Elia Grid International NV/SA	Belgium	Boulevard de l Empereur 1000 Brussels	549,780,459			50.0	50.0
Other participations							
JAO Joint Allocation Office S.A.	Luxembourg	Rue de Bitbourg 2	B0142282	7,4 (annual report 31.12.2022)	0,3 (annual report 31.12.2022)	4.0	4.0
CORESO S.A.	Belgium	Avenue de Cortenberg 71 1000 Brussels	808,569,630	5.3 (annual report 31.12.2022)	0.8 (annual report 31.12.2022)	7.9	7.9
European Energy Exchange AG	Germany	Augustusplatz 9 04109 Leipzig	HRB 18409	758.9 (annual report 31.12.2022)	158.9 (annual report 31.12.2022)	5.4	5.4
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3 81673 Munich	HRB 214951	10.6 (annual report 31.12.2022)	0.9 (annual report 31.12.2022)	6.3	6.3
decarbon1ze GmbH	Germany	Mariendorfer Damm 1 12099 Berlin	HRB 233212 B	0.3 (annual report 31.12.2022)	(0.3) (annual report 31.12.2022)	6.6	-
Stiftung Kurt-Sanderling-Akademie des Konzerthausorchesters Berlin	Germany	Gendarmenmarkt 10117 Berlin		basic assets EUR m 0,1	basic assets EUR m 0,1	10.4	10.4

Eurogrid GmbH only holds the shares in 50Hertz Transmission GmbH directly; the remaining shares are held indirectly via 50Hertz Transmission GmbH.

The change in the scope of consolidation compared to the previous year relates to the first-time consolidation of 50Hertz Connectors GmbH, which was founded in 2023. The company has not yet commenced operations. The change does not materially affect comparability with the previous year.

7.6. SUBSEQUENT EVENTS

The Group emitted further EUR 1.5bn in form of green bonds.

7.7. AUDITOR'S FEES IN ACCORDANCE WITH SEC. 314 (1) No. 9 HGB

The auditor of Eurogrid's consolidated financial statements, BDO AG, Wirtschaftsprüfungsgesellschaft, Berlin, received fees for audit services of EUR 352k (prior year: EUR 359k) in the fiscal year. Fees for audit services mainly comprise fees for the statutory audit of the consolidated financial statements and the separate financial statements of the group entities of Eurogrid. In addition, the auditor received EUR 137k (prior year: EUR 101k) for other services.

7.8. EXEMPTION OPTIONS PURSUANT TO SEC. 264 (3) HGB

The German subsidiaries with the legal form of a corporation do not make use of the exemption regulations in accordance with Sec. 264 (3) HGB.

7.9. SUPERVISORY BOARD

During the fiscal year the supervisory board contained the following members:

Catherine Vandenborre, Chairwoman (since 1 November 2023), Chief Executive Officer ad interim and Chief Financial Officer, Elia Group NV/SA, Rixensart, Belgium

Christiaan Peeters (until 31 October 2023), Chairman, Chief Executive Officer, Elia Group NV/SA, Elia Transmission Belgium NV/SA and Elia Asset NV/SA, Korbeek-Lo, Belgium

Dr. Lutz-Christian Funke, Vice Chairman, Secretary of KfW Banking Group, Oberursel, Germany

Peter Michiels, Chief HR and Internal Communication Officer, Elia Group NV/SA, Elia Transmission Belgium NV/SA and Elia Asset NV/SA Antwerp, Belgium

Markus Berger, Chief Infrastructure Officer, Elia Transmission Belgium NV/SA and Elia Asset NV/SA, Braine- l´Alleud, Belgium

According to the articles of association of Eurogrid no remuneration is paid to members of the supervisory board for their activities.

7.10. MANAGEMENT

Management comprised the following members during the fiscal year:

Stefan Kapferer, Managing Director/CEO of 50Hertz Transmission GmbH, Berlin, Germany

Yannick Dekoninck, Group Head Capital Markets & Investor Relations of Elia Group NV/SA, Beersel, Belgium

The managing directors were not employed at the Company. No remuneration was paid.

With regard to the disclosures pursuant to Sec. 314 (1) No. 6a and 6b HGB, please refer to Note 7.4.

Berlin, 15 February 2024

The management of Eurogrid GmbH

signed Stefan Kapferer

signed Yannick Dekoninck

Appendix to the Notes

FINANCIAL TERMS OR ALTERNATIVE PERFORMANCE MEASURES

The consolidated financial statements and group management report contain certain financial performance measures based on the IFRS but not defined by IFRSs and used by management to assess the financial and operational performance of the Group. The most important alternative performance measures used by the Group are explained below.

The following APMs are explained in this document if not defined in the Group management report:

- EBIT
- EBITDA
- Free cash flow
- Net finance costs
- Net financial debt

EBIT

EBIT (Earnings Before Interest and Taxes) = Earnings from operating activities used for the operational performance of the Group. The EBIT is calculated from the consolidated result plus income tax expenses and less the financial result or net financing costs (see definition of net finance costs).

EUR m	2023	2022
Result from operating activities	378.8	314.1
Result from equity investments accounted for using the equity method	1.9	(0.1)
EBIT	**380.7**	**314.0**

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) = EBIT less amortisation, depreciation and impairment. EBITDA is used as a measure for the operational performance of the Group, thereby extracting the effect of amortization, depreciation and impairment and changes in provisions of the Group.

EUR m	2023	2022
Result from operating activities	378.8	314.1
Add:		
Amortisation, depreciation and impairment	332.2	297.6
Changes in provisions	(0.1)	(0.2)
Result from equity investments accounted for using the equity method	1.9	(0.1)
EBITDA	**712.8**	**611.4**

FREE CASH FLOW

Cash flow from operating activities minus cash flows from investing activities. Free cash flow gives an indication of the cash flows generated by the Group. Cash flow from operating activities is largely characterized by the settlement of surcharges.

EUR m	2023	2022
Net cash flow from operating activities	(1,823.1)	764.1
Deduct:		
Net cash used in investing activities	(1,580.6)	(1,123.3)
Free cash flow	**(3,403.7)**	**(359.2)**

FINANCE COSTS

Net finance costs represent the net financial result (finance costs minus finance income) of the Company.

NET FINANCIAL DEBT

Net Financial Debt = Non-current and current interest-bearing loans and borrowings (incl. lease liabilities under IFRS 16) minus cash and cash equivalents. Net financial debt is an indicator of the amount of interest-bearing debt of the Group that would remain if readily available cash or cash instruments were used to repay existing debt.

EUR m	2023	2022
Non-current loans and borrowings	5,395.9	3,834.4
Add:		
Current loans and borrowings	58.8	789.2
Deduct:		
Cash and cash equivalents	761.4	3,368.3
Net financial debt	**4,693.3**	**1,255.3**

INDEPENDENT AUDITOR´S REPORT

Note: This is a convenience translation of the German original. Solely the original text in German is authoritative.

To Eurogrid GmbH, Berlin

QUALIFIED OPINIONS

We have audited the consolidated financial statements of Eurogrid, Berlin, and its subsidiaries (the group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2023 to December 31, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the group management report (report on the position of the company and of the group) of Eurogrid GmbH for the financial year from January 1, 2023 to December 31, 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in section "OTHER INFORMATION".

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

- with the exception of the effects of the matter described in section "Basis for the qualified opinions", the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, with the exception of these effects, give a true and fair view of the assets, liabilities, and financial position of the group as at December 31, 2023, and of its financial performance for the financial year from January 1, 2023 to December 31, 2023, and
- with the exception of the effects of the matter described in section "Basis for the qualified opinions", the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, with the exception of these effects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those parts of the group management report listed in section "OTHER INFORMATION".

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

BASIS FOR THE AUDIT OPINIONS

Claims and obligations from regulatory issues of EUR 284.8 million (prior year: EUR 131.3 million) have been recognized in the consolidated statement of financial position as well as the associated deferred tax assets/ liabilities. In the financial year from January 1, 2023 to December 31, 2023, the change in claims and obligations arising from regulatory matters resulted in revenues that were EUR 150,1 million too low (previous year: EUR 244.4 million too high) and the financial result that was EUR 3.4 million too low (previous year: 69.2 million too high). In this respect, earnings before taxes are by EUR 153.5 million too low (previous year: EUR 313.6 million too high) for the financial year 2023.

With reference to IAS 8.10 et seq., the management is convinced that the regulatory items should be recognized in the consolidated financial statements to present the Group's net assets, financial position and results of operations appropriately and deems it necessary to enable users of the financial statements to make economic decisions. In management's opinion, without the recognition of regulatory items, the regulatory framework significant for the Group and its actual impact on the Group's economic situation would not be adequately taken into account in the consolidated financial statements.

The IASB has been developing accounting principles for regulatory claims and obligations since 2014, but it has not published any final standard at the time that these consolidated financial statements were issued. According to the IFRS interpretations applied in Germany, it is currently not allowed to recognize claims or obligations from regulatory issues.

This matter also has a negative effect on the presentation of the development of business in the management report, including the business result and the Group's position, and the presentation of opportunities and risks of future development.

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) letter (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

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

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2023 to December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In addition to the matter described in section “Basis for the audit opinions”, we have identified the following matters as key audit matters to be disclosed in our audit opinion:

We have identified the following matters as key audit matters to be disclosed in our auditor’s report:

1. capitalization of property, plant and equipment with special consideration of the determination of useful lives

2. revenue recognition from network business

RECOGNITION OF PROPERTY, PLANT AND EQUIPMENT WITH PARTICULAR REGARD TO THE DETERMINATION OF USEFUL LIVES

Matter

The consolidated financial statements of Eurogrid GmbH as of December 31, 2023 contain property, plant and equipment which account for around 76 % of total assets. The property, plant and equipment almost exclusively comprise grid systems, in particular high-voltage overhead lines and high-voltage cables, offshore grid connection systems as well as substations including transformers and switchgear systems; this also includes related land and buildings as well as prepayments and assets under construction.

The correct differentiation and allocation of investment and maintenance expenses is of high importance for the Eurogrid Group’s net assets and results of operations. On the one hand, recognition of property, plant and equipment results in expenses in the form of depreciation only after their customary useful life - some of which can comprise up to several decades. On the other hand, costs for maintenance measures represent the full amount of immediate expenses in the financial year in which they are incurred. On account of the associated effects on the Group’s net assets and results of operations, we identified the recognition of property, plant and equipment as a key audit matter.

Besides the cost of materials, depreciation represents the most significant expense item. The decisive factor for the amount of depreciation is the underlying useful life of the fixed assets. The determination of useful lives is also one of the most significant matters for our audit.

The accounting policies applied regarding property, plant and equipment are contained in the notes to the consolidated financial statements in section “3.5. Property, plant and equipment”. For the disclosures relating to property, plant and equipment, we refer to section “6. Notes to the statement of financial position”, sub-section “6.1. Property, plant and equipment” in the notes to the consolidated financial statements.

Auditor’s response and observations

As part of our audit, we assessed the process of capitalizing property, plant and equipment with the responsible employees and examined the process, in particular with regards to the differentiation of maintenance expenses, based on documentation provided to us. In this context, we obtained an understanding of the relevant internal controls and assessed their adequacy and implementation. We also tested the effectiveness of the accounting-related internal controls.

We also performed other substantive audit procedures on a sample-basis for both fixed asset additions and maintenance expenses. These procedures included assessing the proper allocation of costs to capital expenditure and maintenance projects based on the statutory requirements for capitalization, reconciling additions to property, plant and equipment with the corresponding invoices, and reconciling capitalization of finished assets with the corresponding acceptance and commissioning records. We also examined whether the useful lives reflected general and industry-specific expectations.

The basis for our audit of the classification of such investments/maintenance expenses was the criteria of IAS 16 Property, Plant and Equipment.

Our audit procedures with respect to the capitalization of property, plant and equipment revealed that the process applied is appropriate and that the determination of useful lives is in accordance with the relevant valuation principles.

REVENUE RECOGNITION FROM THE GRID BUSINESS

Matter

For the financial year 2023, the Eurogrid Group reports revenues from the grid business in the amount of EUR 2,402.9 million. These are generally based on the revenue cap for the calendar year 2023 notified to the responsible regulatory authority. The revenue cap is based, among other things, on budgeted cost estimates for the regulatory activities of the Eurogrid Group. At the end of the financial year, there are regular deviations between the actual values and the cost estimates taken into account in the revenue cap, as well as due to excess or shortfall volumes compared with the budgeted values. Regulatory claims and obligations are recognized in the consolidated financial statements for these deviations, resulting in a correction of the revenue from the grid business.

The regulatory peculiarities that have to be taken into account, which result from various legal and official requirements and include a wide variety of determination requirements, lead to a high level of complexity in revenue determination, which is associated with an increased risk of incorrect accounting. Due to the high significance of revenue from the network business for the earnings situation of the Eurogrid Group and the complexity of revenue recognition, we have identified revenue recognition from the network business as a particularly important matter for our audit.

The accounting policies applied regarding revenue are contained in the notes to the consolidated financial statements in section “3.16. Revenue recognition”.

For the disclosures relating to revenue from the grid business, we refer to section “5. Notes to the statement of profit or loss”, sub-sections “5.2. Revenues and other income”, thereof “5.2.1. Revenue from the grid business” in the notes to the consolidated financial statements.

Auditor’s response and observations

As part of our audit, we assessed the accounting policies applied in the consolidated financial statements of Eurogrid GmbH for the recognition of revenue from the grid business based on the criteria defined in IFRS 15.

In particular, we traced the process of revenue recognition from the network business, including the related IT environment, on the basis of the documents made available to us on the individual process steps and discussed them with the responsible employees of the departments involved. In doing so, we obtained an understanding of the relevant internal controls and assessed their adequacy and implementation. We also tested the effectiveness of the internal controls relevant to accounting.

In addition, we performed analytical audit procedures on the recognition of revenue from the network business. This included analyses of the correlation of revenue entries with the related balance sheet items. Furthermore, we methodically verified the determination of the revenue cap for the reporting year. In this context, we also relied in particular on the revenues approved by the regulatory authority responsible for 50Hertz Transmission GmbH on the basis of the regulatory framework conditions.

Furthermore, we compared the recognition of regulatory obligations and claims based on the estimated cost approaches included in the revenue cap compared to actual development.

Except for the objection presented in the "Basis for the qualified opinions" section of this report on the audit of the consolidated financial statements and the group management report, we consider the revenue recognition from the network business to be appropriate based on our audit procedures.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises:

- the non-financial group statement contained in the section "Non-financial group statement" of the group management report
- the unaudited disclosure of the application of the standards of the Global Reporting Initiative (GRI) and the European Sustainability Reporting Standards (ESRS) in the non-financial group statement contained in the section "Basis of the Group", subsection "Business purpose" in the group management report
- the corporate governance statement contained in the section "Corporate governance statement" of the group management report

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

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the consolidated general meeting on February 28, 2023. We were engaged by the supervisory board on July 4, 2023. We have been the group auditor of the Eurogrid GmbH without interruption since the financial year 2021.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Julia Wirth.

Berlin, February 15, 2024

BDO AG
Wirtschaftsprüfungsgesellschaft

Eckmann	Wirth
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)