

Group management report and Consolidated financial statements for the financial year 2023

Translation from the German language

Eurogrid GmbH

Berlin

eurogrid
GmbH

Background of the Group

Purpose of the Company

The Eurogrid GmbH Group (hereinafter referred to as the group or group of companies) consists of Eurogrid GmbH (Eurogrid) as well as 50Hertz Transmission GmbH (50Hertz Transmission), 50Hertz Offshore GmbH (50Hertz Offshore) and the newly founded 50Hertz Connectors GmbH (50Hertz Connectors; together with 50Hertz Transmission and 50Hertz Offshore also referred to as 50Hertz) as affiliated companies of Eurogrid and additionally from investments of 50Hertz Transmission. Among others, there is an investment in Elia Grid International NV/SA, which is accounted for as an associated company using the equity method. The four affiliated companies are based in Berlin, while Elia Grid International NV/SA, in which 50Hertz Transmission holds a direct interest, is based in Brussels.

The Eurogrid Group management report is expanded to include a non-financial Group statement in a separate section. The standards of the Global Reporting Initiative (GRI) and the European Sustainability Reporting Standards (ESRS) were applied in this part of the Group management report.¹ A voluntary Group statement on corporate governance is also included.

COOPERATION WITHIN THE ELIA GROUP

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

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

EUROGRID

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

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

Both Eurogrid and its subsidiaries 50Hertz Transmission, 50Hertz Offshore and 50Hertz Connectors are included in the consolidated financial statements of the Elia Group as affiliated companies. 50Hertz Connectors was founded on September 5, 2023, and was included in Eurogrid's scope of consolidation for the first time in 2023. Due to their capital market orientation, the consolidated financial statements of the Elia Group do not have any exempting effect on the consolidated financial statements and Group management report to be prepared by Eurogrid. Eurogrid therefore prepares its own consolidated financial statements and group management report.

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

As part of the uniform financial management, there is a cash pooling agreement that includes the current business accounts of Eurogrid, 50Hertz Transmission, 50Hertz Offshore and 50Hertz Connectors. In accordance with legal requirements, 50Hertz Transmission maintains separate accounts for the EEG and KWK processes and for handling the electricity price brake, which are not included in the cash pool.

¹ This information has not been audited.

50HERTZ TRANSMISSION, 50HERTZ OFFSHORE AND 50HERTZ CONNECTORS

As the TSO, 50Hertz Transmission operates the extra-high voltage grid in northern and eastern Germany over a circuit length of approx. 10,660 km. In this context, the company is also responsible for maintenance and expansion in line with demand as well as for maintaining the balance between generation and consumption within the entire electricity supply system of the control area. The business activities of 50Hertz Offshore include the planning, construction and provision of lines for electrical power as well as the associated systems and equipment for connecting offshore wind turbines and offshore wind farms (OWP) that are being built in the Baltic Sea and North Sea. 50Hertz Connectors was founded in 2023 for the purpose of planning, constructing, acquiring, maintaining, operating, transferring and selling lines and facilities in connection with electrical grids, in particular interconnectors (including offshore interconnectors and interconnectors with hybrid functions), both in Germany and abroad. The business operations of 50Hertz Connectors have not yet commenced. 50Hertz Offshore and 50Hertz Connectors serve the transparent presentation within the regulated framework with regard to the planning, production and provision of grid connections. The companies do not employ their own personnel but use the personnel of 50Hertz Transmission. 50Hertz Transmission carries out billing in accordance with the statutory requirements of the new Energy Financing Act (EnFG), the Renewable Energy Sources Act (EEG), the Combined Heat and Power Act (KWKG) and certain levies in accordance with the Energy Industry Act (EnWG) and the Electricity Grid Charges Ordinance (StromNEV). The settlement mechanism under the Electricity Price Control Act (StromPBG) was newly established. These transactions do not affect the TSO's earnings; however, their effects on liquidity have a significant impact on the company's balance sheet.

MANAGEMENT SYSTEM

The supervision of the German Group activities is the responsibility of the Supervisory Board of Eurogrid and the Supervisory Board of 50Hertz, which is co-determined on a parity basis. The operational management of the Group is carried out by the management of 50Hertz Transmission as the leading company in the Group.

The key performance indicators for Group management include both financial and non-financial elements; they are based on the Group's objectives (competitive and sustainable earnings, high efficiency and acceleration, digital transformation and value-based corporate culture, demand-based grid expansion (sustainable and secure grid including occupational safety)) and are recorded and analyzed on an ongoing basis using a key performance indicator system that includes various dimensions. The key financial performance indicators continue to be the after-tax result in accordance with IFRS, an absolute figure reflecting the efficiency value of 50Hertz for onshore operating costs (OPEX value onshore), which essentially include personnel costs and non-energy-related expenses, and the investment behavior for the transmission network. In addition to financial performance indicators (amount of capital expenditure per year), the investment behavior for the transmission network is also controlled via non-financial indicators such as the achievement of specific milestones and the quality of project execution. All financial performance indicators are reported in EUR million.

The key non-financial performance indicators include the assessment of grid availability, the assessment of occupational health and safety and (since 2023) diversity as measured by the women's quota. The assessment of grid availability includes both the absolute number of grid incidents in relation to the system circuit length and the ratio of avoidable grid incidents to all grid incidents. In determining this, the Group makes ongoing efforts to maintain a high level of quality and a low disruption rate. The assessment of occupational health and safety includes the frequency of electrical accidents at work, the frequency of fatal accidents at work involving the Group's own employees and external employees and the TRIR (Total Recorded Injury Rate) as a ratio of the number of accidents to productive hours. Furthermore, the health rate is determined as the ratio between scheduled workdays minus absentee days, divided by the scheduled workdays. High quality standards are set for the non-financial performance indicators and ongoing efforts are made to achieve sustainable improvements. The aim is to keep the accident frequency rate low and the health rate high through occupational health and safety offers and measures. The set target values are highly ambitious, aiming to completely avoid accidents among employees and service providers. Together with comprehensive reporting on each accident, they aim to raise awareness and prevent accidents. The women's quota is included in the assessment of diversity as a non-financial performance indicator, whereby the quota is expressed as the total number of women employed in the Group in relation to the total workforce.

In addition to these key performance indicators, the Group pursues other performance indicators and objectives that align with the corporate goals and ambitions. In terms of investment volume, the achievement of specific milestones and the quality of project execution are also monitored. The number of new employees and employees with disabilities is also tracked to promote growth, diversity and equality in the pursuit of corporate goals.

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

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

Economic and industry-specific environment

Energy transition and climate change are taking on an increasingly central role in the political and social debate. In addition to ambitious climate neutrality plans of individual nations, societal pressure on states and companies to address climate change more quickly and decisively is also increasing. Europe aims to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels and then become climate neutral by 2050, while Germany has set the goal of achieving climate neutrality by 2045 and aims to cover 80% of its electricity consumption with renewable energies by 2030. Due to the ongoing Russian war of aggression against Ukraine and the escalation of the Middle East conflict, strengthening energy sovereignty is becoming even more important in order to become more resilient to external influences. Key foundations for achieving both climate goals and energy sovereignty include the decarbonization of the electricity sector through adding of large amounts of renewable energy and further expanding of network infrastructure to integrate these into the power system as quickly and securely as possible. In line with this overall economic objective, 50Hertz Transmission aligns its strategy with the aim of "100 percent by 2032", as described in more detail in the "Business Performance" section.

As the share of renewable energies continues to increase, Germany is entering a new phase of the energy transition for the electricity system. In this new phase, there is a growing need to adapt the existing electricity market design. It is crucial to further develop the rules while ensuring cost efficiency, security of supply, and sustainability. Collaborating with other stakeholders in the industry, 50Hertz, as the responsible transmission system operator, plays a vital role in addressing this important societal task. The focuses of 50Hertz's activities in 2023 included both the "Climate-neutral electricity system platform" dialog process initiated by the BMWK in Germany and the "Electricity market design reform" at European level. Furthermore, the focus of 50Hertz and the industry for both 2023 and 2024 is the design of an incentive mechanism for the construction of urgently needed controllable capacity, for example new gas and hydrogen power facilities. 50Hertz is continuing to work on ensuring system security with a steadily increasing share of renewable energies and less controllable conventional generation. The aim is to keep the system in a stable state in the event of disruptions in the future, or to return to it quickly. To achieve this goal, 50Hertz, together with the other German TSOs, has participated in the BMWK initiative to develop the "System Stability Roadmap" and will drive forward and support its implementation.

A digital transformation is required for a more efficient and intelligent grid infrastructure. For this reason, 50Hertz is developing a new grid control system for the integration of 100 percent renewable energy: the Modular Control Center System (MCCS). With MCCS, 50Hertz is designing and implementing new standards for control centers and optimizing business processes as the basis for a new way of working together.

The energy transition and the simultaneous phase-out of fossil-fired power facilities are leading to a change in the dynamic behavior of the system. The stability limits must be regularly checked by the system management. 50Hertz is planning to introduce a dynamic security analysis (DSA) and is exploring current market solutions for this purpose. To avoid stability bottlenecks, 50Hertz is actively supporting the design of the system service markets for reactive power and instantaneous reserve. In 2024, 50Hertz will invite tenders for the "black start capability" ancillary service for the first time. With the commissioning of the redispatch determination server last year, 50Hertz has already assumed responsibility for optimizing the entire German redispatch for remaining grid congestion. In order to achieve climate neutrality by 2045, the scenario framework of the Electricity Network Development Plan NEP2023-2037/2045 envisages a significant increase in the installed capacity of renewable energies of around 700 GW by 2045. Although electricity consumption fell by around 4 percent from 540 TWh in 2022 to 517 TWh in 2023 due to general inflation and the economic slump, future energy scenarios point to increasing electrification and thus rising electricity consumption due to the necessary decarbonization of the energy supply. The grid development plan envisages an increase of up to 1,300 TWh depending on the energy scenario. A further expansion of renewable energies, which already covered more than half (267 TWh) of the average annual gross electricity consumption in 2023, will be decisive for this. In the 50Hertz grid area, this share will already be around 72 percent in 2023.

In order to achieve the EU climate targets, at least 60 GW of renewable offshore wind energy must be added in all EU sea basins by 2030 and 340 GW offshore by 2050. 50Hertz supports the ambitious European and national expansion targets for offshore wind energy and is the only German TSO that is active in both the Baltic Sea and the North Sea. Offshore hybrid connections such as Kriegers Flak - Combined Grid Solution or Bornholm Energy Island (both in cooperation with Energinet) as well as the Baltic Wind-Connector between Germany, Estonia and Latvia are examples of cross-border projects whose significance and impact extend far beyond the Baltic Sea. Together with other TSOs, 50Hertz supports the implementation of the commitment made by the governments of the countries bordering the North Sea as part of the Esbjerg Statement.

Regulatory framework of the energy industry

EUROPEAN LAW

The Russian aggression war on Ukraine and its impact on energy supply in Europe had less influence on European-level legislation in 2023 compared to 2022. The measures taken after the outbreak of the war in Ukraine were able to ensure security of supply during the winter of 2022/2023.

In December 2022, the EU energy ministers adopted a regulation via circulation, known as the "EU emergency regulation," establishing a framework for the accelerated expansion of the use of renewable energies. It applies directly in all EU member states in 18 months. The key provisions of the emergency regulation relevant to grid expansion include exemptions from the European rules on environmental impact assessments and species protection. It was decided to extend this regulation.

On October 31, 2023, the amendment to the EU Renewable Energy Directive ("RED III") was published in the Official Journal of the EU. These special rules on approval procedures for grid expansion must be transposed into national law by July 1, 2024. The regulations aim to replace the EU Emergency Ordinance and include exemptions from the EU legal requirements on species protection, area protection and the EIA obligation for certain areas.

At the end of 2022, the European Commission approved the EEG 2023, which came into force on January 1, 2023, under state aid law. This allowed key provisions for the increased expansion of renewable energies in Germany to take effect.

With the adoption of the directive on the resilience of critical facilities, the EU has transferred the protection of critical infrastructure to a new regulatory system. Member states are required to transpose these requirements into national law by October 2024. As critical facilities, transmission system operators will be directly affected by the new law (Kritis-DachG).

NATIONAL LAW

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

In its decision of June 2023, the Federal Court of Justice confirmed the BNetzA's determination regarding the sectoral productivity target "Xgen" for the third regulatory period for electricity grid operators (2019-2023). A large number of grid operators had lodged an appeal against the determination. The Higher Regional Court of Düsseldorf had overturned the BNetzA determination in several rulings. Following the BNetzA's appeal on points of law, the judgments of the Düsseldorf Higher Regional Court were overturned, and the network operators' appeals were dismissed. The BNetzA's determination of Xgen Strom was thus confirmed with legally binding effect. The BGH is thus sticking to its line of granting the BNetzA broad regulatory discretion.

On August 30, 2023, the Düsseldorf Higher Regional Court announced its decision regarding the appeals of numerous grid operators against the determination of the equity interest rates for the fourth regulatory period issued in October 2021. The determination must be revoked. The interest rate must be redetermined. However, the decision is not yet legally binding. The BNetzA has lodged an appeal against this with the BGH.

The EnWG was extensively amended in December 2023. This was prompted by the ECJ ruling of September 2, 2021, in the infringement proceedings regarding the implementation of the 3rd internal market package into German law in accordance with European law. The ECJ found that the Federal Network Agency did not have sufficient independence as required by European law. The EnWG therefore had to be amended to the extent that the powers of the Federal Government to issue ordinances were replaced by the powers of the Federal Network Agency to issue regulations. This concerns the regulations of the Electricity Grid Access Ordinance, the Electricity Grid Charges Ordinance and the Incentive Regulation Ordinance, which are particularly relevant for 50Hertz. Until the gradual expiry of these ordinances, their continued application was regulated, but with the BNetzA's authority to deviate. This increase in the regulatory authority's powers was flanked by the inclusion of regulatory targets, increased justification requirements for BNetzA decisions, the establishment of a large decision-making chamber and BNetzA reporting obligations to the Federal Ministry of Economics.

In addition to the implementation of the ECJ ruling on grid fee regulation, further regulations were added to speed up approval procedures, in particular to strengthen the planning principle of straightforwardness and the bundling requirement to reduce extensive alternative assessments, accelerate procedures, exempt approvals and procedures under energy law and on the overriding public interest.

However, the relief for companies and households resulting from the Electricity Price Brake Act through reduced electricity prices throughout 2023 will not be extended for 2024. Accordingly, the public law agreement concluded between the German transmission system operators and the federal government for 2023 will not be extended for 2024. Likewise, no federal subsidies for transmission grid fees will be paid in 2024.

The Act to Restart the Digitalization of the Energy Transition (GNDEW) came into force in May 2023. It is intended to accelerate the installation of smart metering systems and contains extensions to the application of the so-called preference area for grid expansion.

In its ruling of March 2023, the Federal Court of Justice ruled that a binding reservation of feed-in capacities is permissible prior to the ready-for-connection construction of an installation for the generation of electricity from renewable energies and that a reservation may conflict with the connection claim of another installation operator at the same connection point, even if their installation is constructed ready for connection earlier.

In its ruling of October 2022, the Federal Administrative Court stated that the population-based determination of the significance threshold expressed in the Federal Nature Conservation Act (BNatSchG) is in line with the Flora-Fauna-Habitat Directive, which pursues a species- or population-based approach to protection. The principle applies: link to the individual, but do not focus solely on the individual.

Also relevant for grid expansion by the transmission system operator was the decision of the Federal Administrative Court in February 2023, in which it stated that a municipality's property is not infringed by the mere approval of an early start of construction, as this overcomes the preventive construction ban, but does not grant the authority to use private land.

In its ruling of March 2023, the Federal Administrative Court also stated that the choice between different route options constitutes a technical planning balancing decision, and that the selection of an option is only legally flawed if a different route than the one selected clearly appears to be the better solution that protects public and private interests, taking into account all interests relevant to the balancing process.

In its decision of August 2023, the Administrative Court (VG) of Berlin ruled that the energy-related urgency of a construction project to lay a cable diagonal can constitute an atypical case in which the limit values of the AVV Baulärm may be exceeded as an exception. At the same time, an administrative court confirmed for the first time the approval strategy pursued by 50Hertz in 2012 for the project via individual approvals. The applicant has filed an appeal with the Berlin-Brandenburg Higher Administrative Court. The appeal was rejected.

NETWORK DEVELOPMENT PLANS

Grid planning is the main basis of the strong growth program for the Group's investments. This is based on the Electricity Network Development Plan (NEP), which is drawn up by the TSOs and confirmed by the Federal Network Agency. It is based on the scenario framework, which covers the range of probable developments within the framework of the German government's climate and energy policy goals and, for offshore wind energy, takes up the specifications of the area development plan (FEP).

The currently valid NDP 2023-2037/2045 was published by the TSOs in the 2nd draft on June 12, 2023, and provisionally confirmed by the BNetzA on September 8, 2023. In this process, the determination of demand was based on the target years 2037 and 2045. In the approval of the 2023-2037/2045 scenario framework, which was granted by the BNetzA on 8 July 2022, the current legal framework and the medium and long-term goals of the Federal Government were taken into account, so that a climate-neutral energy system in Germany is taken into account for the first time in 2045 in accordance with the climate protection goals of the Climate Protection Act.

Compared to the previous scenario framework of the 2021-2035 NDP, three development paths are depicted, each with a scenario for 2037 and 2045. These depict A. decarbonization through a higher share of domestic hydrogen, B. decarbonization through intensive electrification and C. decarbonization despite lower energy efficiency. This leads to a significant increase in expected gross electricity consumption in all scenarios and is due to the increasing electrification of the heating, transport and industrial sectors. With the higher gross electricity consumption, the assumed installed capacities of renewable energies increase significantly. A particularly strong increase in photovoltaics (400-445 GW in 2045) is planned. Just as today, onshore wind energy remains the most important source of renewable electricity generation in terms of electricity generation in the scenarios shown, at around 160 GW. In addition, a capacity of 70 GW is planned for offshore wind energy by 2045 based on the WindSeeG 2023. In total, the scenario framework of the NEP 2023-2037/2045 results in an installed capacity of renewable energies of up to 700 GW. For comparison: In the 2021-2035 NDP, the maximum installed capacity of renewable energies was 270 GW.

In order to integrate this increase in renewable energies into the German transmission grid, a significantly larger grid expansion is required nationwide in addition to the projects already included in the Federal Requirements Plan Act. The TSOs have therefore identified five additional direct current (DC) connections. 50Hertz is directly involved in three of the five DC connections: DC32: Pöschendorf search area - Klein Rogahn search area (NordOstLink - NOL), DC40: Nüstermoor - Streumen search area (OstWestLink - OWL) and DC42: Büchen/Breitenfelde/Schwarzenbek-Land search area - southern Böblingen district (SüdWestLink - SWL). Particularly noteworthy is the OWL project, which establishes a direct west-east connection between Lower Saxony and Saxony for the first time. In the course of the west-east routing of the OWL (DC40), the new north-south DC connections DC41 and SWL (DC42) create two

intersections that enable the DC connections to be linked with each other and could form the starting point for a meshed direct current network in the future.

In addition to the additional DC connections, there is also a need for further expansion in the alternating current (AC) grid. As a result, the NDP 2023-2037/2045 identified the need - in addition to the projects already included in the Federal Requirements Plan Act - the need for AC grid expansion and grid reinforcement measures with a route length of approx. 1,350 km were identified for the 50Hertz control area, so that together with the DC connections, 50Hertz is the project sponsor for approx. 2,000 km of new onshore projects.

To achieve the target of at least 70 GW of realized offshore wind energy capacity by 2045, the FEP must be continuously updated. The provisions of the FEP serve the construction of wind turbines at sea and offshore connection lines in accordance with Section 1 (3) WindSeeG 2023, which is in the overriding public interest and serves public safety. For this reason, the Federal Maritime and Hydrographic Agency (BSH) is currently preparing the FEP 2024. The preliminary draft for the FEP 2024 published on September 1, 2023, serves as a prelude to the update of the currently valid FEP 2023. Due to the necessary coordination with coastal states in the North Sea, the completion of the current FEP update will probably be postponed from summer 2024 to the end of 2024 or early 2025.

In the published and consulted preliminary draft FEP, with the exception of area N-14.1, initially only areas in the eastern section of the SN10 shipping lane were defined. However, the BSH plans to include further areas and sites in the western section of the SN10 and beyond in the subsequent draft once trilateral coordination with Denmark and the Netherlands has been completed. As a result, the current area map is still on track to achieve the 70 GW target, even if the preliminary draft FEP does not, as expected, show this capacity in full.

For 50Hertz, these stipulations mean an increase in grid expansion activities in the North Sea. 50Hertz already assumed responsibility for a first offshore grid connection system in the North Sea in the NDP 2021-2035. With the NDP 2023-2037/2045, 50Hertz is adding four more offshore grid connection systems, meaning that 50Hertz is responsible for connecting a total of 10 GW of offshore wind energy in the North Sea. Another new addition to the NDP is the Bornholm Energy Island project, which comprises a hybrid interconnector between Denmark and Germany. The aim of the project is to transport electricity from offshore wind farms off the coast of Bornholm on the one hand and to strengthen cross-border trade between Denmark and Germany on the other.

The preliminary confirmation of the NDP by the Federal Network Agency took place on September 8, 2023. For 50Hertz, this shows that all projects already identified in the Federal Requirements Plan Act continue to be classified as necessary and urgent from an energy industry perspective. In addition, the majority of the new projects have already been classified as provisionally confirmable. These include, in particular, the new DC projects, the offshore grid connection systems, Bornholm Energy Island and the majority of the AC projects. Of particular relevance is the BNetzA's decision to provisionally confirm the DC projects 40 and 42 with 4 GW instead of 2 GW, which means that 50Hertz - provided this situation does not change before the final confirmation - would probably take over the project sponsorship for two further DC projects. The final confirmation of the NDP 2023-2037/2045 by the BNetzA was announced for February 2024.

Business performance

STRATEGIC GOAL "100 PERCENT BY 2032"

As a group of companies with a high level of social responsibility for the success of the energy transition, 50Hertz has set itself the strategic goal of covering the entire electricity consumption in the 50Hertz control area from renewable energies by 2032. In addition to an energy policy dimension, namely the clear and unambiguous commitment to a rapid energy transition, this also includes an economic policy dimension, as the availability of renewable energies is increasingly seen as a competitive advantage for a location and is increasingly being seen as a key factor in industrial location decisions.

Providing the electricity grid infrastructure required for this is one of the main challenges facing 50Hertz in the coming decades and goes far beyond the mere "grid expansion". In addition to this massive expansion and conversion of the electricity grid, driven among other things by the connection of renewable energies onshore and offshore on a new scale and the connection of large industrial consumers, further fields of action are being actively addressed. As the generation structure continues to change away from conventional generators towards renewable energies, the identification and realization of flexibility potential will be of system-relevant importance in the future, both on the generation and consumption side. This also applies to the provision of system services such as the provision of reactive power and instantaneous reserve or the integration of new market players into the redispatch process. In this context, 50Hertz sees itself as a designer of the necessary market design and as a sparring and cooperation partner for new market players such as electrolyzers and large-scale batteries as well as energy-intensive industry. This goes hand in hand with the continuous modernization of measurement and control technology to ensure the necessary transparency and availability of measurement data for the control capability of the electricity grid and with the expansion of the grid to include active components such as phase shifters.

This is done in compliance with the requirements of non-discriminatory and transparent grid access in the regulatory environment. In 2023, the share of renewable energies in relation to electricity consumption in the 50Hertz grid area was approx. 72% (previous year: 65%).

GRID EXPANSION ONSHORE

A total of 3,448-line kilometers of urgent grid expansion projects defined in the Federal Requirements Plan Act (BBIP) and specified in the Energy Line Expansion Act (Enlarge) affect the 50Hertz control area. Of these, 825-line kilometers had already been completed by the end of 2023, 544 line kilometers are under construction and projects for a total of 1,529 line kilometers are in the approval phase.

Significant start-ups were achieved in Hamburg with a further two phase-shifting transformers and with the grid conversion measures in the Berlin Nordring area. Infrastructure measures at several substation locations and the cable diagonal in Berlin continued as planned. The measures of the pylon reinforcement program in the control area, for weather-dependent overhead line operation and to increase the current carrying capacity, which contribute to the intended higher utilization of the existing grid, were also continued.

Numerous important line expansion projects such as Helmstedt-Wolmirstedt, Mecklar-Vieselbach, Güstrow-Stendal West, grid connection Südharz, Hamburg Ost-Ämter BBS, grid reinforcement Rostock region, Güstrow-Siedenbrünzow-Iven-Pasewalk, grid reinforcement Teltow-Fläming and Lauchstädt-Pulgar are in the approval phase.

The dynamics of grid development and the high expansion targets from the NDP require accelerated approval procedures and faster project implementation; this is reflected in the following progress, among other things: For the SüdOstLink (SOL) project, the documents for carrying out the application procedure (Section 21 of the Transmission System Expansion Acceleration Act (NABEG)) were submitted to the BNetzA for all three approval sections. In addition, initial applications for an early start of construction (Section 44c EnWG) were submitted to the BNetzA for selected construction measures in approval section B of the SOL and approved. The approval procedures for the NordOstLink (NOL), OstWestLink (OWL) and SüdWestLink (SWL) projects were started without federal sectoral planning (Section 5a NABEG) with the publication of the consultation procedures for their preference areas by the BNetzA. For the OstWestLink (OWL) and SüdWestLink (SWL) projects, this already took place before confirmation of the NDP 2037/2045 (2023), in which these projects are mentioned for the first time as DC40 (OWL) and DC42 (SWL). The projects in the preferential area procedure will be implemented in close coordination with TenneT TSO GmbH and TransnetBW GmbH. The three transmission system operators have founded the StromnetzDC cooperation for this purpose.

INTERCONNECTOR PROJECTS

With the lines from Vierraden to Krajnik (PL), Hagenwerder to Mikulowa (PL), Röhrsdorf to Hradec (CZ) and the cable connections KONTEK (DK) and Kriegers Flak - Combined Grid Solution (DK), 50Hertz now has five interconnectors in regular operation. The Hansa PowerBridge project involves the realization of an interconnector between Sweden and Germany and received the planning approval for the land route and the German coastal sea in 2023. In continuation of the successful cooperation with the Danish TSO Energinet, a cooperation agreement was concluded in November 2021 to develop the joint Bornholm Energy Island project. In a first step, Energinet and 50Hertz intend to jointly construct a hybrid interconnector connecting the Danish main island of Zealand to the 50Hertz control area via the island of Bornholm, integrating offshore wind farms with an expected installed capacity of 3 GW in the waters off Bornholm. Energinet and 50Hertz are currently jointly preparing the tender for the converter stations, with the aim of awarding the contract in 2024.

50Hertz has signed a joint letter of intent with the TSOs involved for the further development of another potential interconnector project between Germany, Estonia and Latvia. The Baltic Wind Connector is a hybrid interconnector which, in addition to providing additional cross-border trading capacity, is intended to integrate offshore wind generation capacity of 2 GW in Estonian and Latvian waters.

GRID EXPANSION OFFSHORE

The first platform for the Arcadis Ost 1 OWP was completed and installed in the Baltic Sea in 2022, the OWP began feeding into the grid in 2023 and the OST-2-1 offshore grid connection system went into continuous operation as planned. The two cable systems for the grid connection of the Baltic Eagle OWP have already been successfully laid in the seabed and pulled into the platform. The platform and the first offshore grid connection system (OST-2-2) will be commissioned as planned at the turn of the year 2023/24. The second offshore grid connection system (OST-2-3) will be commissioned in the course of 2024.

For the future grid connections, 50Hertz is building the platforms itself; for the first time with Ostwind 3 as well as in the Gennaker project. In addition to the cables, the capacities for the construction of the platforms in 2023 have been contractually secured. Preparatory work has already begun.

The Ostwind 4 project to connect 1 GW of wind potential in the German Baltic Sea and up to 1 GW of wind potential in neighboring or coastal waters will be the first connection project at sea using direct current technology.

With the NOR-11-1 (LanWin3) project, 50Hertz is building the first grid connection in the North Sea. Together with TenneT, an innovative electricity hub in Schleswig-Holstein and a DC connection to Mecklenburg-Western Pomerania are also to be created.

To secure the implementation of the planned grid expansion measures described above and to counter the increasingly tight supplier market at an early stage, 50Hertz has secured the supply and installation of essential equipment through long-term contracts with a volume of EUR 9.5 billion.

FINANCING

In total, Eurogrid raised funds of EUR 1.7 billion for the Group, which were primarily used to finance the investment program. In addition to an equity strengthening by the shareholders of EUR 120 million and the raising of a syndicated loan from IBB-ILB in the amount of EUR 120 million, a bond totaling EUR 800 million was issued in 2023. In addition, a green loan of EUR 600 million was taken out under a KfW program and EUR 50 million was concluded via a private placement. These funds were made available within the Group for the business operations of 50Hertz and to finance the investment program. Under the Debt Issuance Program, Eurogrid raised funds of EUR 5,190 million by the end of 2023, of which a bond for EUR 750 million was repaid in full in November 2023. In January 2024, a further EUR 1.5 billion was placed in the form of green bonds.

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

The term of the syndicated revolving credit facility concluded with eight banks in February 2021 for an amount of EUR 750 million was extended by one year to 2027 in the financial year. In January 2023, Moody's confirmed its rating of Baa1 with a negative outlook and adjusted it to Baa2 in January 2024. In December 2023, the rating agency Standard & Poor's published a report on the Eurogrid Group in which the rating was lowered from BBB+ to BBB with a stable outlook. Both rating agencies justify this with the foreseeable high investment volume of 50Hertz, accompanied by increasing debt. Furthermore, the corresponding generation of funds from revenues will not increase to the required extent.

NETWORK CHARGES AND REGULATORY FRAMEWORK

As a result of the Grid Fee Modernization Act, the transmission grid fees for 2024 will be charged uniformly across Germany, as in the previous year.

The 2024 TSO grid usage fees were initially calculated taking into account a planned subsidy of EUR 5.5 billion (50Hertz share EUR 814 million) to cover its share of the transmission grid costs and were provisionally published on October 5, 2023. Due to the decision of the Federal Constitutional Court on the federal budget on November 15, 2023, the final TSO grid usage fees were published on December 13, 2023, without taking the subsidy into account, resulting in an increase in the average transmission grid usage fees of approx. 106% compared to the previous year.

As part of the amendment to the ARegV as of July 31, 2021, the regulatory treatment of distribution system operators and transmission system operators was aligned. As a result of the new regulations, transmission system operators will in future also be subject to the capital cost reconciliation system for financing investments in the grid, which will replace the previous system of investment measures (expansion and restructuring investments) and replacement investments from the fourth regulatory period in 2024. The capital cost adjustment provides for an annual consideration of the capital costs of new investments regardless of the type of investment (expansion, restructuring or replacement). The annual capital cost mark-up is offset by the capital cost deduction determined by the BNetzA as part of the cost review for the fourth regulatory period, which reflects the reduction in existing fixed assets. The ARegV amendment provides for extensive transitional provisions for the transition, including the possibility of extending existing investment measures for the fourth regulatory period.

In accordance with Section 22 (2) ARegV, the relative reference grid analysis was carried out to determine the efficiency value in the fourth regulatory period (2024 - 2028). 50Hertz received an efficiency value of 100 percent from the BNetzA. The process for determining and establishing the general sectoral productivity factor and the determination of the influenceable cost base for the 4th regulatory period has not yet been completed.

In June 2023, the BNetzA initiated a procedure to adjust the equity interest rate in the 4th regulatory period in order to respond to the rise in interest rates that has occurred since the date of determination in 2021 and concluded the determination on January 24, 2024. Based on the determination, the equity interest rate for investments from 2024 onwards will be adjusted in the capital cost surcharge for the years 2024 to 2028. According to the regulation, the equity interest rate will be adjusted annually, consisting of a risk premium of 3% and the current annual level of the risk-free interest rate as the annual average of the Bundesbank series of current yields on fixed-interest securities of domestic issuers. A value of 5.78% after tax is used as the planned value for the relevant investments in 2024. Existing

investments up to 2023 and investments recognized as investment measures are exempt from the regulation and receive an unchanged interest rate of 4.13% after tax. For offshore investments, the equity interest rate will also be adjusted for investments from 2024 onwards.

Since the start of the third regulatory period in 2019, numerous procedural regulations have been further developed in the form of voluntary self-commitments (FSV) in accordance with Section 11 (2) ARegV. In 2023, various FSVs were therefore newly concluded or renewed for the 4th regulatory period. These include, in particular, the FSV for the cost recognition for the market-based procurement of a system service product in the real-time range from interruptible loads (FSV SEAL), the FSV grid losses and the determination of effective procedural regulation for control power.

Energy Management

BALANCING GROUP MANAGEMENT

50Hertz settles all balancing groups in its control area on a monthly basis. At the end of 2023, this included 2,419 balancing groups of 722 traders, electricity distributors, generators and grid operators operating in the control area.

SYSTEM SERVICES

50Hertz procures ancillary services to balance the system, among other things. As a result of the decoupling of balancing energy procurement from the provision of balancing capacity in accordance with the Electricity Balancing Guideline, it is possible to change supply volumes and energy prices until shortly before real time. Since 2022, the national balancing energy markets have been increasingly linked internationally.

In the 2023 financial year, the costs for the procurement of control power at 50Hertz increased from EUR 128.2 million (2022) to around EUR 132.2 million (2023). The costs are passed on via the grid fees in accordance with the FSV Regelleistung.

In order to use renewable generation plants more efficiently and at the same time avoid bottleneck-related shutdowns, the FSV "Utilization instead of curtailment" was established on the basis of Section 13 (6a) EnWG to finance and cover the costs of power-to-heat plants. Following the first plant in 2021, three further plants were completed in 2023.

EEG SETTLEMENT

The volume of EEG electricity within the 50Hertz grid area increased by 19 percent in 2023 compared to the previous year, in particular due to the higher availability of onshore wind energy and solar energy. Of the total volume, 50Hertz marketed just under 8 percent of the EEG electricity generated in the 50Hertz control area.

Due in particular to the lower marketing prices, the balances of the TSO EEG account as at December 31, 2023 fell from EUR 15.1 billion by EUR 14.2 billion to EUR 0.9 billion. The EEG surcharge was abolished on December 31, 2022. Since then, EEG financing has been secured by a state subsidy to the TSOs. In 2023, however, the TSOs did not receive any federal subsidies, in line with the previous year's forecast, but financed the EEG subsidy from the marketing of the EEG electricity purchased and from the existing funds in the EEG accounts. Accordingly, the EEG account balance of 50Hertz Transmission fell from EUR 2.936 billion as of December 31, 2022, to EUR 0.256 billion as of December 31, 2023.

On October 25, 2023, the four German TSOs forecast an EEG financing requirement for 2024 in the amount of 10.616 billion, which is to be covered by the above-mentioned federal subsidy.

OTHER ENERGY-RELATED LEVIES

In addition to settling the EEG process, the TSOs also handle the levies under the EnFG (KWKG and offshore grid levy) and Section 19 StromNEV. The new regulations of the EnFG had a massive impact on the processing of the CHP levy and support in particular. The process has been running via a separate CHP bank account since 2023. In addition, the process will be switched from the current forecast approach to an actual cost-based approach from 2024. As a result of the retrospectively determined grid fees, the Section 19 StromNEV levy also had to be adjusted on December 22, 2023, following consultation with the BNetzA.

ELECTRICITY PRICE BRAKE

The Electricity Price Brake Act passed in December 2022 provided for relief for companies and households through reduced electricity prices throughout 2023.

Financing was provided on the one hand via the absorption of surplus revenues from legally defined system operators and on the other hand via subsidies from the federal government. The TSOs played a central role in the statutory equalization mechanism, as they settled both income and expenses via separate accounts set up for this purpose. As a result of the rolling mechanism regulated in the law and in the accompanying public-law contract of 13 February 2023, the TSOs incurred neither risks from advance payments for the disbursements nor costs for processing.

As part of the relief, around EUR 3 billion was paid out to energy supply companies and other end consumers in the 50Hertz control area alone for 2023. This contrasts with income of EUR 150.6 million realized from the surplus revenue. This amount may subsequently change due to disputes with individual system operators regarding the amount of the levy.

NETWORK OPERATION AND SYSTEM MANAGEMENT

50Hertz ensures secure grid operation and the availability of the electricity grid in the entire control area. In addition to the ongoing management of the entire grid, taking into account new construction and maintenance projects, the grid operator regularly intervenes in power generation to ensure system stability. This concerns both interventions to maintain the current carrying capacity of operating equipment and measures to maintain the voltage bands. The challenges of voltage stability in particular continue to increase. This is primarily due to the increasing reactive power requirements of the grid. Reactive power is necessary for voltage stability, which is why reactive power and voltage stability are closely linked. In addition to an increasing demand for reactive power, there is also a simultaneous shortage of reactive power sources. This is partly due to the declining availability of conventional power plants for the provision of reactive power (displacement from the market by renewable energies) and the highly volatile feed-in of renewable energies, which on the one hand influence the demand for reactive power; on the other hand, the provision of reactive power by renewable energy plants is also dependent on their active power feed-in. 50Hertz counters this imbalance on the one hand by building its own compensation systems (primarily compensation reactors and STATCOM) and on the other hand by tapping reactive power potential from directly and subordinately connected customer systems.

In addition to the further development of various system and market-relevant processes in the Core and Hansa capacity calculation regions, extensive adjustments were made to the short and long-term markets or successfully started in 2023 in order to successfully implement the European energy transition in the long term. Particularly noteworthy are the load flow-related capacity calculation and allocation based on three pan-European intraday auctions, which will be introduced in June 2024, and the change in system balancing from the current 60 minutes to 15 minutes from Q1 2025.

In the area of balancing capacity, the target market was introduced on 22 June 2022, which implements European requirements for harmonizing the billing of balancing energy (marginal pricing) and the calculation of balancing energy prices. With the connection to the PICASSO and MARI platforms, the use of balancing capacity by the participating TSOs can be further optimized.

In 2023, there were two wind peaks with a feed-in capacity of more than 17 GW and three PV peaks with a feed-in capacity of more than 11.5 GW. A new all-time high for wind feed-in of 17.9 GW was reached on December 21, 2023. Redispatch measures amounting to 7.6 GWh were implemented on this day. The wind share of the grid load was 119%, while the total share of the grid load accounted for by renewable energy was 138%. Over the entire observation period, the RE share of the grid load was above 100 percent for more than 1,700 hours.

Based on the amendment to Section 13 EnWG, 50Hertz was the first grid operator to replace the Federal Network Agency's transitional solution for Redispatch 2.0 with the control process with the RES feed-ins directly connected to the transmission grid back in November 2021. From June 2022 to July 2023, 50Hertz carried out the Redispatch 2.0 process with two distribution system operators in a pilot operation. Based on the findings of the pilot operation, work is currently underway to further develop the redispatch processes across the industry.

Overall, there were only a small number of grid incidents in the reporting year in relation to 100 km of system circuit length 1.15, which corresponds to the planned value of 1.2. At 4.96%, avoidable grid incidents in relation to all grid incidents are well below the planned value of less than 15%. This is due to the fact that there were significantly fewer avoidable faults in 2023 compared to the plan as a result of improved maintenance. As one of the key non-financial performance indicators, grid availability therefore exceeds the set target value.

GRID LOSS ENERGY

In 2023, grid losses amounted to 2.5 terawatt hours (TWh). 50Hertz covers its own demand for grid loss energy as part of a risk-averse procurement strategy based on the existing regulations of an FSV.

To minimize risk, futures with a volume of approx. 2.6 TWh have already been procured on the EEX electricity exchange for 2024. The newly defined reference period from October 1, t-2 to September 30, t-1 enables an improved long-term forecast of grid losses by approximating the fulfillment period in agreement with the BNetzA against the background of the highly volatile market movements. For the year 2025, 0.6 TWh had already been procured since October 1, 2023, up to the balance sheet date.

EMPLOYEES

Compared to the previous year, the number of employees in the Group rose from 1,529 to 1,754 as of December 31, 2023, an increase of 14.7%.

The number of apprentices/dual students is 47. 18 employees are completing a trainee program with stations in various areas of 50Hertz as well as at European TSOs and non-governmental organizations.

This year, employees had the opportunity to subscribe for up to 25 discounted Elia Group shares in order to participate in the success of the last financial year. 60.00% of those eligible took up the offer.

OCCUPATIONAL HEALTH AND SAFETY

The primary objective is to create safe and healthy conditions in the workplace and working environment and to prevent accidents at work and work-related illnesses.

Occupational safety is understood as a continuous improvement process and is systematically developed further in order to consistently implement the high standards in occupational health and safety. The occupational health and safety management system in accordance with DIN ISO 45001 provides a suitable framework that enables occupational health and safety to be integrated into the organizational and operational structure, occupational health and safety performance to be continuously reviewed and targeted improvement measures to be taken. In October 2023, the effectiveness of the existing occupational health and safety management system was reviewed by the external monitoring audit and conformity with the standard was confirmed without any deviations.

In the reporting period, there was 1 accident at work with a total of 11 days lost and 1 other accident at work without days lost. All accidents were without serious injuries. The number of accidents at external companies commissioned by 50Hertz was 34, of which 10 were without days lost. This means that the accident frequency, which is measured via TRIR and was 0.8 in 2023, remained well below the planned value of less than 4.9. This is seen as a success of the occupational safety and accident prevention measures described above.

With a view to constructive cooperation and the avoidance of accidents at work, joint occupational health and safety topics were discussed critically with the external companies commissioned by 50Hertz for the construction, overhead lines and electrical installation trades and solutions were developed.

Although the health rate fell slightly short of the target figure of less than 96.7%, at 96.5%, it also improved significantly compared to the previous year (95.9%).

RESEARCH AND DEVELOPMENT

The integration of renewable energies and the necessary development of the electrical system continue to be reflected in a number of research and development projects and studies at 50Hertz. In the areas of energy markets, system security and new technologies, a total of around EUR 5.2 million (previous year: EUR 3.2 million) was spent on research and development projects in 2023. The expenses mainly relate to personnel expenses and other expenses. In the 50Hertz Scientific Advisory & Project Board, two interdisciplinary research projects were completed last year, mainly for university collaborations. The first concerned the economic benefits of tapping energy flexibility potential in industry and the trade, commerce and services sector and the second concerned so-called green base load for industry. Following on from this, the question of what concrete business cases for flexibility in industry look like is currently being investigated.

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

Instead of the minus sign, a bracket is placed around the amounts in the tables. In the number representations, rounding differences are disregarded.

Results of operations

The figures for the financial year 2023 and the prior year relate to the calendar year for all Group companies.

Income Statement

(in EUR million)	2023	2022
Revenue	10.027,8	6.935,1
Cost-matching income	(7.624,9)	(4.468,3)
Revenue from contracts with customers	2.402,9	2.466,8
Other income	175,3	125,9
Cost of materials and purchased services	(9.275,8)	(6.264,4)
Income-matching cost	7.624,9	4.468,3
Cost of materials and purchased services from the grid business	(1.650,9)	(1.796,1)
Personnel expenses	(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	1,9	(0,1)
Financial result	(59,8)	27,3
Income taxes	(100,4)	(105,3)
Group profit	220,5	236,1

In addition to the earnings from the core business, the "Grid business" segment, the Group's income and expenses are mainly characterized by the settlement of the EEG and grid fee-based levies as well as payments as part of the electricity price brake ("non-profit-business"). The income and expenses from the non-profit-business are included in the items "Cost-matching income" and "Income-matching cost".

The TSOs market the renewable electricity fed into the grid by downstream grid operators and generators directly connected to the transmission grid, insofar as this is not subject to direct marketing, on an electricity exchange. In addition, the levy mechanisms under the KWKG and under Section 19 StromNEV as well as the new compensation mechanism under the Electricity Price Brake Act will be settled in the following amounts:

(in EUR million)	2023	2022
EEG income	4.032,0	3.826,7
KWKG income	295,9	367,0
§ 19 StromNEV income	290,0	272,5
Electricity price brake	3.007,0	-
AbLaV income	-	2,1
Total non-profit business of the group	7.624,9	4.468,3

The abolition of the EEG surcharge in 2022 and the financing of the EEG under the EnFC using funds from the federal budget has led to a fundamental change in the EEG mechanism. Since 2023, the TSOs have been forecasting the financial requirements of the EEG for the following year, thereby ensuring counter-financing from budget funds. The slight increase in the settlement volume for the EEG is primarily due to two factors: the higher feed-in volume of renewable energies and the increased market premiums paid out as a result of the decrease in electricity prices. This decrease is reflected in the difference between the fixed price and the volatile exchange price.

The compensation mechanism under the Electricity Price Control Act included absorption income of EUR 150.6m, interest and investment income of EUR 4.2m and inflows from federal funds of EUR 2,852.2m.

The development of the CHP levy from 0.378 ct/kWh in 2022 to 0.357 ct/kWh led to a slight decline in revenue in 2023; the levy pursuant to Section 19 StromNEV also decreased slightly from 0.437 ct/kWh in 2022 to 0.417 ct/kWh in

2023, although revenue increased as a result of higher inflows from the horizontal load balancing of the TSOs. The levy in accordance with § 18 AbLaV was charged for the last time in 2022.

The Group offers services to third parties, engaging in procurement and sales transactions on the electricity market. However, these transactions do not have an economic impact on the Group. This invoicing volume amounted to EUR 1,912.1m in the financial year (previous year: EUR 4,394.5m). The decrease compared to 2022 reflects the significant decline in electricity market prices in the financial year.

The income and expenses from the individual levy mechanisms have no overall impact on 50Hertz's earnings.

The core segment "Network provision" with sales revenues from the network business provides the following picture:

(in EUR million)	2023	2022
Revenue from contracts with customers	2,402,9	2,466,8
Revenues from incentive regulation	1,407,9	1,107,1
Proceeds from offshore regulation	400,9	295,1
Revenue from ancillary services and balancing group management	576,5	1,055,4
Construction cost subsidies	1,5	1,6
Other income	16,1	7,6
Revenue	2,402,9	2,466,8

Revenues from incentive regulation include the grid usage fees for the financial year 2023, determined through the revenue cap, to which the TSO is entitled. This also includes the federal subsidy drawdown in accordance with Section 24b EnWG in the total amount of EUR 721.6m to stabilize the grid fees. This item also includes catch-up and compensation effects, which are recognized in the balance sheet as regulatory claims or obligations. In the financial year 2023, these period effects (excluding the interest attributable to them) led to an overall reduction in the Group result for the period of EUR 150.1m (previous year: increase of EUR 244.4m). The income from offshore regulation includes income from the Germany-wide mechanism to offset the costs of compensation or disruptions as well as the costs for the construction and operation of offshore connection lines. The offshore grid levy amounted to 0.591 ct/ kWh in 2023 (previous year: 0.419 ct/ kWh).

Revenue from ancillary services and balancing group management (EUR 576.5m ; previous year: EUR 1,055.4m) declined in line with the development of electricity prices compared to the same period of the previous year: revenue from redispatch (EUR 197.7m; previous year: EUR 245.6m), income from the transfer of reserve costs (EUR 62.5m; previous year: EUR 140.3m), income from congestion management (EUR 82.1m; previous year: EUR 140.8m), income from grid losses (EUR 16.8m; previous year: EUR 36.1m) and income from balancing group management (EUR 248.0m; previous year: EUR 442.4m) declined significantly.

In addition, the Group generated other income of EUR 175.3m (previous year: EUR 125.9m). This mainly results from increase in own work capitalized in line with the increased investment volume.

Cost of materials and purchased services include expenses for electricity procurement and purchased services. The expenses for ancillary services and balancing group management included in this item declined slightly in 2023 and amounted to EUR 1,296.2m (previous year: EUR 1,564.0m). There were isolated increases compared to 2022 in the expenses for grid loss procurement (EUR +159.9m) and for the costs for power-to-heat facilities financed by the FSV benefit instead of curtailment (EUR +64.5m), although these were offset by declining electricity price trends for balancing energy (EUR -216.1m), reserve costs (EUR -151.0m) and redispatch (EUR -120.0m).

Personnel expenses amounted to EUR 201.8m (previous year: EUR 168.1m). The increase is due to the continued expansion of the workforce.

Depreciation and amortization amounted to EUR 332.2m (previous year: EUR 297.6m). The development of depreciation and amortization corresponds to the steady progress of investing activities.

The change in other expenses amounted to EUR 14.5m (previous year: EUR 16.7m). These included expenses in connection with asset disposals as well as other taxes and other non-recurring effects.

Onshore OPEX amounted to EUR 228m in the financial year 2023 (previous year: EUR 258m). This figure reflects an aggregate of various items from personnel-related and other non-energy-related expenses. The actual costs were below the target corridor of EUR 262m to EUR 289m. This was mainly due to the fact that the increase in personnel was not fully implemented.

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

The financial result amounted to EUR -59.8m (previous year: EUR 27.3m). It includes financial income (EUR 37.5m; previous year EUR 73.9m) and financial expenses (EUR -97.3m; previous year EUR -46.6m). Rising interest rates and the increase in external financing led to a significant increase in financial expenses of debt (EUR -82.2m; previous year EUR -44.0m). In 2022, interest rate effects from the discounting of long-term regulatory items had a significant impact on financial income (previous year: EUR 69.2m), which was not the case in 2023.

Earnings before taxes amounted to EUR 320.9m (previous year: EUR 341.4m). After deducting income taxes (EUR 100.4m, previous year 105.3m), consolidated net profit amounted to EUR 220.5m (previous year EUR 236.1m). The IFRS after-tax result is above the target corridor of EUR 144 – 216m. This result is significantly influenced by lower energy costs and higher own work capitalized, which is included in other income.

NET ASSETS AND FINANCIAL POSITION

EUR m	31.12.2023	31.12.2022
Assets		
Non-current assets	8.635,9	7.246,3
Current assets	2.412,2	4.594,7
	11.048,1	11.841,0
Liabilities		
Equity	2.143,2	2.183,5
Non-current liabilities	5.815,9	4.328,1
Current liabilities	2.804,2	5.198,1
Regulatory items	284,8	131,3
	11.048,1	11.841,0

Non-current assets mainly comprise property, plant and equipment, including assets under construction, and are covered to 24.8 percent (previous year: 30.1 percent) by equity. This clearly shows the impact of the increase in investment volume compared to previous years. The Group achieved an investment volume of EUR 1,686m (previous year: EUR 1,086m) and thus once again exceeded the expectations set for the financial year, particularly in the area of line kilometers built and the expansion of transformer stations in the form of the target corridor of EUR 1,430 to 1,580m. This was largely achieved through the implementation of acceleration measures and only to a lesser extent through price increases.

Non-current liabilities mainly result from liabilities to bondholders. The increase is mainly due to further bond issues in the amount of EUR 850m and the raising of additional debt capital (in particular syndicated loans totaling EUR 720m) to finance the investment measures.

Current assets mainly consist of trade receivables, other receivables and cash and cash equivalents. Current liabilities mainly comprise trade payables.

The high billing volumes from the grid business are reflected in current assets and liabilities. Following the sudden developments in the electricity market in 2022, electricity prices and costs have normalized again. Due to the recognition of the EEG process in equity, there was a decrease in current assets from the reduction in the EEG account balance during the year of EUR 2.68 billion in 2023 and a corresponding decrease in current liabilities from the obligation to return electricity. The significant reduction in cash and cash equivalents over the course of the year also had an impact. This was offset by a sharp increase in trade receivables, which is mainly due to the compensation claim under Section 6 EnFG for EEG financing in the amount of EUR 772.8m.

The Group uses hedge accounting to recognize derivative financial instruments that result from the equivalent value of the contractually contracted portfolio of futures traded on the EEX. The valuation effect from the market valuation of these derivative financial instruments on the balance sheet date (EUR 224.8m; previous year EUR 129.6m) is recognized in other comprehensive income, considering deferred taxes (EUR 67.4m; previous year EUR -38.8m), until the financial realization for these contracts occurs in subsequent years. The daily revaluation of the futures and the daily financial settlement of the security deposits with the electricity exchange result can lead to liquidity effects for the Group, depending on the dynamics of the electricity price development, due to incoming or outgoing payments by the EEX clearing house, the current balance of which of EUR 224.5m is included in current assets (previous year: current liabilities of EUR 130.0m).

The regulatory obligations show an overall increase of EUR 153.5m to EUR 284.8m (previous year: decrease of EUR -313.6m). In addition to the settlement of balances carried forward from previous periods, a significant portion is attributable to additions to the regulatory account (EUR +237.4m) and return obligations from congestion management (EUR +76.9m) for the past calendar year; this was offset in particular by returns for previous regulatory

account periods (EUR -67.9m) and various counter-effects (EUR -26.0m). The changes in the regulatory account are attributable to various individual effects. Among these, the unused subsidies for the pro rata financing of grid usage fees in accordance with Section 24b EnWG have a particularly negative impact on the balance. In contrast, the build-up of return obligations for the FSV Redispatch (EUR +453.8m), for the costs of security standby (EUR +64.9m), the FSV grid losses (EUR +43.5m), the adjustment of the balancing energy price (EUR +39.7m) and the FSV use instead of curtailment (EUR +24.8m) had the effect of increasing the balance. All effects will be reversed in the following fee periods in accordance with the regulatory mechanisms and offset via the grid fees.

Despite a consolidated profit of EUR 220.5m, which was higher than the profit distribution (EUR -130m), and an equity injection (EUR 120m), balance sheet equity declined slightly (EUR -40m). This is primarily due to the valuation effects of derivative financial instruments of EUR -248.2m recognized directly in equity, which offset the otherwise positive equity development.

CASH FLOW STATEMENT

(in EUR million)	2023	2022
Cash flow from operating activities	(1.823,1)	764,1
Cash flow from investing activities	(1.580,6)	(1.123,3)
Cash flow from financing activities	796,8	870,3
Change in cash and cash equivalents	(2.606,9)	511,1
Cash and cash equivalents at the end of the period	761,4	3.368,3

Cash flows from operating activities and its change compared to the previous year reflect the extent of possible fluctuations in the Group's liquidity. The decline is due to by increased trade receivables and a significant reduction in liabilities related to the settlement of cost allocations (EUR -1,987.3m).

Cash flows from investing activities mainly reflect payments in connection with the further network expansion, which is reflected in the additions to property, plant and equipment.

The cash flow from financing activities includes inflows from an equity injection of EUR 120m and from borrowing additional funds (EUR 1,564.3m). Cash outflows resulted from the profit distribution to shareholders of EUR 130m and the repayment of a bond (EUR -757.5m).

Cash and cash equivalents fell sharply compared to 2022. This was mainly due to the reduction in the previous year's balance (EUR 2,936.0m) in the EEG account to EUR 255.7m on the balance sheet date.

In addition to the reported cash and cash equivalents, Eurogrid has undrawn credit facilities with several banks in the amount of EUR 900.0m.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

Overall, the Group generated very satisfactory earnings in the financial year 2023, exceeding the planned IFRS earnings after taxes of EUR 144 – 216m to EUR 220.5m. The continued increase in investments in network expansion will continue to make a positive contribution to earnings through their effect on revenue. The financial obligations due in the financial year 2023 were covered at all times by the available liquidity.

Forecast, opportunity and risk report

FORECAST REPORT

The Group will continue to invest in the development of the transmission network, to be able to safely and efficiently absorb the growing share of electricity from renewable energies and transport it to the centers of consumption. Both the number of measures and the speed of their implementation are increasing in accordance with the requirements of the Electricity Grid Development Plan.

The investment volume, which has already increased compared to recent years, will continue to grow significantly in the coming years. This will also lead to additional financing and resources needed in future fiscal years. As the Group's cash generation is still below the financial requirements, particularly from investment activities, further borrowing and equity injections are planned as strengthening measures by the shareholders. Financing on the capital market is secured via an investment grade rating of Eurogrid, providing its subsidiaries financial resources. In addition to listed bonds, other sources of financing are being explored. In addition, the availability of a new credit facility is planned to ensure liquidity at all times and to create flexibility. Continued active cash and financial performance management complements and supports the capital measures to raise capital. In order to handle the

growing investment volume, a further increase in personnel of around 300 employees and further long-term supply and service partnerships with companies in the supplier industry are planned.

The Group is constantly making efforts to ensure efficiency in processes and cost structures in order to curb the cost increase in network operations caused by the energy transition. In 2023, for example, the implementation of measures identified as part of an efficiency project in 2022 began. These measures will be further implemented and expanded in 2024 to ensure that resources are utilized as efficiently as possible.

Overall, a continuous increase in operating expenses is expected. This is driven by the increasing investment volume as well as new regulations and requirements for system operation. The costs for system services such as redispatch measures and grid loss energy are significantly influenced by the development of electricity prices, weather conditions and the grid topology.

The financial performance indicators show the following development:

EUR m	2022	2023	2024
Investment volume (actual)	1.086	1.686	
Target corridor (plan)	820 - 920	1.430 - 1.580	3.215 - 3.365
IFRS after-tax result (actual)	236	220	
Target corridor (plan)	150 - 180	144 - 216	230 - 270
Opex value onshore	258	228	
Target corridor (plan)	253 - 280	262 - 289	255 - 278

The above planning for the 2024 financial year is based on the following assumptions:

- Stability of the regulatory framework in line with the current legal situation (especially the introduction of the capital cost reconciliation mechanism with higher regulatory return on equity),
- Maintain a solid investment grade,
- Energy costs at a stable level under the assumption of regulatory refinancing, and
- 50Hertz's normal course of business with no unusual weather conditions and no major technical disruptions.

The key non-financial performance indicators show the following development:

Assessment of network availability	2022	2023	2024
Network events in relation to 100 km system circuit length (actual)	0,93	1,15	
Target corridor (plan)	1,0 - 1,2	1,2	1,2
Ratio of avoidable grid events to all grid events (actual)	9.2 percent	4.96 percent	
Target corridor (plan)	10 percent - 15 percent	<15 percent	<15 percent

Evaluation of occupational health and safety	2022	2023	2024
Accident frequency			
Electrical accidents at work (actual)	0	0	
Target corridor (plan)	0	0	0
Fatal accidents at work own employees (actual)	0	0	
Target corridor (plan)	0	0	0
Fatal accidents at work External company employees (actual)	1	0	
Target corridor (plan)	0	0	0
TRIR (Total Recorded Injury Rate) own employees (actual)	4,9	0,8	
Target corridor (plan)		<4,9	<4,2
Health rate			
Ratio of planned working days minus the number of days lost due to illness in relation to the planned working days (actual)	95.9 percent	96.5 percent	
Target value (plan)	>96.7 percent	>96.7 percent	>96.8 percent

Diversity	2022	2023	2024
Women's quota	25.4 percent	25.5 percent	
Target corridor (plan)	-	-	>27 percent

The target values of the non-financial performance indicators reflect our high standards for health and safety at work as well as diversity. The absolute avoidance of fatal and electrical accidents continues to be our top priority. Our general ambition level for the accident frequency rate, measured via TRIR, has increased, reflecting the good performance in 2023. The same applies to the health rate. A long-term target of 30% is being pursued for the women's quota. The target for 2024 was aligned with this. The previous year's figures provide additional information.

Overall, the Group expects a positive business development with a solidly financed balance sheet structure in 2024.

RISK MANAGEMENT SYSTEM

The goals of risk management are the fundamental avoidance of risks that endanger the existence of the Group, the reduction of existing risk positions, and the optimization of the risk-opportunity profile. Risks are identified, recorded, evaluated and monitored in a standardized manner using the existing risk guidelines. The assessment of potential damage and probability of occurrence is based on scenarios. Continuous monitoring of the risk situation is carried out, in particular for the early identification of potential risks to the company as a going concern, and support is provided for the selection and implementation of countermeasures. The focus of the further development of the risk management system is the systematic preparation and centralized tracking of action plans to deal with major corporate risks. Relevant individual risks and the overall risk situation are regularly reported to the Executive Board, the Supervisory Board and the shareholders. In the event of significant changes, the responsible decision-makers are informed on an ad hoc basis. The functionality and effectiveness of the risk management system are subject to regular reviews.

OPPORTUNITIES AND RISKS

Due to the regulatory framework, the Group's risk-opportunity ratio is fundamentally unbalanced, with predominating risks from developments subject to uncertainty. The risks mainly result from the development of regulatory interest rates as the basis for the long-term financing of grid expansion projects. The main Group's opportunity is to strengthen its regulated asset base (operating assets in the imputed sense) and realize organic growth while maintaining efficiency and ensuring that investments in the transmission grid and grid connections are made on time and in line with requirements. Further opportunities lie in actively shaping the changes and new requirements resulting from the energy transition with 50Hertz Transmission as an independent TSO in the European environment and in being a reliable and high-performance partner for the customers supplied in the grid area. The European positioning is to be further strengthened by joint activities of the Elia Group. In this way, the regulatory framework for the company's further development is to be positively shaped and the economic burdens limited. The Group's opportunities therefore lie in its operating segment "Network Provision". There are implicitly no significant opportunities in the "Profit-neutral business" segment, which primarily comprises the profit-neutral processing of the EEG, the StromPBG and grid fee-based levies in accordance with statutory requirements.

OPPORTUNITIES AND RISKS FROM POLITICAL, REGULATORY AND LEGISLATIVE MATTERS

The Group's business activities are largely determined by regulation and the legal framework, which in turn are influenced by energy policy objectives. Changes in the regulatory and legal framework can have a sustained positive or negative impact on the Group's earnings and liquidity situation.

50Hertz's network usage charges are subject to regulation by the BNetzA. Decisions by the BNetzA within the current regulatory framework, as well as changes to the regulatory framework through amendments to the relevant regulations, may have material positive or negative effects on 50Hertz. The expected cost increases in redispatch, control power and grid losses as well as the investment-related increase in capital costs should be partially refinanced in 2024 by a subsidy from the economic stabilization fund to mitigate an increase in grid usage fees. Due to the decision of the Federal Constitutional Court on the federal budget on November 15, 2023, the planned amendment to the EnWG was not adopted and the subsidy was not granted. Subsequently, the uniform grid fees of the TSOs for 2024 were increased accordingly with the publication of the final price sheets on December 13, 2023.

The investment costs for the large-scale grid expansion required for the energy transition will only lead to compensation through the reduction of redispatch costs with a time lag. The resulting increase in grid fees poses a risk to the acceptance of the energy transition among grid customers. The acceleration of approval procedures in the context of compliance with environmental regulations and the increasing number of grid expansion projects also entail further acceptance risks in society.

The BNetzA has announced that the existing regulatory system is to be reformed as part of its newly created determination powers. Dialogues with the entire industry are scheduled to commence at the beginning of 2024. Adjustments to the existing regulatory framework are expected, potentially presenting both opportunities and risks. 50Hertz will actively participate in the relevant discussions.

In the procedure of adjusting the regulatory equity interest rate for the 4th regulatory period starting in 2024, the BNetzA envisages an annual adjustment of the equity interest rate for new investments. This complicates the financing conditions for grid operators on the financial market due to the exclusion of old investments and the fact that the interest rate is only fixed at the end of a financial year. In the event of decreasing interest rates, the regulatory equity interest rate would decrease and thus the return on the investment. Both the variable interest rate and the varied handling of investments regarding investment timing entail the risk of unattractiveness to investors and worsening terms of capital provision.

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

The implementation of the EEG may result in considerable financing risks if the promised federal funds are not sufficient and additional federal funds cannot be provided or cannot be provided in time. Thus, the TSOs could have to provide necessary interim financing.

In the course of accounting, planning data and estimates are processed on an ongoing basis, which are then replaced by the corresponding actual values in subsequent periods as they become available. As a result of these estimation processes, deviations and consequential effects with a liquidity and/or earnings impact may arise. Furthermore, these planning data may deviate significantly from the actual values due to unforeseeable circumstances or weather conditions, or because new standards are applied in connection with the regulatory rollover or the BNetzA issues new requirements. Deviations have a direct impact on the results for the year in which they are determined or on the results of the Group in subsequent years when they are offset against the revenue cap. The increased volatility on the electricity exchanges resulting from the energy crisis increases forecasting risks, particularly when determining the budget of energy costs (such as for redispatch). The complete refinancing of differences is ensured via a plan/actual reconciliation in the regulatory account. However, any interim financing that may be necessary can lead to liquidity and interest rate effects.

The rapid development of renewable energies and the fact that grid expansion is not proceeding at the same pace may also make it necessary in the future for grid operators to intervene in power generation to a greater extent, resulting in correspondingly high cost burdens and thus to interim financing requirements.

At the same time, 50Hertz wants to take advantage of the opportunity that lies in an increasing interconnectedness of the energy system, such as the development of new business areas (e.g. at the interfaces to other sectors). By actively promoting the integration of renewable energies into the grid, 50Hertz supports the acceleration of the energy transition and decarbonization.

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

OPPORTUNITIES AND RISKS FROM TECHNOLOGY AND INFRASTRUCTURE

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

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

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

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

delay or disruption of the connection, the TSO only has to bear part of the damages itself. Nevertheless, significant risks remain with the connecting TSO.

High-voltage cables increasingly represent a considerable value in the company's fixed assets, and the share of onshore direct-current cables will also increase significantly in the coming years on a project-related basis. As there is as yet no comprehensive long-term operating experience with these technologies, there is a risk of design errors that are only discovered when the cable is in operation. As a preventive measure, various tests are carried out from the start of production to commissioning. However, it cannot be completely guaranteed that all, even combined, causes of faults can be identified. In extreme cases, this can lead to a complete cable system having to be replaced. This would result in high unscheduled depreciation, compensation payments, e.g. to offshore wind farm operators, and investment costs. The risk is mitigated, among other things, by close cooperation with suppliers, by extensive functional tests prior to commissioning, by monitoring the cables in operation, by taking out insurance and by the possibility of rolling over costs via the regulatory framework.

The cost risks no longer necessarily and completely affect the TSO, but recognition risks remain in the event that the Federal Network Agency classifies certain costs as not covered by regulation.

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

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

In terms of the safe operation of grid systems, maintenance and the construction of new grid systems, there have only been minor additional expenses or delays due to pandemics to date. Even in the future, negative effects on operations due to restrictions or delays in the movement of goods or service providers cannot be ruled out in the event of prolonged pandemic events. Furthermore, the change in the global environment generally results in additional risks in the supply chain, which further increases the risk of supplying essential equipment and services.

However, the construction of new plants also results in opportunities due to the accelerated completion and commissioning of plants. By transferring them to non-current assets at an earlier stage, higher returns are generated from these plants, which in turn free up capital for further investment activities. Otherwise, the opportunities are limited due to the regulatory framework in this area.

As an operator of so-called critical infrastructure, 50Hertz is exposed to the risk of targeted cyber-attacks. In order to prevent this and ensure information security, 50Hertz is obliged by the IT Security Act to organize the processing, storage and communication of information in such a way that the availability, confidentiality and integrity of the information and systems are sufficiently ensured. The regulatory requirements for this are set out in the IT security catalog for grid operators of the BNetzA in accordance with Section 11 (1a) EnWG. According to this specification, 50Hertz Transmission as a grid operator is obliged to maintain and have certified an information security management system in accordance with ISO 27001. The established security process systematically identifies and deals with IT risks. In particular, the security information and warnings provided by the BSI are recorded and evaluated. Where necessary, the necessary protective measures are derived and implemented. No targeted cyber-attacks on 50Hertz were registered in the reporting year or damage caused by information security incidents.

RISKS FROM HEALTH, OCCUPATIONAL SAFETY AND PERSONNEL

The prevention of accidents and work-related illnesses is a top priority at 50Hertz. Occupational health and safety are integrated into the corporate strategy. Despite all preventive measures, accidents at 50Hertz workplaces or in connection with the construction and use of 50Hertz facilities cannot be completely ruled out. Accidents can result in injuries or, in extreme cases, even the loss of human life or cause financial or reputational damage to 50Hertz.

The high occupational safety standards also apply to external companies commissioned by 50Hertz. The "Regulations for ensuring occupational safety when using external companies in the transmission grid area of

50Hertz Transmission GmbH (OAFN)" and the "Agreement on quality assurance on construction sites" are fixed contractual components of the assignment. Within this framework, regular inspections are carried out on construction sites to ensure occupational health and safety, environmental protection and quality assurance.

Any incidents (near-accidents, accidents at work, accidents involving contractors) are systematically evaluated in a standardized process and measures are derived to eliminate the hazards. Safety instructions are drawn up for relevant incidents and communicated to employees. Quality assurance on construction sites, including inspections (prospective) and the process for evaluating incidents (retrospective), have become established as effective tools for improving occupational health and safety at external companies.

RISKS FROM MARKETS AND FINANCES

The impact of the coronavirus pandemic and the war in Ukraine has decreased compared to previous years, and the energy and financial markets in particular were less affected than in previous years despite the escalation in the Middle East conflict in the last quarter. The steady rise in inflation forced most of the world's central banks to repeatedly decide on significant interest rate hikes, as a result of which interest rates on the money and capital markets have risen massively. This may result in rising costs for the Eurogrid Group's borrowing. The abolition of the negative deposit rate for sight deposits at the end of July 2022 had a relieving effect, as a result of which deposit fees and custody charges were abolished within a very short period of time.

Market price movements on the electricity markets can lead to high fluctuations in the costs for control and grid loss energy as well as redispatch measures. Any effects on earnings are greatly reduced by the respective regulatory models and the netting of opposing effects. 50Hertz uses standard market electricity products to cover the demand for grid loss energy. Based on a risk-averse procurement strategy and taking into account the regulatory framework for cost compensation, 50Hertz actively manages its portfolios. Price and liquidity risks are monitored on an ongoing basis. Due to the volatile market movements, there were significant effects on the balance sheet due to the market valuation and the collateral to be deposited with the exchanges.

The price level on the electricity markets, which fell again in 2023, led to a decrease in the EEG account balance. In line with the forecast financing requirements for 2023, taking into account existing funds, the TSOs did not receive any federal funds this year. EEG support was financed from the marketing of purchased EEG electricity and from existing liquid funds in the EEG account. For 2024, the TSOs forecast a nationwide financing requirement of EUR 10.6 billion, which is to be covered by federal funds in this amount. Depending on developments on the electricity market, a further financing requirement is not unlikely at present, which will either have to be covered by additional federal funds or borrowing by the TSOs.

The Group finances itself on the banking and capital markets. Financing requirements are determined on the basis of long-term planning and, if necessary, targeted capital market measures and the necessary capital market communication are implemented to secure long-term access to the financial markets. Risks arising from financing bottlenecks are countered by means of ongoing liquidity planning and the provision of suitable sources of financing.

A further downgrading of the rating could increase financing costs in the future and restrict access to financing. Potential risks in the context of follow-up financing for investments in the future may arise from unforeseeable bottlenecks in the context of government financing in Europe and the high volatility on the capital markets.

The interest rate risk is countered by means of continuous market monitoring and targeted capital market communication and is limited by borrowing funds with fixed interest rates and issuing long-term bonds with fixed coupons. Counterparty risks in the investment of time deposits are countered by a cautious, diversified investment strategy, constant market observation and strict compliance with investment guidelines. Decisions or actions in companies in which 50Hertz only holds minority interests and therefore does not have control over these companies can lead to higher costs, lower sales or lower profit margins for these companies.

OVERALL OPPORTUNITIES AND OVERALL RISK SITUATION

The overall opportunity situation is characterized by the regulatory framework, which can favor organic growth of the Group. Solid ratings support an optimal financing structure. In the 2023 financial year, neither individual risks nor the aggregated risk position posed a threat to the Group as a going concern. No risks to the Eurogrid Group's continued existence are expected for 2024 either.

Accounting-related internal control and risk management system

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

The internal control system forms an integral part of the risk management system. This system comprises reports for the Supervisory Board of 50Hertz Transmission GmbH, for the Supervisory Board and the Audit Committee of Eurogrid, as well as for the respective management teams, and is aligned with the company-specific requirements in terms of scope and structure.

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

The standard business software used for accounting is subject to an annual audit with regard to the correctness of the IT procedures used, including the structural and procedural organizational environment of the system deployment, taking into account the requirements for an effective internal control system. An authorization concept adequate for the purposes of proper accounting and reducing the risk of fraudulent actions has been established. This is applied consistently. All Eurogrid Group companies switched their ERP software to SAP S/4 Hana at the beginning of 2023. The business transactions are processed centrally in the Accounting/Taxes department of 50Hertz Transmission for all Group companies.

Consolidation at Group level is based on guidelines for accounting and the preparation of financial statements in order to ensure uniform application of the recognition, measurement and disclosure of balance sheet and income statement items, in particular with regard to the correct presentation of regulatory issues for the TSO business in the appropriate period. Each monthly report is accompanied by plausibility checks between Financial Reporting, Controlling and Regulatory Management. These checks and compliance with all relevant commercial and tax law standards as well as the corresponding energy law requirements and IFRS regulations ensure that the accounting and reporting in the individual financial statements and the consolidated financial statements are compliant

Measures to limit accounting-related risks include, in particular, the clear allocation of responsibilities, graduated release strategies, access authorizations based on the principle of segregation of duties and the application of uniform rules on organization and scheduling as well as the valuation of business transactions. The effectiveness of the internal control system is reviewed by the internal audit department on an ad hoc basis or on the basis of an audit program in consultation with the shareholder bodies. Furthermore, the Supervisory Board of Eurogrid and the Supervisory Board of 50Hertz Transmission continuously monitor the proper conduct of business. All committees base their assessment on regular reports and analyses by the management of 50Hertz Transmission, on the results of the internal audit and on the audits of the Group companies. In addition, the Group companies and their risk areas are recorded and evaluated as part of risk management.

Non-financial Group statement

GENERAL INFORMATION

Basis for preparation

Information on the business purpose and the shareholdings can be found in the Group management report (Background of the Group section). The Eurogrid GmbH group of companies (hereinafter referred to as the Group) consists of Eurogrid GmbH (Eurogrid), 50Hertz Transmission GmbH (50Hertz Transmission) and 50Hertz Offshore GmbH (50Hertz Offshore) and, since 2023, 50Hertz Connectors GmbH (50Hertz Connectors) together with other investments. The scope of consolidation corresponds to the financial report in the Group management report. The sustainability statement takes into account the upstream and downstream value chain (see Strategy section).

No omissions were made regarding material sustainability topics for reasons of confidentiality of intellectual property, know-how or results from innovation processes.

In accordance with the thresholds set out in the Corporate Sustainability Reporting Directive, 50Hertz must report in accordance with the European Sustainability Reporting Standards (ESRS) in the first wave of the roll-out, starting with the 2024 report in 2025.

Our aim is to adequately comply with the directive by the time it comes into force. We have therefore started a transition process and have presented some of the basic principles, structure and key disclosure requirements of the future ESRS in this annual report. At the same time, we will gradually phase out the GRI disclosure requirements and replace them with the future-proof ESRS. In this report, we have focused on the best possible fulfillment of ESRS 2 General disclosures, ESRS E1 Climate change and ESRS S1 Own employees. We indicate their use by mentioning the relevant ESRS. If no ESRS is mentioned, we generally refer to the GRI Standards. This is indicated by citing the relevant GRI standard. In particular, we will retain the GRI sector standards for electricity utilities until a corresponding ESRS sector standard is published. In this way, we ensure that we continue to report comprehensively on environmental, social and governance issues during the transition phase.

Various ISO standards, ISO 27001, ISO 14001 and ISO 45001 are applied at 50Hertz. The aforementioned management systems are fully implemented and externally audited in accordance with the respective audit programs. In addition, the Sustainable Development Goals (SDG) are referenced in the Strategy section.

The conversion factors of the Federal Environment Agency are used to calculate the CO₂ equivalents in section E 1-6 of the Climate Change chapter.

The last report was published in May 2023.

Governance

THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The managing directors of Eurogrid GmbH are Stefan Kapferer and Yannick Dekoninck.

Through various agreements, the operational management of the Eurogrid GmbH Group was delegated to the management of 50Hertz.

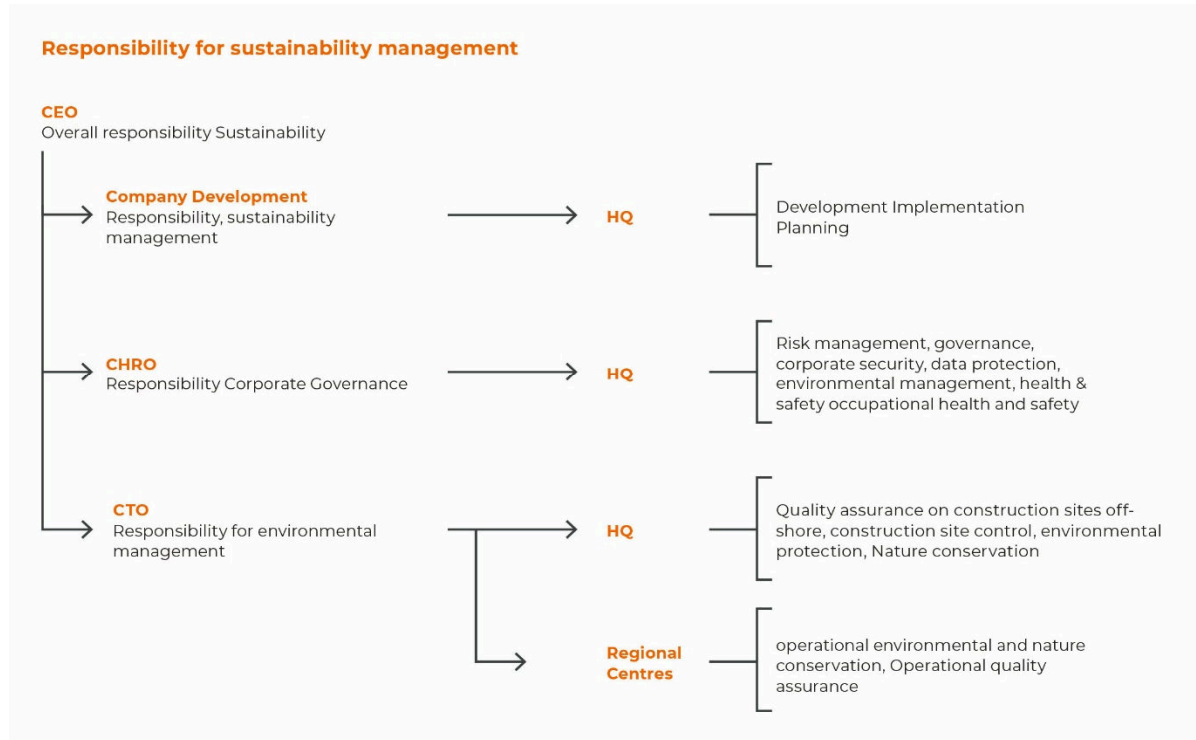
In the 2023 financial year, the Management Board of 50Hertz consisted of five members: Stefan Kapferer (Chief Executive Officer), Dr. Dirk Biermann (Managing Director Markets and System Operations), Sylvia Borcharding (Managing Director Human Resources & Labor Director), Dr. Frank Golletz (Managing Director Technology) and Marco Nix (Managing Director Finance). Chief Digital Officer Michael von Roeder is a member of the extended Management Board. The proportion of women on the Management Board is 20 percent.

The Supervisory Board of 50Hertz consisted of six members at the end of the 2023 financial year: Catherine Vandendorre (Chairwoman / Interim Chief Executive Officer Elia Group), Konrad Klingenburg (Deputy Chairman / Federal Executive Secretary of the German Trade Union Confederation), Markus Berger (Chief Infrastructure Development Officer Elia System Operator), Dr. Lutz-Christian Funke (Secretary General KfW Bankengruppe), Ralf Schloms (Deputy Chairman of the 50Hertz General Works Council) and Andrea Ludwig (Chairwoman of the 50Hertz General Works Council). Karin Erhardt, Lutz Pscherer and Chris Peeters stepped down in the course of the year. The proportion of women on the Supervisory Board is 33 percent and the proportion of employee representatives is 50 percent.

Further information can be found in the Group management report in the Group fundamentals section.

INFORMATION PROVIDED TO AND SUSTAINABILITY MATTERS ADDRESSED BY THE ENTITY'S ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The responsibilities and organization of sustainability management for monitoring impacts, risks and opportunities are clearly anchored:



INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

STATEMENT ON DUE DILIGENCE

Sustainability is at the heart of our business strategy. Non-financial information is often defined as environmental, social and corporate governance (ESG) information. This ESG information is usually disclosed in the form of key performance indicators (KPIs).

We have integrated ESG targets into our strategic planning and resource allocation processes and set targets for priority ESG issues (ActNow program). Material topics were identified following a double materiality assessment. We have established processes and controls to ensure the regular monitoring, measurement, validation and reporting of these KPIs.

The relevant roles and responsibilities in relation to the ESG KPIs are explained in the section Information and sustainability aspects dealt with by the company's administrative, management and supervisory bodies.

In preparation for the implementation of the European Sustainability Reporting Directive (CSRD), the Elia Group has voluntarily decided to gradually increase the number of audited KPIs published in the ESG section of the Elia Group report. In this context, the Group is preparing a non-financial reporting manual for all KPIs, which also includes a risk and control matrix, so that appropriate control mechanisms are in place to minimize the risk of error.

RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

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

- Protection of life and limb
- Profit & loss
- Liquidity
- Reputation
- Security of supply.

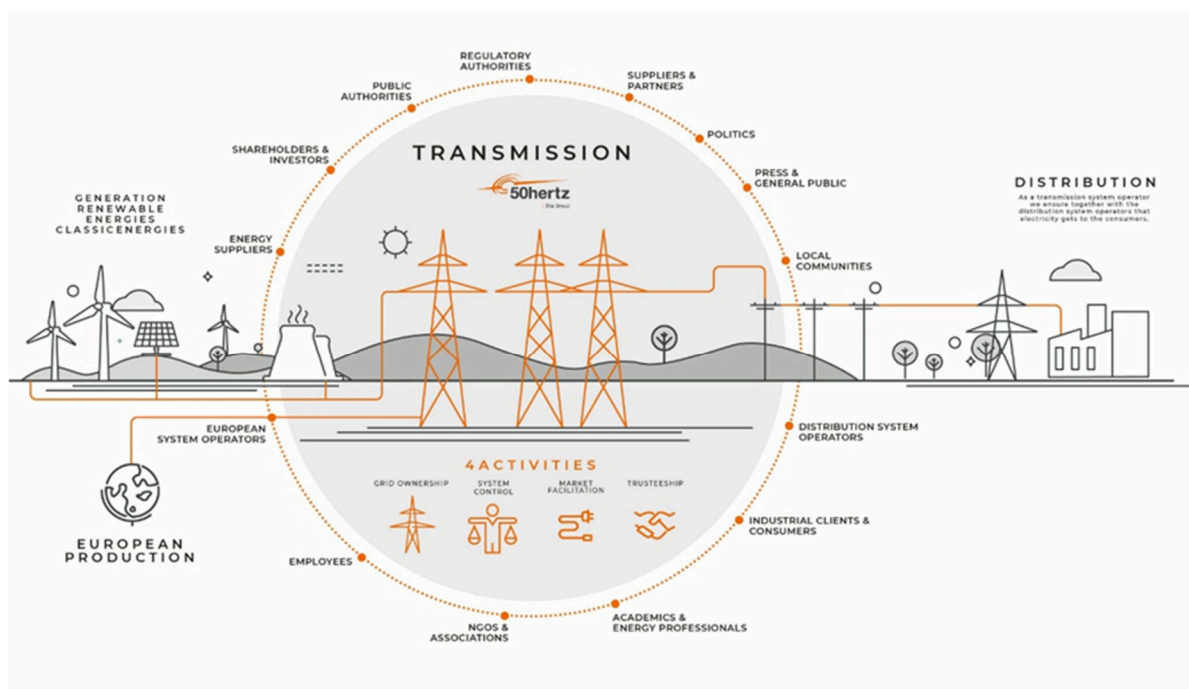
The aim of 50Hertz is to avoid risks that could endanger the company's existence, to reduce risk positions as far as possible and to optimize the risk/opportunity profile. A risk guideline specifies how risks are systematically identified, recorded, evaluated and monitored on a quarterly basis. A risk conference is held once a year, at which department heads (second management level) as risk owners and risk management discuss the most significant risks and risk-related topics together with the Executive Board. An integrated process has been installed at project management level to link the planning of deadlines, budgets and risk management. In the context of sustainability, various risks are assigned to the areas of environmental, social and governance (ESG). These include risks relating to occupational safety, environmental damage, data security and transparency.

Long-term local climate risks were identified at Elia Group level, which further develop the management of ESG risks and have an impact on 50Hertz risk management. Based on this, measures in the area of climate resilience are derived at local level.

Strategy

Business model and value chain

50Hertz operates one of the most modern electricity transmission grids in Europe in northern and eastern Germany, ensuring that around 18 million people are supplied with electricity around the clock - 72% of which comes from renewable energy sources on an annual average. With 1,789 employees at ten locations, 50Hertz acts as an interface between energy producers on the one hand and distribution system operators and large consumers on the other, ensuring that electricity flows around the clock. 50Hertz operates 10,660 kilometers of lines and coordinates the electricity market players in the grid area, manages and coordinates balancing groups and brings the electricity from renewable energies that is not directly marketed to the electricity exchange. 50Hertz is developing innovative solutions for the system and market integration of volatile renewable energies in order to successfully help shape the energy transition and achieve its self-imposed goal of being able to cover 100 percent of electricity consumption in the grid area from renewable energies by 2032.



Strategy

ActNow - our sustainability program

We have reviewed our divisions and processes with regard to the Sustainable Development Goals and the improvement of our sustainability performance, developed indicators for setting and measuring targets and developed a roadmap for implementation. We have set ourselves specific targets that we regularly review and manage. Our ActNow sustainability program is a key element of our strategy and embeds sustainability comprehensively in our business activities. We regularly revise these targets as part of our business plan and thus respond to new EU regulatory requirements, for example.

Climate Protection



Enabling decarbonisation of the power sector

Achieve a share of 100 % RES in annual electricity consumption by 2032

CO₂ neutrality in system operation

Reduction of CO₂ emissions caused by grid losses by 28 % by 2030

CO₂ neutrality of own activities

Carbon free fleet

Maintain SF6 leakage well below 0,25 %

50 % share of SF6-free solutions in new assets by 2030

CO₂ neutrality in the supply chain for assets and construction activity

Utilise Internal Carbon Pricing (ICP)

Improving the quality of Scope 3 data

Strengthen resilience to climate change related impacts

Keeping asset failures to a minimum

Local scientific consideration of the long-term climate impacts on our assets

Environment & Circular Economy**Conservation and strengthening of the ecosystem and biodiversity**

Sustainable management of 90% of all forest corridors by 2030
Ban on the use of herbicides since 2023
Installation of bird beacons in critical bird protection areas

Embedding the circular economy in our core business processes

In coordination

Ensuring the implementation of environmental standards

ISO 14001 certification since 2022

**Health Protection
Occupational Safety****& Strive for and meet the goal of zero accidents (We go for a Zero)**

Total number of reportable accidents in the Group (including contractors) below 7,5 by 2025 and below 6,5 by 2030

Establish an effective safety culture

Ensure regular safety observations (behavioural) and inspections (control)
Develop skills through regular training for all relevant employees and contractors

Establishing leadership in the security sector

Strengthening the understanding that safety is everyone's business, and the shared responsibility to achieve our goal of zero accidents

Ensuring and promoting the health and well-being of our workforce

Health rate above 95%
Long-term absences (more than 30 days) at or below 2 %

Diversity, Inclusion, Equality,**Enable an inclusive leadership culture**

Hire leaders who are open-minded, can deal with change and are actively engaged in innovation and digitalisation

Strengthen an inclusive recruitment process

Increase the number of employees with disabilities

Ensure equal opportunities based on performance and work experience

Achieve a 30 % quota of women at all hierarchical levels of the organisation

Strengthening an open and inclusive corporate culture and work-life balance

Provide an effective diversity grievance mechanism

Support and develop external social diversity, inclusion and equality initiatives

Actively participate in high-impact initiatives to demonstrate public commitment to diversity, equality and inclusion

Governance, Ethics, Compliance**Robust rules and processes**

Adoption of international best practice approaches to corporate governance to serve the long-term interests of stakeholders

Sustainable mindset and behaviours

Provide clarity on expected behaviours and not tolerate ethical breaches
Maintain a culture of open communication and establish simple procedures for reporting incidents

Comply with external and internal regulations

Ensure that internal controls and external audits are effective and result in prompt action

Transparency and focused stakeholder dialogues

Implement compensatory measures in a way that best supports local development

INTERESTS AND VIEWS OF STAKEHOLDERS

Stakeholder mapping was carried out as part of a stakeholder analysis along the entire value chain of the Elia Group. The stakeholder groups "shareholders and lenders", "government and authorities", "associations, NGOs and academics", "suppliers" and "employees" were identified as important interest groups. Internal experts were assigned to German and Belgian members of these groups. Interviews and assessments of the key topics were conducted with all stakeholders at country level. In addition, discussion formats were initiated in the social area in 2022. The continuation of the formats with stakeholders from all ESG areas is planned.

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

Impact, risk and opportunity management

While "ActNow" serves as an internal program for our sustainable business strategy along our value chain, we at 50Hertz are going further and positioning ourselves as an active promoter of sustainability in our grid area: With our strategic goal "100 percent by 2032: New energy for a strong economy", we want to achieve 100 percent balance sheet coverage - i.e. calculated over the year - of electricity consumption by renewable energies in our grid area as early as 2032. We support renewable energy providers in accelerating the implementation of their projects and industry in their efforts to decarbonize their processes. In this way, we can make a strong contribution to combating climate change on the one hand and strengthen industrial locations in the long term on the other.

With the Elia Group-wide ESG program "ActNow" and the strategic 50Hertz target "100 percent by 2032: New energy for a strong economy", we are effectively supporting the achievement of European, national and regional renewable and climate targets - as well as decarbonizing society.

DOUBLE MATERIALITY PROCESS

2018: The first materiality matrix

The Group's material topics were assessed for the first time in 2018 and have been regularly monitored and reviewed since then. The renewed review of the material topics, their weighting and the process was a consequence of:

- Trends and developments in the environment in which we operate
- internal assessments as part of the recurring review of our strategy
- external discussions with stakeholders such as government representatives, authorities, associations, customers, industry, distribution and transmission system operators (DSOs & TSOs), environmental organizations, local communities, suppliers, academia and the media in our regular dialogue formats
- Developments in the reporting framework for sustainability reporting
- Materiality analyses by leading international organizations, e.g. the World Energy Council

2022: From the exclusive consideration of impact to double materiality

In 2022, we updated our materiality matrix taking into account a double perspective, namely impact and financial materiality, and reviewed our TSO activities in Germany and Belgium.

The process and methodology we used was aligned with the guiding principles of the 2021 GRI Standards, in line with which companies are expected to identify the topics that are relevant to both their business and their stakeholders.

The key issues we have identified are based on the following points:

- of the materiality analysis of the Elia Group 2021
- the GRI sector standards for energy supply companies (Electric Utilities)
- the first draft for determining the material topics within the framework of the European Sustainability Reporting Standards (ESRS)
- the standards published by the Sustainability Accounting Standards Board (SASB)
- benchmarking and round tables with the industry and our peer group of transmission system operators
- an analysis of media coverage and trend radars

The material topics identified in this way reflect our impact as well as the risks and opportunities of our business activities, including our upstream and downstream value chain. Stakeholder mapping was carried out for this purpose, taking into account stakeholders from the entire Group value chain. Targeted materiality interviews were conducted with all stakeholders. In these interviews, the stakeholders assessed the negative and, where applicable, the positive impacts according to their severity and probability of occurrence.

Based on these assessments, the management made a final prioritization and arranged the topics according to two dimensions:

- Financial" ("outside in": the extent to which the financial enterprise value can be influenced by the risks and opportunities associated with an issue)
- Impact" ("inside out": impact of the company on the environment, people and society)

The result was presented to the Group Sustainability Board and approved by the CEO of the Elia Group.

2023: The materiality matrix in transition - the transition from GRI to ESRS

The regulatory framework for sustainability reporting has evolved significantly in 2023. The ESRS as part of the CSRD will be the future reference in sustainability reporting for European companies. We therefore took the first steps in this direction at an early stage and reassessed the material topics in a more risk-based approach, thus broadening the perspective once again.

For the 2024 reporting year, we plan to fully comply with the ESRS guidelines for determining material topics. We have set up an internal task force for implementation.

The material topics for the 2023 reporting year have already been sharpened and structured in accordance with the ESRS in order to publish the following information:

- Significant impacts of the strategy and business model on people and/or the environment
- Resulting risks and opportunities
- Resulting ambitions for future development
- Derived measures and decisions

2022	2023
Financial	Financial
Affordability	Affordability, financeability and cost of energy transition
Manufactured	Manufactured
Security of supply Safe & reliable infrastructure	Security of supply Grid development and system operations
Intellectual	Intellectual
Security of information & IT systems Resilient supply chain practices	IT security Procurement and supply chain
Human	Human
Talent acquisition & development Employee health safety & wellbeing	Talent management & diverse workforce Health & safety
Social & relationship	Social & relationship
Transparent & open communication with stakeholders Community development & engagement Responsible governance practices	Effective governance practices
Natural	Natural
Sustainable supply chain practices Sustainable energy system Decarbonisation Preserving our ecosystems Minimising waste & promoting circularity	Sustainable system and net zero society Sustainable corporate footprint

The past year was an extraordinary challenge, not only but especially for the energy sector. In order to take account of the dynamic developments we are observing on the basis of internal assessments and numerous external discussions with our various stakeholder groups, and to ensure that our activities are in line with the interests of society, it became necessary to reassess the prioritization of what used to be 16 material topics. We have improved their naming and description and reduced them to the 11 most material topics through meaningful grouping based on our risk assessment. Based on international studies and our regular exchanges with associations, customers, industry, DSOs and TSOs, environmental organizations, municipalities, suppliers, academia, the media in our regular dialogue formats, our own research and close exchanges with government representatives and authorities, we have reassessed the risks and opportunities with regard to the events of 2023 and have therefore decided to change the ranking of the material topics.

As a result, four topics were identified that have a significantly higher impact on the company's materiality compared to 2022. The reasons for the shift in priorities for the topics in question are described below. Based on

these findings, the materiality matrix for 2022 has been updated by adding arrows indicating the shift towards higher financial materiality and higher impact on society for these specific material topics. A reassessment of the exact position of all material topics along the two axes of the materiality matrix will be carried out as part of the full CSRD-compliant implementation in 2024.

This updated matrix and the updates described have been confirmed by the Group Sustainability Board and the interim CEO.

Special effects on material topics

Affordability, financial viability and costs of the energy transition

- Impact on industry and citizens: The observed increase in capital expenditure combined with high inflation and a tight supply market is driving up the cost of infrastructure expansion and may lead to an increase in energy bills for industry and citizens through tariffs. In general, households and industry are increasingly concerned about energy prices, which are jeopardizing the quality of life and competitiveness of European companies. Grid expansion will help to curb the rise in energy prices. A cost-effective energy transition will therefore be key to the acceptance and feasibility of the European Union's carbon neutrality targets.
- Impact on the Elia Group: The increased infrastructure costs in conjunction with a growing infrastructure portfolio that needs to be built up lead to higher financing requirements, which represent a considerable challenge for both 50Hertz and Elia Transmission and put additional pressure on our ratings.

Talent management & diverse workforce

- In less than a decade, the number of Elia Group employees has risen from 2,000 to 3,000. In order to realize our significantly increased CAPEX projects, we need to ensure that we are able to hire all the additional experts we need. Given the shortage of technically skilled people in the European market, this will be a challenge. Not only do we need to recruit and hire the talent, but we also need to ensure that we train them efficiently without jeopardizing ongoing processes and project execution. Another component of success is successful employee retention. Further information on training and development topics can be found in this non-financial statement in chapter ESRS 1 Own workforce in section SI-4.
- At the same time, we have noticed that our activities are becoming increasingly international - the Elia Group subsidiaries are active in Europe, North America, the Middle East and East Asia. We see this as an opportunity to exploit synergies and promote the exchange of knowledge within the Group.

Procurement and supply chain

- Our procurement of grid technology and services as part of our investment plan is under pressure as many European transmission system operators and other industries with similar expansion plans are facing strong competition. The unexpected surge in demand is leading to a discrepancy between existing production capacities and delivery times as well as limited scope for negotiation, which in turn is driving up prices.
- To meet this challenge, we are intensifying our partnerships with suppliers, simplifying our tendering procedures to expand our supplier base and proactively reserving production periods for important installations. One example of this is a long-term contract for the production and installation of submarine and land cables with a total length of 3,500 km, which 50Hertz awarded this year.
- In addition, the changing global environment results in additional risks in the supply chain of suppliers, which further increases the risk of supplying the necessary network equipment.

Effective governance practices

- Good corporate governance aims to ensure responsible corporate governance and responsible management of resources. The CSRD sets a new, very comprehensive ESG standard in Europe.
- Effective organizational structures: Digitalization and the acceleration of the energy transition are forcing us to adapt our organizational structures from a traditional plant-oriented company to an innovative and digital knowledge company.

Outlook for 2024: Full compliance with the ESRS standard for identifying material topics

Once the ESRS comes into force in July 2023, we will work on modifying our materiality matrix for the 2024 financial year in line with the new requirements. We will further develop the assessment of material topics already applied by introducing a risk-based analysis of financial impact based on the following categories

- The extent, scope and irreversibility of the effects;
- Probability and potential scope of risks and opportunities for financial development.

We will fully integrate the aspect of materiality assessment into our risk management approach.

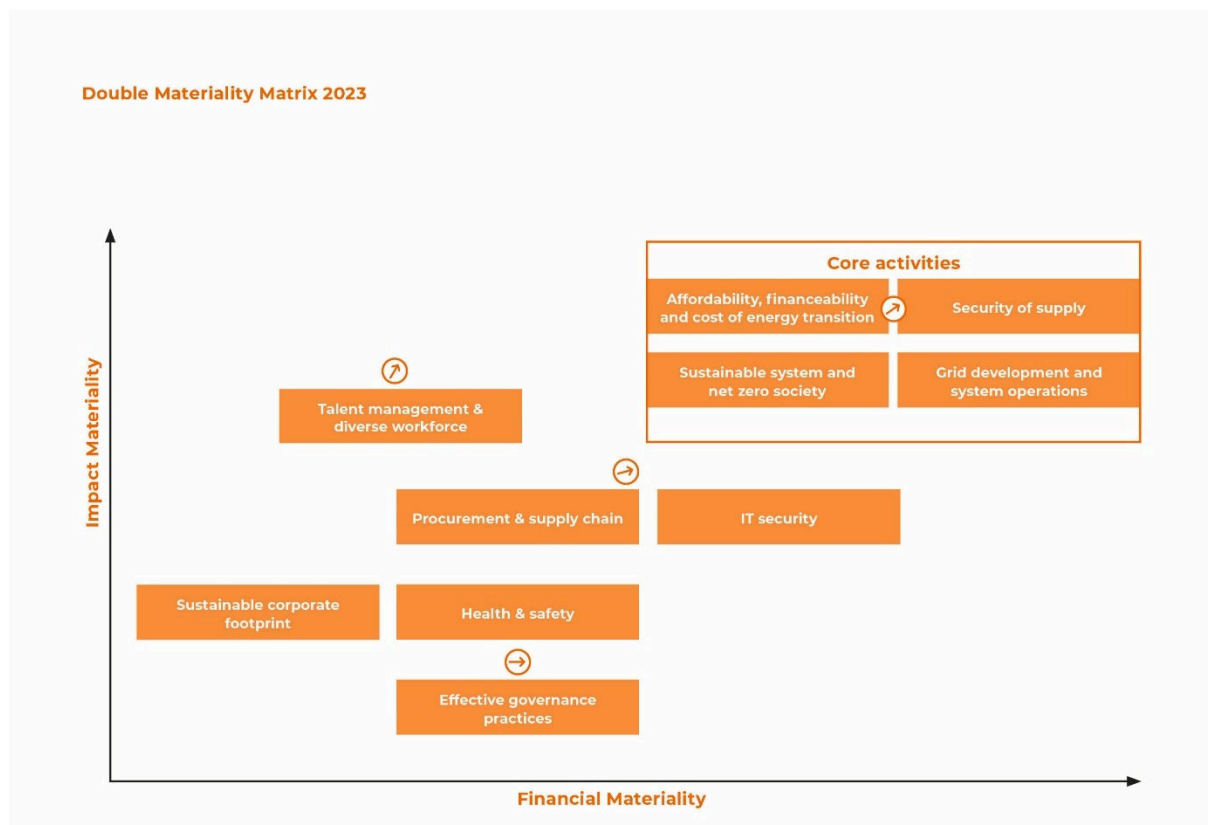
DOUBLE MATERIALITY RESULTS: ESRS-RELATED AND SECTOR SPECIFIC

The results of the materiality assessment help to confirm the relevance of our social mission, our vision and our core values and support us in implementing our strategy. The updated double materiality serves:

- As a compass for strategic decision-making processes and the operationalization of our strategic ambitions
- To confirm our mission and strategy
- As a basis for determining the disclosure requirements for ESRS reporting

As described in the previous chapter, four topics were reassessed in 2023 due to the dynamic environment observed in the energy sector in particular and interactions with our stakeholders.

The four highest-rated topics are among our core activities and are of central importance for fulfilling our mission - to drive forward a successful energy transition in order to decarbonize industry and society. In addition, we consider the other topics to be essential and see clear interdependencies between the individual topics.



Type of Capital	Trends	Material Topic and description
Financial Capital		<p>1 Affordability, financeability and cost of energy transition: We ensure investment in the transmission grid infrastructure needed to decarbonize the society in a cost-effective way</p>
Manufactured Capital		<p>2 Security of supply: As TSO in Belgium and Germany, we act on behalf of national authorities to ensure an adequate power system and to transition to a net zero society in a secure and affordable way.</p> <p>3 Grid development and system operations: We deliver and operate a safe & reliable transmission grid infrastructure in line with the European Network Codes and national legislations.</p>
Intellectual Capital		<p>4 Procurement & supply chain: We are securing the delivery of critical assets needed to realize our CAPEX program</p> <p>5 IT security: We are protecting our systems against cyberattacks</p>
Human Capital		<p>6 Talent management & diverse workforce: We are attracting, developing & retaining talent, providing equal opportunities for all staff</p> <p>7 Health & safety: We are ensuring the health, safety & wellbeing of our employees as well as subcontractors</p>
Social & relationship Capital		<p>8 Effective governance practices: We are co-creating with the society that we serve and future-proofing our organizational structures while running our daily activities in a responsible and ethical way.</p>
Natural Capital		<p>9 Sustainable system and net zero society: We are driving the decarbonisation of the Belgian and German electricity systems by integrating renewable electricity sources</p> <p>10 Sustainable corporate footprint: We are a good corporate citizen by minimizing the ecological footprint of our activities</p>

Key topics in detail

1 Affordability, financial viability and costs of the energy transition

SDG 7

We ensure investments in the transmission grid infrastructure that are necessary for a cost-efficient decarbonization of society.

Significant effects (inside-out)

short term	Medium-term	long-term
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Potential effects

- The climate policy targets are triggering a massive investment program to implement the energy transition, including investments in the transmission grid, which will benefit society for several decades but will have a direct impact on electricity bills via grid fees.
- This is giving rise to justified concerns among end consumers. Households are increasingly worried about losing their quality of life as the risk of energy poverty increases, while industry and companies fear losing their competitiveness due to rising energy costs.
- The cost of technical equipment has risen considerably due to a tight supply market, high inflation and a sharp rise in interest rates.
- Driven by the local grid expansion plans in Belgium and especially in Germany, we envisage a Group-wide investment plan of € 30.1 billion over the next five years, starting in 2024. Financing this increased CAPEX at a reasonable cost will be one of the biggest challenges facing the Elia Group in the coming years.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- Financing risk: The ability of the Group and its subsidiaries to access global financing sources to meet the Group's financing needs and refinance its existing debt is an integral part of the Group's business and strategic plan.
- Regulatory risk: The permitted return on equity to achieve the investment plans does not reflect the macroeconomic environment.
- Affordability: Declining social support for the energy transition due to fears of excessive cost burdens.
- Reduced competitiveness of industry and companies if the costs of the energy transition are not kept under control.

Opportunities

- Convince the authorities to further accelerate grid projects in order to reduce congestion management costs
- Convincing stakeholders to increase efficiency and create more flexibility in the electricity system in order to reduce the overall costs of the transition.
- Ensure that scarce resources are used where they will have the greatest impact.
- Development of innovative solutions and proposals to reduce the overall costs of grid projects.
- Increasing attractiveness through effective ESG activities.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the next annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

- We anticipate and accelerate grid projects to reduce system costs (especially congestion management costs).
- We are driving forward activities to develop more consumer flexibility at all levels in order to reduce the need for systems and congestion management.
- We ensure that our activities are financed on the best possible terms by using various sources of funding.
- We ensure a fair return for our shareholders, who support our growth path.
- We drive long-term and sustainable value creation while ensuring strong leadership and control.
- We ensure that projects are carried out cost-effectively (on time, on budget and to a high standard) and make suggestions for adjusting costly constraints.
- We are driving forward standardization in order to reduce the costs of the systems.

Measures and decisions 2023**Provision of the infrastructure**

- Various internal activities to accelerate the expansion of the grid.
- Contribution to an affordable energy system by integrating increasing amounts of renewable energies into the system: more than 70% of the electricity demand in 2023 was covered by renewable energies in the 50Hertz control area (65% in 2022)
- Actively seeking capital grants in connection with PCIs (Projects of Common Interest) and PMIs (Projects of Mutual Interest).

Capital markets and legal framework

- Diversification of financing sources: Issue of the first green bond by Elia Transmission, a hybrid bond by Elia Group SA as well as Eurobonds and green loans by Eurogrid GmbH.
- Organization of a Capital Markets Day in December to explain our long-term strategy, regulatory changes, financial policy and financing requirements.
- Successful dialog with the regulatory authorities in Belgium and Germany, followed by remuneration decisions that led to a newly aligned regulatory return for both countries for the period 2024-2027 (BE) and 2024-2028 (DE)

2 Security of supply

As a transmission system operator in Belgium and Germany, we act on behalf of the national authorities to ensure a suitable electricity system and enable the transition to a net-zero society in a safe and affordable way.

Significant effects (inside-out)

short term	Medium-term	long-term
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Potential effects

- The current European market design has a structural gap for the development of adequate generation capacity or flexibility to ensure security of supply.
- The targets and support schemes for renewable energies set at national level have an impact on the merit order of generation plants and lead to an accelerated reduction of fossil generation capacities in favour of new renewable energy sources. However, their intermittent nature does not meet the same energy supply requirements.
- At the same time, the electrification of other sectors in society will lead to an increase in demand for electricity. The growth of renewable energy sources may be too slow to meet this increased demand. Likewise, there are still obstacles that limit the participation of decentralized energy sources.
- Due to the gas crisis and the unexpected unavailability of nuclear power plants in neighbouring countries, there is a higher short-term risk to security of supply.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- Climate risk: Physical climate risks can lead to damage to assets, unforeseen events and interruptions to business continuity.
- Security of supply risk:
 - A supply problem would have serious negative consequences (load shedding) for the areas we supply. For Elia in particular, which plays a central role in the preparation of the Belgian supply analysis, this would have a direct impact on our reputation and our importance to society.
 - Regardless of whether this risk actually materializes or not, difficulties in implementing capacity remuneration schemes could have a negative impact on our reputation for legal and political reasons.
 - Unforeseen events: Physical attacks, terror and infrastructure sabotage.

Opportunities

- Our role as a trusted advisor to the authorities gives us relevance for society and secures our role as a grid operator.
- Creating a flexible framework enables us to shape the future.
- If we can better predict the development of the causes, we can better plan market and infrastructure requirements.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the upcoming annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

- Elia Group is the trusted policy advisor and market data provider for EU/National Regulatory Authorities (NRAs) and ministries, actively shaping an efficient energy transition.
- We play a leading role in shaping the market to ensure security of supply and flexibility of the system at the lowest possible cost, while enabling fundamental shifts in the generation mix and accelerated electrification of demand.
- We are implementing a robust, integrated and efficient European market design capable of accelerating the integration of renewable energy, maximizing socio-economic prosperity in the EU while ensuring secure grid operation and stable investment signals.
- We enable a smooth integration of new and decentralized e-use (e.g. EV, decentralized RE) to increase flexibility through an improved market design.

Measures and decisions 2023**Trusted advisor to the authorities**

- Winter, summer and emergency plans at national and ENTSO-E level.
- Studies on security of supply and flexibility and the provision of relevant information for the authorities.
- Assessment of barriers to access to small flexibilities.

Market intermediaries

- Implementation of changes to the European and national market design in order to create more flexibility to ensure system stability and balancing services.
- Capacity remuneration mechanism in Belgium.

3

Network development and system operation

SDG 9
SDG 13

We supply and operate a secure and reliable transmission grid infrastructure in accordance with European grid codes and national legislation.

Significant effects (inside-out)

short term	Medium-term	long-term
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Potential effects

- As a TSO, we must plan and build an efficient grid to supply our customers and society as a whole that meets national and European climate targets and operate it efficiently.
- The decarbonization targets trigger massive grid investments, electrification and decentralization of renewable energies (RE) and lead to an increasing complexity of the system with potentially millions of active small consumers whose behaviour is far less predictable.
- The network is being operated more closely to its limits, as a greater number of outages are required both for the provision of capital goods and for operations, which demands greater flexibility from our employees.
- The occurrence of extreme weather events such as storms, cold snaps, heat waves, floods, droughts and forest fires restrict network operations and triggers risk factors in connection with unforeseen events and interruptions to business continuity.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- Climate risk: Physical climate risks can lead to damage to systems, unforeseen business incidents and disruptions to business continuity.
- High costs for redispatching and restricting the use of renewable energies due to delayed grid expansion can lead to considerable reputational damage.
- Delayed grid expansion also means that new consumers can no longer be connected.
- System failure, especially if insufficient funds and resources are invested in system maintenance.
- Loss of system control/stability (e.g. due to significantly reduced inherent operating reserves, more complex behaviour of decentralized actors as well as challenges in terms of dynamics and harmonization due to power electronics, lower inertia ...).

Opportunities

- High social significance of the electricity grid for the energy transition.
- Great growth potential in the core business.
- The ELIA Group's strong digital focus provides a good basis for the necessary transformation.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the next annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

- We want to maximize the use of the infrastructure in line with the desired risk levels and the limits of the physical facilities. This requires new IT solutions and further automation of control measures as well as corresponding specifications for systems, additional services and grid connection rules.
- We want to unleash the flexibility of consumers, producers and storage facilities in a world of increasing production fluctuations and increasing electrification.
- We want to evolve towards dynamic condition and system risk-based asset management to enable rapid CAPEX delivery (while maintaining efficiency, quality, sustainability and safety).
- We want to rely on a comprehensive approach to optimize outage planning, taking advantage of the flexibility of the system and the workforce.
- In Belgium, we are aiming for a grid that is ready for a 50% increase in electricity consumption by 2032.
- For the 50Hertz area, we are aiming for 100% consumption from renewable energies by 2032.

Measures and decisions 2023

Network development

- Development of an efficient project pipeline as the basis for shaping organic growth.
- Climate risk assessment for future infrastructure design in line with EU taxonomy requirements.
- Quantification of future flexibility requirements as support for the development of a consumer-oriented market design.
- 50Hertz: First transmission grid for climate neutrality in 2045 published as part of the official planning process
- Elia: Adoption of the Federal Development Plan 2024-2034.

System and network operation

- Increased national and international cooperation in grid management.
- Overcoming the challenges posed by new dynamic developments.
- Tapping into smaller flexibilities to keep the system balanced and in line with demand.
- We are becoming digital system operators and developing future-proof system operation solutions for a decentralized and electrified future based on renewable energies (e.g. modular control center system).
- 50Hertz: Commissioning of a new state-of-the-art redispatch tool to increase the efficiency of the national redispatch process in Germany.

4

Purchasing and supply chain

SDG 9
SDG 12

We ensure the supply of important equipment that we need to implement our CAPEX program.

Significant effects (inside-out)

short term	Medium-term	long-term
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Potential effects

- The procurement of equipment and services is crucial for the necessary maintenance and grid expansion to achieve our strategic goals. Delays in the delivery of critical projects, particularly due to supply chain issues, can have a significant impact on the pace of renewable energy integration and the electrification of industrial companies.
- Our Group Procurement has established a Supplier Code of Conduct (SCoC), which obliges our suppliers to comply with international standards in the areas of ethical behaviour, health and safety as well as environmental and social aspects. In addition, strategic suppliers must complete an Ecovadis rating to demonstrate their commitment.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

Procurement

- The current competition in the equipment market is forcing TSOs to buy more in advance and at a higher price compared to the pre-COVID/pre-Ukraine war period. In some equipment categories, orders must be placed beyond the regulatory period, leading to uncertainty.
- In addition, sustainability and other ESG criteria further complicate the already burdensome tendering process that TSOs must follow and make it less attractive administratively, especially when industry and US players have more financial resources.

Supply chain

- Global disruptions such as conflicts and trade tariffs place a greater burden on manufacturers due to complex supply chains, leading to greater price and supply uncertainty.
- Delays in critical projects due to risks in the supply chain can lead to cascading effects in the delivery of the portfolio due to increasingly complex logistics and connections between projects, which has a direct impact on investment plans.

Opportunities

Procurement

- Closer interaction and cooperation with OEMs and other TSOs in setting standards for new types of equipment (offshore HVDC platform, 525 kV cables ...) to benefit from economies of scale and other synergies (availability of spare parts).

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the upcoming annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

- We secure the supply of critical equipment and the associated supply chain through further geographical diversification of the supply base.
- Closer cooperation with suppliers to simplify contracts, processes and possibly technical standards in order to increase the attractiveness of the Elia Group in a tight market.
- We ensure the robustness of the procurement strategies of key suppliers and take the necessary measures to mitigate the risks identified.
- We ensure a seamless digital way of working and experience in the procurement process so that our stakeholders can focus on it.
- We streamline our specifications to make it easier for suppliers to submit bids.

Measures and decisions 2023

Procurement

- Proactively securing 3,500 km of cable for the German CAPEX, with an option for a further 2,700 km.
- Adoption of TenneT standards for HVDC platforms to obtain a more liquid supplier market and long-term market signals for future demand (in cooperation with other German TSOs).
- InterOpera cooperation: Definition of technical framework conditions and standards for electricity transmission to ensure the interoperability of HVDC systems, HVDC transmission systems or HVDC components from different providers.
- Further ordering of critical systems with long delivery times or work with capacity risk, appropriate mitigation measures are taken.

Supply chain

- Analysis of the supply chain to identify future bottlenecks so that remedial measures can be taken at an early stage.
- Work with other TSOs to discuss and mitigate risks related to SF6, HVAC and HVDC qualification standards and supply chain resilience.

5 IT security

We protect our systems against cyber-attacks.

Significant effects (inside-out)

short term	Medium-term	long-term
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Potential effects

The energy sector is particularly vulnerable to cyber threats when the following factors are taken into account:

- Like most industries, grid operators are increasingly using digital technologies to better manage grid and business operations, which is reinforced by the sustainability mindset enabled by a more decentralized energy system.
- Network operators have an extended and growing footprint, resulting from geographical and organizational complexity, which is more difficult to protect. Decentralization also contributes to this dynamic: In the future, we will rely on energy and flexibility resources at the distribution level to keep the power system in balance, increasing our cyber exposure to distribution system operators in the areas we serve.
- Digital systems, IT/OT convergence and an increasing number of devices and sensors that rely on public internet networks across the network and at household level increase our exposure as each element provides an additional entry point for cybercriminal organizations. This can affect both our own employees and end users in our network areas.
- Increasing number of threat vectors, state-sponsored actors or cyber criminals trying to disrupt security and the economy. There is growing evidence that cyber-attacks on network operators are increasing rapidly.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- Cyber: Significant system hardware and software failures, compliance process failures, ICT failures, computer viruses, malware, cyber-attacks, accidents or security breaches could occur and have a negative impact on the continuity of supply or lead to a breach of legal or contractual obligations.
- Compliance risk: We see an increasingly demanding regulatory and legal framework for critical infrastructure, exacerbated by recent legislative initiatives at EU and national level and the addition of sector-specific requirements (EPCIP, NIS, Critical Infrastructure Directive, Cybersecurity Network Code...). This increases the risk of non-compliance.

Opportunities

- Creating solid and secure digital foundations and leveraging the scalability and flexibility of cloud technology to secure our critical infrastructure.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the next annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives**Ensure built-in safety**

- As digital networks become more interconnected and exposed to the public internet, while the threat landscape intensifies, we need to ensure that our systems are protected against both simple and more complex cyber-attacks.
- Our aim is to establish a security mindset throughout the Group - applications have security built in, not as an add-on. We adapt new cyber security frameworks quickly.
- Development and establishment of a future-proof IT infrastructure
- We are facing the challenge of digitizing our critical infrastructure. We want to take advantage of cloud technology and at the same time be protected against power outages and be able to respond to internet outages if necessary.

Measures and decisions 2023

- Implementation of preventive, detective and reactive IT security measures (e.g. IT segmentation, redundancy, backup, failover mechanisms).
- Compliance with the relevant regulations and implementation of IT security frameworks such as ISO 27001 (information security).
- Sensitization and training of employees.
- Further information can be found in the Additional Disclosure Obligations chapter in the Disaster and Emergency Planning section of this Non-Financial Statement.

6

Talent management and a diverse workforceSDG 8
SDG 10**We attract, develop and retain talent and offer equal opportunities for all employees.****Significant effects (inside-out)**

short term	Medium-term	long-term
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Potential effects

- One of the challenges we face is the lack of people with technical skills on the European market. Other TSOs as well as energy service providers and infrastructure providers are competing with us for good specialists.
- Demographic change is further exacerbating this challenge.
- Human capital is crucial to our success, both in terms of our organic and inorganic activities. In order to achieve our CAPEX targets, we must be able to staff our infrastructure projects accordingly.
- Diversity is a crucial factor, not only to attract talent, but also to achieve the best possible results/solutions.
- As a Group, we have a strong focus on engineering with a predominantly male workforce, so achieving diversity targets is a challenge.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- Attracting talent: If we are unable to find the talent we need, it will slow down the investment plan and affect our reputation in the long term. If we are not perceived as an attractive, diverse employer, recruitment success will be limited.
- Retention of talent: If onboarding is not efficient, we risk slowing down ongoing activities and affecting the mental wellbeing of our employees. Alignment between culture and strategy required.
- The company's transformation is not adequately supported by up- and re-skilling.

Opportunities

- Being perceived as a good employer will secure our personnel requirements for the future.
- The ability to utilize expertise outside the Group can lead to new inorganic growth opportunities.
- A more diverse workforce makes us more resilient, able to adapt to the rapidly changing needs of society and will help us achieve better results.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the upcoming annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

- We are implementing the recruitment plan: Achieving a net increase of over 1,400 additional full-time equivalents over the next 4 years.
- We are continuing to professionalize our employer branding and are also taking advantage of the Elia Group's role as an important driver of the energy transition.
- We ensure efficient onboarding to quickly utilize the additional resources and ensure that ongoing activities are not slowed down.
- We bind our employees to the company and develop them further by creating individual development paths that are geared towards the company's goals.
- We are increasing the diversity of our workforce: 30% women in the total workforce by 2030 and a further increase in the proportion of women in management positions every year. We strive to maintain our proportion of female new hires at over 30%.
- We are developing an academy for particularly critical and scarce knowledge (especially in the areas of digitalization, offshore and project execution) to accelerate the development of talent.

Measures and decisions 2023

Actively increasing the candidate pool by working at different levels:

- Opening up international recruitment markets;
 - Improving our visibility on the market and our employer branding;
 - Assessing the potential of applicants with a focus on their mindset and ability to adapt and grow.
 - to develop themselves further instead of looking for candidates with the "perfect" CV.
- Ensure that we grow in a sustainable way;
- Growing project teams;
 - Further qualification of employees in key areas;
 - Use of digitalization to achieve efficiency gains;
 - Emphasis on knowledge management and learning communities;
 - Centralized onboarding.
- "Top Employer" award 2023 (6th year in a row) for Elia Transmission Belgium SA/NV.
- "Most wanted employer" 2023 for 50Hertz Transmission GmbH.

7 Health and safety

SDG 8

We take care of the health, safety and well-being of our employees and subcontractors.

Significant effects (inside-out)

short term	Medium-term	long-term
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Potential effects

- At the Elia Group, our employees work with high-voltage installations, at height and increasingly offshore. The safety of everyone, everywhere, is our top priority, whether it is for our own employees (in the field and in administration) or for our contractors, whether it is for physical or mental health. Our employees are our capital that makes the energy transition possible, and we continuously invest in safety and work responsibly and safely.
- Safety: Managing the electricity grid is still an industrial activity that poses fatal risks. The Elia Group strives to reduce the number of accidents to zero for all its employees and contractors. Every fatal accident has a devastating impact on the family, employees and the company and has a negative effect on public confidence and the reputation of the Elia Group.
- Health: Our highly critical activities and the transformation of the Elia Group can be a source of stress and mental strain for our employees. We are working constructively with our employee representatives and works councils to create a climate in which everyone is willing to support the growth of the company while remaining true to our core values and culture. This is of paramount importance to ensure that the Elia Group remains an attractive employer.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- Health and safety risks: Our employees can be harmed in the event of accidents.
- Reputational risk: Security incidents may call into question the reliability of the TSO as the holder of the grid operator license. It would also be detrimental to the employer's image and the attractiveness of working for the Elia Group (as an employee or contractor).

Opportunities

- Promoting a safe working environment is essential to attract talent in an increasingly dynamic market.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the upcoming annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

- With our Go4Zero program, we strive to minimize our accidents as much as possible: All employees are Safety Leaders who care about the safety and wellbeing of their colleagues and contractors, based on a strong H&S culture.
- We place particular emphasis on the health and safety of our contractors and integrate them into the Elia Group's safety mindset: TRIR* of the Group incl. contractors below 7.5 by 2025 and below 6.5 by 2030 (-2.5% per year).
- The well-being of our employees remains a clear priority for us: keeping the absence rate below 5 %.

Measures and decisions 2023

Compared to 2022, we have:

- increased the learning factor, which indicates how well our employees are aware of potentially unsafe situations, by 200 %.
- reduced the frequency of accidents by 67 %.
- The severity of accidents has been reduced by 80 %.
- The total recordable injury rate (TRIR) has therefore fallen by 52%.
- Award as "Top Employer" 2023 (6th year in a row) for Elia Transmission Belgium SA/NV. This year we also won the Belgian Trends Impact Award for our "Let's talk about burnout community". Safety is important, but so is well-being.
- At 3.6%, our absenteeism rate is well below our target of 5%. We attribute this success to the numerous initiatives we have taken in recent years - from awareness campaigns to specific instructions for our colleagues on how to avoid digital overload, stress or burnout.

8 Effective governance practices

SDG 16

We collaborate with the communities we serve and future-proof our organizational structures while conducting our daily activities in a responsible and ethical manner.

Significant effects (inside-out)

short term	Medium-term	long-term
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Potential effects

- Good corporate governance and compliance: Good corporate governance aims to ensure responsible corporate management and the responsible use of resources.
- Effective organizational structures: A transformation towards an appropriate organizational and digital structure is necessary to execute our CAPEX program at an acceptable cost and to pursue our inorganic growth ambitions.
- Stakeholder engagement: We are in constant communication with public and regulatory authorities to ensure the legal environment and regulatory framework necessary to achieve our climate targets. We seek the support of a wide range of stakeholders, including the communities surrounding our infrastructure, to develop the grid in a sustainable way. Our shareholders and investors of all kinds also play an important role in providing the capital.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- Reputational risk: Risk of fines and loss of reputation in the event of non-compliance with legal obligations & cooperation with and support from various stakeholders required to achieve the objectives.
- Approval risk: The timely granting of approvals is an important challenge for the timely implementation of projects to support the energy transition. The introduction of new (critical) infrastructure is highly dependent on the support of the affected municipalities.
- Regulatory risk: Changes to the approvals and certifications of the transmission system operators - Obtaining our operating license;
- Slowdown in CAPEX delivery due to inefficient processes and inappropriate organizational structures;
- Ineffective digital developments due to inadequate governance;
- Inefficient planning and allocation of resources.

Opportunities

- An organizational transformation will proof our business model for the future and enable us to seize opportunities and further scale our organic and inorganic growth as well as attract new and more diverse investors.
- Working closely with local communities and industry stakeholders enables a better understanding and anticipation of needs, as well as faster network expansion and identification of growth opportunities.
- Innovation is driven by cooperation with colleagues, suppliers and science.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the upcoming annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

- We are committed to an intensive exchange with society in order to develop or help shape solutions as a trusted advisor on energy issues and policy at European level as an international group.
- ESG risks and opportunities are embedded in our core strategy (e.g. through a governance and compliance index).
- We engage with local communities to reduce risks and improve our grid projects, taking local needs into account earlier and better and limiting (perceived) cost increases as much as possible.
- We are developing a matrix organization to accelerate and scale project execution, use scarce resources more effectively and gain cross-project insights to speed up implementation. Similarly, we are introducing a product operating model for digitalization to develop and operate digital product clusters within the Elia Group.
- We are adapting our overall planning, monitoring and control model for all IT/digital activities in the Elia Group companies.

Measures and decisions 2023**Compliance**

- Successful completion of the first voluntary ESG audit and development of a manual for non-financial reporting.
- Updating our whistleblowing procedure and extending its scope to all Group subsidiaries.
- Commitment to the Governance Index achieved in 2023: development of an ESG development strategy, including an annual sustainability governance workshop, together with the Management Board.
- Compliance Index commitment achieved in 2023: annual report in accordance with IIRC from 2023.

Organizational structures

- Start of the matrix organisation for project processing at 50Hertz from 1.1.2024.
- Roll-out of the product operating model for 5 Group-wide digital product clusters from 1.1.2024.
- Development of new governance for the entire IT portfolio (includes run, project and product resources).
- Stronger demarcation of tasks and activities between the Elia Group and ETB through the appointment of the ETB CEO.

Involvement of stakeholders

- Multilateral/bilateral cooperation: North Sea Summit in Ostend; Baltic Wind Forum in Berlin; cooperation with TSOs (especially Energinet) in the development of the Modular Control Center System; organization of a parliamentary evening at 50Hertz on the topic of cost-saving potential in infrastructure expansion.
- Innovation, research & development hackathons; Elia Group standpoint: Power of Flex; launch of the ETB Academic Board.
- Local communities and customers: Regular engagement (Dialog-Mobil, information fairs...); energy market dialog in Berlin.
- Investors: Capital Markets Day.

9

Sustainable energy system and net-zero society **SDG 7**

We are driving the decarbonization of the Belgian and German electricity systems through the integration of renewable electricity sources.

SDG 13**Significant effects (inside-out)**

short term	Medium-term	long-term
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Potential effects

- European and national authorities define climate targets in line with the Paris Agreement and set out ways to achieve them. In this context, the crucial role of electricity in the global energy mix to achieve net zero targets have been recognized and confirmed.
- In the electricity sector, the transmission grid has a crucial role to play in harnessing the potential of renewable energy resources, which are often far away from the centers of consumption. This includes the need to harness offshore energy, but also to develop stronger links with neighbouring countries to balance the fluctuations of the main renewable energy sources and make green supply cheaper and more secure.
- Last but not least, the achievement of a net-zero society makes the role of the grid operator even more important and crucial in order to cope with the dramatic increase in the complexity and variability of the electricity system.

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- Climate risk: transition risks and ESG regulatory environment.
- The transition to a low-carbon economy entails extensive political, legal, technological and market-related changes that must be adequately anticipated in order to avoid reputational damage.
- Becoming a bottleneck in the energy transition: Achieving the climate targets requires the development of several major projects in the areas of infrastructure, market development and system operation.
- Be held responsible for the costs of transformation.

Opportunities

- Acting in line with the climate targets set by the authorities and meeting society's expectations in terms of sustainability strengthen our relevance and contribute to our business success.
- Emphasize the relevance of TSOs by making solid proposals to accelerate decarbonization.
- Demonstrate how a system dominated by fluctuating renewable energies can be operated.
- Demonstrate that regions with high RE penetration are attractive for sustainable companies.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the next annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

Achieving a sustainable energy system means fundamentally changing the way we do business. We have therefore developed lighthouse programs that are directly supported by the highest levels of management to set us on the path of transformation and prepare us for the challenges ahead:

- accelerate the expansion of the grid;
- ensure the reliable integration of large quantities of variable renewable energies into the electricity market and the real-time operation of the system;
- anticipating the future electricity requirements of society and industry;
- new innovative approaches for higher plant utilisation;
- Review of our plant standards and maintenance guidelines.

We have two strategic initiatives in which the various activities that lead to the above-mentioned goals are bundled:

- Belgium: The strategic goal of +50% in 2032 catalyses change internally and strengthens collaboration with our key stakeholders (especially DSO).
- Germany: The strategic goal "100 percent by 2032: New energy for a strong economy" aims to achieve complete coverage of energy consumption in the 50Hertz area by renewable energies by 2032.

Measures and decisions 2023

Provision of infrastructure and facilitation of market access

- Development of the necessary infrastructure for connecting renewable energy sources and digital solutions to enable access to the markets.

System operation

- Further milestones in the development of our Modular Control Center System (MCCS) and the Elia Digital Platform (EDP), which enable us to meet the increasing demand for flexibility, adaptability and scalability to ensure system stability in the future.

Trusted advisor

- The 50Hertz initiative "Together. Faster. Climate neutral." worked with stakeholders to develop proposals for the government to promote climate neutrality.
- Parliamentary evening at 50Hertz on the topic of potential cost savings in infrastructure expansion.
- Establish SPOCs for the industry seeking decarbonization in our territories to accelerate the activities required for rapid electrification.
- Promote multilateral discussions on the development of offshore potential in the North Sea and Baltic Sea (summits in Ostend, Esbjerg, Marienborg, etc.).

10 Sustainable corporate footprint

We are a good corporate citizen by minimizing the environmental footprint of our activities.

SDG 12
SDG 13
SDG 14
SDG 15

Significant effects (inside-out)

short term	Medium-term	long-term
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Potential effects

While our activities contribute to the energy transition, they - and our infrastructure in general - have a local impact on the environment, which we try to minimize. In line with our core value of "acting in the interests of society", the Elia Group is committed to conducting its activities in a sustainable manner, going beyond the legal minimum while ensuring the effectiveness of initiatives.

Two key aspects relating to our activities can be highlighted:

- Biodiversity and ecosystems are affected by the presence of our grid infrastructure, e.g. birds by overhead power lines or marine life by offshore cables and platforms
- Carbon neutrality: Our activities cause direct and indirect emissions, primarily through SF6 leakages, grid losses or in our value chain (Scope 3).

Financial impact (outside-in)

short term	Medium-term	long-term
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Risks

- New regulations on SF6 and PFAS have a direct impact on the type of equipment that can be integrated into the grid (e.g. gas-insulated switchgear).
- Depending on future political developments in the US, strong ESG performance may be an obstacle to generating investment from US domiciled funds.

Opportunities

- Sustainability is an important factor for the public acceptance of our projects, the reputation of our company and our attractiveness as an employer.
- Solid ESG performance broadens the range of financing options and potentially lowers financing costs compared to conventional products, which ultimately benefits rates.
- The introduction of sustainable practices leads to improved financial performance:
- Better chances of receiving funding as ESG criteria are linked to them;
- Recycling materials reduces the cost of decommissioning;
- Positive business scenario for rooftop PV systems.

Compliance with ESRS

- The double materiality assessment will be carried out in 2024 in accordance with the ESRS methodology and published in the next annual report.
- The allocation of the corresponding ESRS is an important part of the materiality assessment.

Objectives

Preserving and strengthening ecosystems and biodiversity

- Manage 90% of all forest corridors in a way that promotes biodiversity;
- Installation of bird beacons in all critical bird protection areas;
- Minimizing the impact on marine life.

Anchoring the principles of the circular economy in our processes

- Maximizing the use of our equipment to minimize the production of waste over time: e.g. extending the life of equipment, reusing equipment before recycling, as a last resort.

Carbon neutrality

- Achieving carbon neutrality in our own activities.
- Achieving carbon neutrality in system operation.

Measures and decisions 2023

Preserving and strengthening ecosystems and biodiversity

- Nature-friendly design for Princess Elisabeth Island.
- Anchoring the principles of the circular economy in our processes
- ISO14001 certification for 50Hertz's environmental management system confirmed by certification audit.
- Progress in ETB's efforts to achieve ISO 14001 certification by 2024.

Carbon neutrality

- Gradual integration of an internal carbon price in tenders, e.g. for onshore and offshore power cables and tenders for the Bornholm Energy Island for 50Hertz and for AC modules on Princess Elisabeth Island for ETB.
- Successful introduction of our own Scope 3 accounting platform, which enables us to calculate upstream emissions based on physical data and estimates from suppliers.
- The goal of increasing the maturity level of carbon footprint data to more than 60% of our investment activities was achieved.

LIST OF REPORTING REQUIREMENTS COMPLIED WITH

We view this year's sustainability reporting as a transition to the implementation of the ESRS. The focus was on an initial approach to ESRS reporting (based on the ESRS). Reporting within the scope of "in accordance with the ESRS" will be a step-by-step process for the following sustainability reports.

Policies adopted to manage material sustainability matters

50Hertz's commitment to responsible corporate governance is set out in its sustainability mission statement and the Elia Group's Code of Ethics. The Code of Ethics is based on the core labour standards of the International Labor Organization (ILO) and the principles of the UN Global Compact.

International Labor Organization	ILO core labour standards C87, C98, C111, C135
UN Global Compact	Good business conduct, anticorruption, labour standards, environmental protection, human rights, implementation of the Sustainable Development Goals

Employees are provided with central access to all organizational principles, binding regulations and valid company agreements via the company-wide intranet. The Code of Ethics and other guidelines specify what is meant by correct corporate conduct and make it clear that all employees comply with the law. These principles are also part of organizational regulations that apply throughout the company.

50Hertz always bases its actions on applicable law. Due to its legal status as a transmission system operator, 50Hertz is subject to a large number of special legal and regulatory provisions (Group management report, chapter Energy law framework). 50Hertz is registered in the EU Transparency Register and the German Lobby Register and has committed itself to the Code of Conduct.

In the reporting year, no significant fines were legally imposed on 50Hertz in connection with general business activities or with projects in line construction or operation. The reporting threshold was set at EUR 25,000 in order to distinguish administrative offenses.

Elia Group Code of Ethics

The Board of Directors and the management of the Elia Group communicate regularly on the principles of the Code of Ethics in order to clarify the mutual rights and obligations of the company and its employees. These rules are communicated to all new employees and compliance with them is formally included in employees' employment contracts. The Code of Ethics and all related policies define what the Elia Group considers to be appropriate ethical behaviour. They set out a clear set of principles aimed at avoiding conflicts of interest. They are also designed to ensure that employees do not violate laws relating to the use of privileged information, market manipulation or suspicious activities. Management consistently ensures that employees comply with internal values and procedures and, where necessary, takes the measures provided for in company regulations and employment contracts.

Human rights due diligence

50Hertz acknowledges its responsibility to respect human rights and naturally respects the right to privacy, personal safety, freedom of expression and property rights of employees, local residents and customers. 50Hertz also assumes responsibility for compliance with social standards in the supply chain. For this reason, 50Hertz is not only a member of the United Nations Global Compact but is also committed to the core labour standards of the International Labor Organization (ILO). 50Hertz analysed and prioritized the risks of human rights due diligence along its value chain at an early stage.

In order to ensure that business partners also comply with internationally applicable rules on human rights - such as the ban on forced and child labour - sustainability and ethics are essential components of the supplier and service provider evaluation. Elia Group suppliers are committed to a joint, binding Supplier Code of Conduct (SCOC). This is an integral part of all Elia Group supplier contracts. Suppliers must accept the SCOC when submitting an offer and are obliged to comply with it. In addition, further purchasing initiatives are planned at Group level. For example, strategic suppliers are surveyed by an external service provider (EcoVadis) on sustainability issues, including human rights due diligence, and the result is expressed in an overall score, the so-called ESG rating. In new framework agreements, suppliers are to be obliged to undergo an annual EcoVadis rating during the term of the contract. The weak points in the area of sustainability that emerge from the rating form the basis for action plans, which are requested if necessary. The long-term goal is to include all strategic suppliers in a standardized ESG rating system.

In addition, 50Hertz raises awareness of sustainable action in regular discussions and thus conveys an understanding of compliance with ethical principles and guidelines for sustainable development.

Supply Chain Due Diligence Act

In the reporting year, the process for fulfilling the provisions of the German Supply Chain Due Diligence Act (LkSG) was completed. In accordance with the requirements of the LkSG, a complaints procedure based on rules of procedure was established in addition to the publication of a policy statement and the introduction of annual and ad hoc risk analyses of the company's own business division and its direct suppliers. The rules of procedure specify how to deal with a reportable issue and which reporting channels are made available for this purpose. It also ensures the protection of the whistleblower. This process has been published on the CSR portal and the company website. In 2024, the declaration of principles will also be published there, as will the corresponding reports in future.

Health and safety guidelines

The prevention of accidents and work-related illnesses is a top priority at 50Hertz. Occupational health and safety are integrated into the corporate strategy and form part of the ActNow sustainability program. This is also underpinned by the HSE guideline on health, occupational safety and environmental protection, which is binding for all employees. Occupational health and safety at 50Hertz is continuously and systematically developed as part of a continuous improvement process. In addition to creating safe and healthy workplaces, the focus is on strengthening a culture of prevention by integrating occupational safety as a corporate value with the aim of anchoring the topic in the thoughts and actions of all employees and implementing it in all support and core functions. Our continuous improvement process is documented by the regular recertification of our occupational health and safety management system in accordance with ISO 45001.

Remuneration policy

Fair remuneration for employees is a matter of course for 50Hertz. Additional pension and health benefits round off our offer as an attractive employer. The remuneration systems are being further developed in line with requirements in order to remain an attractive employer for our employees in the future. The Mining, Chemical and Energy Industrial Union (IG BCE) negotiates the collective agreements together with the Employers' Association of Energy and Utility Companies (AVEU). For the first time since 2013, a separate collective agreement was negotiated for 50Hertz in 2020 and it was decided to continue talks on general working conditions (general collective agreement). Remuneration in line with requirements and performance is supplemented by extensive company social benefits and the offer of a company pension scheme.

In addition, employees have the opportunity to participate in the company's success as part of an Elia Group share program. In 2023, the company made it possible for every Elia Group employee to acquire shares at a discounted price on a voluntary basis.

50Hertz transparently and voluntarily discloses the total remuneration of the Management Board in the consolidated financial statements and reports the fixed and variable total remuneration as well as company pension schemes and other benefits in favour of the Management Board. The principles of the remuneration system are explained with details in the corporate governance declaration.

Environmental policy

We have defined three key areas in the development and implementation of our environmental commitment:

- Compliance with legal requirements and risk mitigation: In order to comply with the minimum legal requirements, we train our employees so that they are aware of their responsibilities and know what impact their activities can have on the environment.
- Sustainability: Sustainability is firmly anchored in our business purpose, the implementation of the energy transition. Our aim is to continuously improve our environmental performance, resource and energy efficiency and emissions.
- Public participation: Early and transparent dialog and cooperation with all interested groups, particularly on environmental issues, is essential for the successful implementation of the energy transition.

The introduction of an environmental management system in accordance with ISO 14001 underlines the seriousness of environmental protection at 50Hertz.

The guidelines listed are implemented in various other binding guidelines. For example:

- Risk management
- Data and information security
- Mobility
- Project management
- Health and safety and maintaining the ability to work
- Training and talent management
- Environmental protection
- Procurement
- Whistleblowing and combating corruption
- Crisis management

Name of the policy and binding international agreements	Topics covered	Environment	Social	Governance
Code of Ethics	<ul style="list-style-type: none"> · Corporate governance · Anti-corruption · Labour standards – Environmental protection – Human Rights – Principles of International Labour Organisation 	x	x	x
Human rights policy	<ul style="list-style-type: none"> · Health & Safety · Diversity · Equity and inclusion · Ethical behaviour and compliance · Environmental protection 	x	x	x
Supplier code of conduct	<ul style="list-style-type: none"> · Ethical conduct: anti-corruption and bribery, conflict of interests, · confidentiality of information, fair competition, · appropriate handling of intellectual property rights · anti-money laundering statement · health and safety; environmental areas; · Child labour · Human rights · Anti-discriminatory behaviour · Fair payment · legal compliance practices 	x	x	x
Remuneration policy	<ul style="list-style-type: none"> · Talent acquisition · Rewarding performance · Organisational culture · Staff development · Gender equality 		x	
Collective bargaining agreement	<ul style="list-style-type: none"> · Union coverage · Labour rights 		x	

Additional DR from sector specific ESRS

Until a corresponding ESRS sector standard comes into force, we will retain the GRI sector standard for electricity supply companies.

General disclosures according to GRI

Net

Circuit length

Voltage	2023		2022		2021	
	Underground/s submarine cabling (km)	Overhead lines (km)	Underground/s submarine cabling (km)	Overhead lines (km)	Underground/s submarine cabling (km)	Overhead lines (km)
400 kV	15.0		15.0		15.0	
380 kV	55.0	7535.0	55.0	7480.0	55.0	7330.0
220 kV	388.0	2375.0	293.0	2370.0	293.0	2342.0
150 kV	290.0		290.0		295.0	
Total	748.0	9910.0	653.0	9850.0	658.0	9672.0
Total	10660.0		10500.0		10325.0	

Substations and switchgear

	2023	2022	2021
Substations (#)	67	67	66
Switchgears (#)	10	10	9
HDVC* Converter station (#)	2	2	2
Total	79	79	77

Reliability of the network

	2023	2022	2021
Failure rate	1.2	0.9	1.2
All TSOs	–	1.2	1.6

The average disruption rate of all German transmission system operators is always published in the 3rd quarter of the following year.

Network losses

	2023	2022	2021
Total grid losses (GWh)	2548.0	2564.0	2376.0

Disaster and emergency planning

(GRI Sector Disaster/Emergency Planning and Response)

As an operator of critical infrastructure, 50Hertz is obliged by the IT Security Act and the Energy Industry Act to ensure information security on systems that are necessary for maintaining the security of supply. The processing, storage and communication of information must be designed in such a way that the availability, confidentiality and integrity of the information and the critical systems are ensured to a sufficiently appropriate degree.

The information security management system in accordance with ISO 27001 "IT Security Catalogue pursuant to Section 11 (1a) EnWG" was recertified in line with the program. Information security risks are systematically identified and dealt with through the established security process. No targeted cyber-attacks on 50Hertz were registered or

damage caused by information security incidents was recorded in the reporting year. In an independent audit for the evaluation and certification of the operational security of data centers (based on DIN EN 56000), the 50Hertz data centers were classified as "highly available" at level 3. As part of the data protection management system (DSMS), the existing e-learning program was updated, and internal and external employees were sensitized and trained.

For 50Hertz, safety does not stop at the company boundaries. For example, crisis management and crisis communication with internal and external stakeholders are practiced in regular crisis team exercises. Existing structures, processes and reporting channels are reviewed and continuously improved. These and other measures serve the goal of continuously increasing the resilience of 50Hertz as a whole. In addition to the training concept for all members of the crisis management team and the emergency response team, this also includes reviewing the property security concepts and expanding the security network.

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

Electric and magnetic fields

Strict regulations apply to electric and magnetic fields in Germany, which are governed by the 26th Federal Emission Control Ordinance. 50Hertz complies with these limits. 50Hertz takes the concerns of interested parties seriously, carries out on-site measurements together with them and initiates measures if necessary.

Sound

As in the area of electric and magnetic fields, strict guideline values apply in Germany for noise emissions, which are regulated in the Technical Instructions against Noise. 50Hertz also complies with these limits. Measurements are carried out in response to information from interested parties and measures are derived where necessary.

Further sector-specific information

All information on greenhouse gas emissions can be found in section E1 - Climate change. For further environmental aspects, please refer to section E4 - Biodiversity, which contains all relevant information. Information on occupational health and safety and other employee-related key figures can be found in section S1 - Own workforce. Information on dealing with local communities can be found in section S3 - Affected communities.

Further ESRS data points

Most of the disclosure requirements and the data points relevant to our business are covered by the sector-independent ESRS and the sector-specific GRI for "Electric Utilities".

ENVIRONMENTAL INFORMATION

Disclosures pursuant to Article 8 of Regulation 2020/852 (Taxonomy Regulation)

Sustainability is at the heart of the business activities of the Elia Group and 50Hertz and is anchored in our social mission and our Group strategy.

We were an early adopter of reporting in line with the EU Taxonomy requirements, making us a pioneer among our European peers in this respect: in 2021, we published our EU Taxonomy Case Study, in which we assessed the alignment of our activities with the Taxonomy and voluntarily disclosed our methodology and implementation process. The EU Taxonomy has given us the opportunity to refine our own strategic approach and we are determined to remain strongly aligned with it. In 2023, the methodology and final adjustment KPIs were audited by a third party. The values below are preliminary (pending completion of the external audit at Elia Group level).

Taxonomy key figures 50Hertz Transmission (Eurogrid)

100 % Turnover, Capex und Opex taxonomy-eligible

99,7 % Turnover taxonomy-aligned

99,4 % Capex taxonomy-aligned

99,1 % Opex taxonomy-aligned

The assessment of Elia Group's admissibility and alignment with the EU taxonomy was prepared in accordance with the following points:

1. of the EU Taxonomy Regulation 2020/852, published in the Official Journal of the European Union on June 22, 2020;
2. the Delegated Act on Climate with Annex 1 and Annex 2 and its amendments from November 2023 (Commission Delegated Regulation (EU) 2021/2139 of June 4, 2021);
 - i. the Delegated Act on Disclosure and Annex 1 (Commission Delegated Regulation (EU) 2021/2178 of July 6, 2021);
 - ii. the draft report on minimum guarantees published by the European Platform on Sustainable Finance in July 2022;
 - iii. the draft Commission Communication 1 and 2, which was published on December 19, 2022.

Our assessment of the permissibility and alignment of the EU taxonomy involved a five-step approach. Economic activities that meet the requirements of these steps are considered "aligned" with the taxonomy. The final step involved the calculation of the corresponding percentages for eligible and aligned turnover, CAPEX and OPEX.

- i. Permissibility: The economic activity must be "taxonomy-compliant" (i.e. it must meet the criteria of the delegated acts on climate and their annexes);
- ii. Technical Screening Criteria (TSC): The economic activity is analysed on the basis of compliance with the criteria for a "significant contribution" to at least one of the following six environmental objectives:
 1. Mitigation of climate change;
 2. Adaptation to climate change;
 3. Sustainable use and protection of water and marine resources;
 4. Transition to a circular economy;
 - Pollution prevention and control; and
 - Protection and restoration of biodiversity and ecosystems.
 - Do No Significant Harm analysis: While the economic activity makes a significant contribution to one of the environmental objectives, it should not harm any of the other five objectives;
 - Compliance with minimum social standards: Economic activity should respect social principles while contributing to environmental objectives;
 - KPI calculation: The percentages for the sales permitted and aligned according to the taxonomy as well as for CAPEX and OPEX are calculated on the basis of the results achieved in the previous steps.

The decision on admissibility or non-admissibility was based on a comparison of the economic activities with the activities described in the delegated acts on climate protection.

Detailed information on the implementation and calculation of the EU taxonomy and compliance with the DNSH criteria and minimum social standards can be found in the Elia Group's sustainability report.

Entity	NACE code	description	/ Activity description	Correspondence with the Climate Delegated Act	Decision on eligibility (Yes / No)
50Hertz GmbH	35120	Transmission of electricity	50Hertz Transmission is the TSO which operates the extra-high-voltage grid in the north and east of Germany.	4.9 'Transmission of electricity'	Yes
50Hertz Offshore GmbH	35120	Transmission of electricity	The business activities of 50Hertz Offshore cover the planning, construction and maintenance of electricity lines as well as the associated plants and facilities for connecting offshore wind turbines/farms primarily erected in the Baltic Sea to the grid.	4.9 'Transmission of electricity'	Yes
50Hertz GmbH	35120	Connectors of electricity	New legal entity established in 2023, to which a portion of the offshore turbines will be transferred.	4.9 'Transmission of electricity'	Yes
Eurogrid GmbH	64200	Holding company	80% of this is owned by Elia Group; it comprises the activities of 50Hertz, the German TSO. The remaining 20% is held by the German state-owned Bank Kreditanstalt für Wiederaufbau («KfW»).	No perfect fit identified with the activities described in the Climate Delegated Regulation	No

ESRS E1 Climate change

STRATEGY

E1-1 – Transition plan for climate change mitigation

We have set ourselves the target of carbon neutrality for our own operations by 2030 (Scope 1 and Scope 2 emissions, excluding grid losses). This target follows the logic of avoid-reduce-compensate. In addition, we have committed to reducing absolute GHG emissions for all Scope 1 and Scope 2 emissions, including grid losses, by 28% by 2030 (with 2019 as the reference year). The SBTi validation team has determined that this target is consistent with a "well below 2°C" target. In addition, we aim to be completely carbon neutral by 2040.

The challenge lies in grid losses, which make up the largest part of our carbon footprint and currently prevent us from achieving a 1.5°C plan. Grid losses are an unavoidable and inherent part of electricity transmission and their impact on greenhouse gas emissions depends on the energy generation mix, the allocation of which is not legally our responsibility as a TSO. In the short term, the necessary grid expansion and the volatile feed-in of renewable energies will lead to an increase in grid losses, which will not be sufficiently compensated for by a reduction in the emission factor of the electricity mix. As the generation structure moves towards an electricity emission factor of zero in the medium to long term, this effect will disappear.

Explanation of the transition plan (including the drivers)

The "ActNow" sustainability program is a central component of our strategy and fully integrates sustainability into our business activities.

Climate protection is dimension 1 of our "ActNow" sustainability program. The following table lists the targets included in this dimension and the decarbonization factors determined.

At Elia Group level, the Group Sustainability Office (GSO) acts as an overarching body that defines the objectives of "ActNow" and the transition plan for the entire Group and ensures that the Group's sustainability measures are consistent and continuously improved. The GSO reports to individual members of the Executive Management Board. Local Sustainability Boards in Belgium and Germany ensure that the implementation of sustainability-related activities at Elia Transmission and 50Hertz is supported and monitored.

ACTNOW DIMENSION 1 CLIMATE ACTION

CHALLENGE	OUR SOCIETAL CHALLENGE Speed up the decarbonisation of the power sector	OUR CORPORATE CHALLENGE Decarbonisation of our own activities			
Objective	Objective 1 Enabling the decarbonisation of the power sector	Objective 2 Reach carbon neutrality in system operations by 2040	Objective 3 Reach carbon neutrality in our own activities by 2030	Objective 4 Transition to a carbon-neutral value chain for new assets & construction work	Objective 5 Increase climate resilience
Focus of action	Climate change mitigation				Climate change adaptation
	Grid development Market development and system operations Electrification	Reduction of grid loss-related GHG emissions Balancing and redispatching	Strategy for phasing-out SF6 Sustainable substations Low-carbon mobility	Upstream value chain (scope 3) actions	Climate change scenarios Grid and asset planning and dimensioning Anticipation and handling of

Locked-in greenhouse gas emissions (E1-1.16 d)

SF6: Due to the long service life (approx. 55 years) of our plants, there will still be plants using SF6 gas in 2030 and 2040, albeit to an even lesser extent. As a rule, emissions are caused by leaks. Our SF6 phase-out strategy therefore also focuses on the management of leaks to minimize or reduce our impact.

Our substations consume electricity as systems that enable the operation of the grid. 50Hertz is currently examining how the installation of photovoltaics on substations can be implemented from a regulatory perspective to supply its own systems in the substation, such as IT systems. In addition, the reduction in associated emissions will increase with the decarbonization of the local electricity mix.

ESRS 2 SBM-3 - Material impacts, risks and opportunities and their interaction with strategy and business model

Main climate-related risks and opportunities	Risks		Opportunities	
	Regulation(s)	Physical climate threats	Energy transition grid infrastructure projects	
Risk/opportunity type	Transition	Physical	Energy source	
Description	Strengthening of current and/or emerging new regulations	Physical damage to assets and infrastructure	Investment programme in grid infrastructure projects	
Scope	SF6 and potential PFAS ban Carbon taxing Reporting	Extreme weather events More frequent or severe heatwaves	New offshore and onshore infrastructure Reinforcement of onshore infrastructure Development of interconnections	
Criticality	High	Medium	High Virtually certain	
Main affected time horizon	Mid- to long-term	Mid- to long-term	Short- and mid-term	
Financial impacts	Increased cost Quantified	Business continuity, increased costs quantified on the basis of historical information	Returns on investment in low-emission technology Quantified	
Methodology	Cost analysis in light of regulated framework	Implementation of scenario analysis	Cost estimation	
Management response	ActNow Dimension 1 Objective 3, Dimension 5	ActNow Dimension 1 Objective 5	Investment programme (ActNow Dimension 1, Objective 1)	

Climate resilience is anchored in our strategy and our business models as a social challenge. The Elia Group is shaping the energy transition and driving it forward. It plays a leading role in the integration of renewable energies into energy systems, responds to the demand for electrification and works with stakeholders from all sectors to identify and address additional opportunities to decarbonize society.

As transmission system operators (TSOs), Elia Transmission (Belgium) and 50Hertz (Germany) are responsible for aligning their activities with the objectives of the Belgian and German governments (the so-called Nationally Determined Contributions). The most important grid development and reinforcement requirements are identified and described in the Belgian Federal Development Plan and the German Grid Development Plan. In order to develop a transmission grid that can cope with future challenges, several scenarios were analysed to better understand the impact on the infrastructure and to better anticipate the required investments. The scenarios include those developed by ENTSO-E & ENTSO-G, the European association of electricity (and gas) transmission system operators, as part of the TYNDP (Ten-Year Network Development Plan), supported by future climate projections, taking into account two possible scenarios for 2050: RCP 4.5 and RCP 8.5.

The Elia Group's ActNow sustainability program describes how we are tackling climate-related challenges internally. We have also set ourselves a science-based target as a reduction goal. The SBTi has confirmed this emissions reduction target of well below 2°C. The associated decarbonization factors are the reduction of grid loss-related emissions, the phase-out of SF6, the programme for sustainable substations and low-carbon mobility (see further details in E1-3 Measures and resources).

With regard to the resilience of our facilities to climate-related physical risks, the Elia Group, with the support of the Climate Service Center Germany GERICS, an independent scientific institution of the Helmholtz Center Hereon, has conducted an in-depth long-term assessment of climate scenarios (RCP 2.6, RCP 4.5 and RCP 8.5) to challenge existing assumptions about the need to adapt its infrastructure to protect against physical climate risks. Scenario RCP 8.5 provides information on the most severe conditions for heatwaves, while the other scenarios are useful for sensitivity analyses. Scenario RCP 2.6 is the most severe scenario in terms of policy measures to limit climate change (for climate-related transition risks).

The physical climate-related risks to which the Group is exposed can be divided into two categories: chronic and acute risks. Based on the best information available to us on climate scenarios, our assessment of the vulnerability of the Group's activities in 2023 was continued in accordance with the technical screening criteria of the EU Taxonomy Delegated Act. This assessment has highlighted the potential damaging effects of heat waves, cold snaps/winter snaps, storms, floods, droughts and forest fires. All of these phenomena are acute physical risks that could lead to less favourable operating conditions for the Group's facilities or even damage them. Such circumstances may lead to an interruption in business continuity and require the activation of emergency plans. Given the critical nature of the Group's infrastructure and the fact that its assets cover a large area (in particular its

overhead line infrastructure), it is considered that the Group's assets, as with other grid operators and utilities, are exposed to increased vulnerability to physical climate risks.

E1-2 – Policies related to climate change mitigation and adaptation

In our purchasing conditions, we explain our expectations of our suppliers with regard to the efficient use of energy and the reduction of energy consumption.

In our general safety, health and environmental regulations for contractors who carry out orders, we oblige suppliers to use energy efficiently. These aspects are also included in our Supplier Code of Conduct. All these documents are available on our website. These guidelines are part of the strategic contracts that Elia concludes with contractors, i.e. our upstream value chain.

E1-3 - Actions and resources related to climate policy

1. grid expansion and integration of renewable energies

One of the Elia Group's core tasks is to drive forward the energy transition. In order to integrate the maximum amount of renewable energy into the electricity system at all times, 50Hertz in Germany and Elia Transmission in Belgium are building and expanding the necessary grid infrastructure. The successful implementation of this goal will be the key to the decarbonization of industry and society as a whole and will support our business success. It will also enable us to sustainably decarbonize our own business activities. 50Hertz's strategic goal "100 percent by 2032: New energy for a strong economy" underlines this.

2. market development and system operation

We are constantly working with other market participants, policy makers and regulators to further develop the electricity market design to facilitate the integration of variable renewables into the grid and increase consumer flexibility. The introduction of electric vehicles and heat pumps is accelerating, opening up new opportunities for consumers to interact with the electricity system. However, demand-side flexibility is only slowly being utilized on a large scale. A key reason for this is that the current market design contains numerous barriers that prevent the active participation of small flexibility installations. Our efforts aim to remove these barriers and will facilitate the efficient integration of more renewables into the system. This in turn will allow consumers to reap the benefits of their investments in flexible installations (such as heat pumps, electric vehicles, solar panels and electric boilers).

By modernizing our system operation technologies and processes, we are paving the way for a further sharp increase in intermittent renewable energies in the system.

To manage the grid of the future, which integrates more renewable energy and decentralized units, Elia Group is developing a monitoring and data acquisition system - internally called Modular Control Center System (MCCS) - to handle the growing amount of data and manage the increasing need for system and grid monitoring. As a platform, this cutting-edge technology is our answer to coping with increasing complexity and enables flexibility, adaptability and scalability over time. Modularization is the key to rapid development and differentiated solutions. Automated processes and algorithms will support the operators of the future in decision-making. In the longer term, we aim to develop an "autopilot" equipped with all the necessary capabilities so that operators can focus on monitoring but are able to (re)take control when needed. The MCCS vision, architecture and product solutions are to be shared and co-developed with like-minded people (e.g. other international TSOs) as part of an MCCS NextGen community.

3. electrification and sector coupling

A core element of European decarbonization is the electrification of industry and society in general. By leveraging our role as an enabler in the European electricity sector, we are working with industrial companies such as Linde, ArcelorMittal and Total (which are active in our grid regions) to assess electrification potential and identify the best possible ways to meet their growing electricity needs. We are also proactively developing and promoting suitable locations for new data centers, industrial sites and hydrogen production facilities, for example, to accelerate their construction and ensure that the system is ready for these loads.

The following measures relate to our own operations

4. reduction of greenhouse gas emissions caused by grid losses

Network losses through lines and cables are an unavoidable and inherent part of electricity transmission. They depend on factors such as the distance, current and voltage over which the electricity must be transmitted. Grid losses are a source of greenhouse gas emissions associated with grid operation, which depend on the CO₂ intensity of the national energy mix. The more renewables are integrated into the system, the lower the CO₂ emissions associated with these losses will become over time. At the same time, however, grid losses will increase as

electrification accelerates, and the associated GHG emissions will consequently also increase. Indirect GHG emissions (Scope 2) are particularly important in electricity transmission. However, defining reduction pathways is at odds with our societal mission to decarbonize society through electrification (increasing grid losses) and is highly dependent on national energy mix policies. Our focus is therefore on integrating ever larger quantities of renewable energy into the system.

5. measures to phase out SF6

We have developed and approved a new installation policy that favours alternatives to SF6. In the short term, we have set ourselves the target of 50% of all new installations using SF6-free solutions by 2030. In the long term, we will completely phase out the use of SF6 in new installations in line with the recently adopted EU F-Gas Regulation. At the same time, we will continue to focus on keeping SF6 leakages as low as possible.

6. sustainable substations

With the aim of making our substations more sustainable and energy-efficient, we have developed new construction standards for our substations, including those relating to heating and cooling systems and intelligent temperature control. In addition, we are constantly increasing the efficiency of our existing substations. In Belgium, we have decided to install around 45,000 m² of solar panels on plants and premises by 2030. The energy generated will be used to cover part of Belgium's own requirements. A similar initiative is being considered for some of 50Hertz's administrative buildings and substations.

7. low-carbon mobility

We are in the process of electrifying our vehicle fleet (both company cars and our technical vehicles).

The following measures are being taken to improve the upstream side of our value chain (impact on our Scope 3 footprint):

8. creation of a company-specific CO₂ accounting platform for our suppliers

Emissions related to new facilities and construction work are classified as Scope 3 emissions in Category 1 - "Purchased goods" and services and Category 2 - "Capital goods". They relate to upstream emission categories in the value chain, which are more difficult to calculate accurately as the relevant information needs to be collected from our suppliers and submitted to us. We have developed a carbon accounting platform to increase our data maturity, which went live at the end of 2023. Green procurement is carried out in close cooperation with our suppliers. Going forward, we will closely track the improvements our suppliers make to their designs, production methods and project execution methods. Accurate data will allow us to focus on the actions that have the greatest potential impact, and we will be able to set Scope 3-related targets.

METRICS AND TARGETS

E1-4 – Targets related to climate change mitigation and adaptation

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

E1-5 - Energy consumption and energy mix

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

E1-6 - Gross Scopes 1, 2, 3 and Total GHG emissions

Scope 1, 2 and 3 GHG emissions		Retrospective				Milestones and targets	
		2019	2022	2023	% 2023/2022	2030	Annual % target / Base year
Scope 1 GHG emissions							
Gross Scope 1 GHG emissions (tCO ₂ eq)	total Gross Scope 1 GHG emissions (tCO₂eq)	5,932.0	6,691.0	6,691.0	81.76	N/A	N/A
	SF6 leakages	4,257	4,959	2,914	58.76	N/A	N/A
	Fleet (Diesel & Gasoline)	1,521	1,574	1,771	112.52	N/A	N/A
	Heating (Gas)	147	159	159	100.00	N/A	N/A
Scope 2 GHG emissions							
Gross location-based Scope 2 GHG emissions (tCO ₂ eq)*	total Gross location-based Scope 2 GHG emissions	828,034	1,021,407	852,601	81.81	N/A	N/A
	Grid losses	806,820	1,017,908	833,196	81.85	N/A	N/A
	Electricity measured	20,950	3,139	19,389	0.81	N/A	N/A
	Heating	264	360	16	4.44	N/A	N/A

Scope 1, 2 and 3 GHG emissions		Review				Milestones and goals	
		2019	2022	2023	% 2023/2022	2030	Annual target in % / base year
Significant Scope 3 GHG emissions							
Total indirect (Scope 3) GHG emissions (tCO₂eq)		N/A	N/A	551.107,0	N/A	N/A	N/A
Purchased goods and services	spend-based	N/A	N/A	289.700	N/A	N/A	N/A
Capital goods	spend-based	N/A	N/A	261.407	N/A	N/A	N/A
Total GHG emissions							
Total GHG emissions Scope 1 & Scope 2 & Scope 3 (2023) (tCO₂eq)		833.966	1.028.098	1.408.552	N/A	N/A	%

* The data used to calculate tCO₂eq was undergoing an internal validation process at the time the report was prepared and should therefore be regarded as preliminary.

Reporting on Scope 3 GHG emissions is currently under development. We will gradually expand and supplement this in the coming reporting years.

E1-7 - GHG removals and GHG mitigation projects financed through carbon credits

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

E1-8 - Internal carbon pricing

We use internal carbon prices to make important business decisions:

- Investment decisions: Cost-benefit analyses for network planning
- Decisions in the supply chain: in tenders to influence the total cost of ownership (TCO) and thus the ranking of suppliers.

We use shadow prices that are based on the prices for emission allowances under the EU Emissions Trading Scheme and on the social costs of CO₂. Depending on the decision, we use a differentiated pricing approach. Scope 1, 2 and 3 are covered.

We have opted for a "flat" pricing model for internal carbon pricing, which uses a constant price (after updating future costs). However, we expect the price to increase significantly in the coming years, both due to market pressures (scarcity of emission allowances, etc.) and growing awareness of the true cost of carbon emissions to society.

No internal carbon pricing scheme is used in our annual financial statements.

EI-9 - Anticipated financial effects from material physical and transition risks and potential climate-related opportunities

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

Pollution

50Hertz pursues the goal of minimizing the impact of installations and activities on people and natural habitats. Adherence to the NOVA principle (grid optimization before reinforcement before expansion) is therefore a matter of course for 50Hertz. In concrete terms, this means that 50Hertz only builds new lines once all other options for increasing grid capacity have been exhausted. Ecological and social sustainability as well as a clear commitment to environmental protection and resource conservation are integral parts of our corporate strategy. The impact of our infrastructure projects (both onshore and offshore) is assessed by external environmental experts during the approval phase as part of an environmental impact assessment. We have various guidelines for the protection of biodiversity and ecosystems. Our terms and conditions of purchase require our suppliers to comply with all applicable laws and regulations that affect biodiversity, among other things.

In the Elia Group-wide sustainability program "ActNow", 50Hertz and Elia have set themselves concrete goals in the areas of biodiversity and eco-design of their facilities. In 2021, a project was launched that takes into account the concrete implementation of circularity measures in procurement processes, for example by recording suitable decision parameters.

50Hertz's environmental management system is based on the principles of compliance with obligations and continuous improvement of our environmental performance.

Responsibilities and processes are defined in internal policy documents, HSE guidelines, and environmental risks and targets are determined. Measures to achieve targets are monitored and driven forward in a measurable manner. Legal requirements are monitored, evaluated and, if necessary, anchored in the organization by means of ongoing legal monitoring. Environmentally relevant requirements, processes and targets are monitored via internal environmental audits, quality assurance checks, annual plant inspections and inspections. The environmental management system was successfully certified to ISO 14001 for the first time in 2022 and recertified in 2023.

Measures to increase biodiversity, save energy and digitalization were implemented to continuously improve environmental performance. HSE processes, such as the tracking of approval requirements, are mapped in SAP EH&S. Deviations from existing processes as well as environmental incidents are evaluated and, if necessary, assessed with the companies involved and improvement measures agreed. Furthermore, employees at the regional centers and the head office are regularly made aware of environmental protection issues in the form of instruction and training.

50Hertz ensures the availability of all relevant information and all necessary resources for the fulfilment of strategic and operational goals in the context of energy efficiency and environmental protection. Environmental protection activities are documented within the company in annual environmental reports. The environmental report for the 2023 reporting year will be available in March 2024.

50Hertz is committed to effective water and soil protection and prevents pollution from hazardous substances. Oil-filled systems, such as transformers or reactors, are constantly monitored. Underneath the oil-filled systems in substations on land and at sea, there are elaborate constructions to protect the environment and prevent drips from entering the ground or the water cycle. The systems are checked regularly and renovated or replaced if necessary. The handling and storage of water-polluting substances is ensured by regular checks and sensitized employees. Wastewater may only be discharged if an official permit has been obtained and it has been regularly checked to ensure that it is free of pollutants.

Water and marine resources

(GRI 306-5)

The business activities of 50Hertz are not associated with significant water consumption or the regular release of process-related wastewater, so we have not identified any significant water-related impacts, risks or opportunities.

The Water Resources Act (WHG) and the Plant Ordinance (AwSV) are important for 50Hertz when it comes to water protection. The water protection officers monitor, advise and support those responsible and employees. Our employees are instructed regularly or on an ad hoc basis. In the event of a leak of water-polluting substances, 50Hertz has numerous preventive measures in place. In addition to contractually bound emergency service providers, all substations and administrative locations have sufficient material available for damage prevention.

Biodiversity and ecosystems

(GRI 102-11, GRI 304-1, GRI 304-2, GRI 304-3, GRI 308-1, GRI 308-2, Sector Disclosure Biodiversity, GRI Sector Disclosures EN12 and EN13)

Nature conservation and biodiversity

50Hertz pursues the principle of keeping the impact of its own activities on nature and the restriction of biodiversity as low as possible. When planning projects in the context of approval procedures, attention is not only paid to economic efficiency, the interests of the population or technology, but the protection of flora and fauna is also always taken into account. Environmental impact assessments are carried out in advance of such procedures in order to minimize conflicts in the field of nature conservation at an early stage. A corresponding corridor is then determined, in which the exact route of the pipeline is located and defined in a further step. Protection, compensation and replacement measures (so-called compensatory measures) are also identified. All of these investigations are carried out together with external environmental planners, route experts and, if necessary, other specialists from the fields of science and nature conservation. Only once this entire process has been completed does the construction project go ahead - including external ecological construction monitoring. Construction site facilities and the construction process are implemented in such a way that even temporary adverse effects on nature are minimized, nature conservation-related deadlines and requirements are taken into account at an early stage and the companies carrying out the work on behalf of 50Hertz are committed to the ecological aspects of their actions. A final inspection will be carried out at the end of the project.

As part of "ActNow", a pilot was launched to increase biodiversity in and around substations. It included various pilot measures such as green roofs, nesting aids for birds and shelters for insects and the avoidance of pesticides. In 2021, it was decided that no herbicides would be used at all substations from 2023 and this was implemented. Alternative methods for "weed control" were tested, evaluated and implemented. Furthermore, potential analyses were carried out for 45 substations, which show the concrete possibilities for increasing biodiversity in the individual locations as part of biotope mapping. In 2023, the most efficient measures from the potential analyses were identified and selected measures were implemented. For example, extensive flowering meadows were created, and wild bee nesting aids were installed at various locations.

The use of wind at sea to generate electricity is extremely important and indispensable for climate protection. At the same time, the expansion of offshore wind energy and the submarine cables required to transport the electricity along the seabed are associated with interference with nature. For this reason, 18 organizations and companies working together in the Renewables Grid Initiative (RGI) signed a joint declaration of intent in 2020 as the "Offshore Coalition for Energy and Nature" and published how the biodiversity of the marine ecosystem can be preserved despite the expansion of wind energy at sea. In addition to the "Marine Grid Declaration" co-signed by 50Hertz - with which RGI members defined the standards for the early involvement of stakeholder groups and for nature and species protection in offshore grid expansion beyond the legal requirements in 2019 - 50Hertz, as a co-signatory of the Offshore Coalition's declaration of intent, is committed to growing responsibility in this sensitive environment. The joint pilot project of 50Hertz and the WWF for the reconstruction of rocky reefs in the Baltic Sea is listed as a positive example in the new Energy and Nature Database.

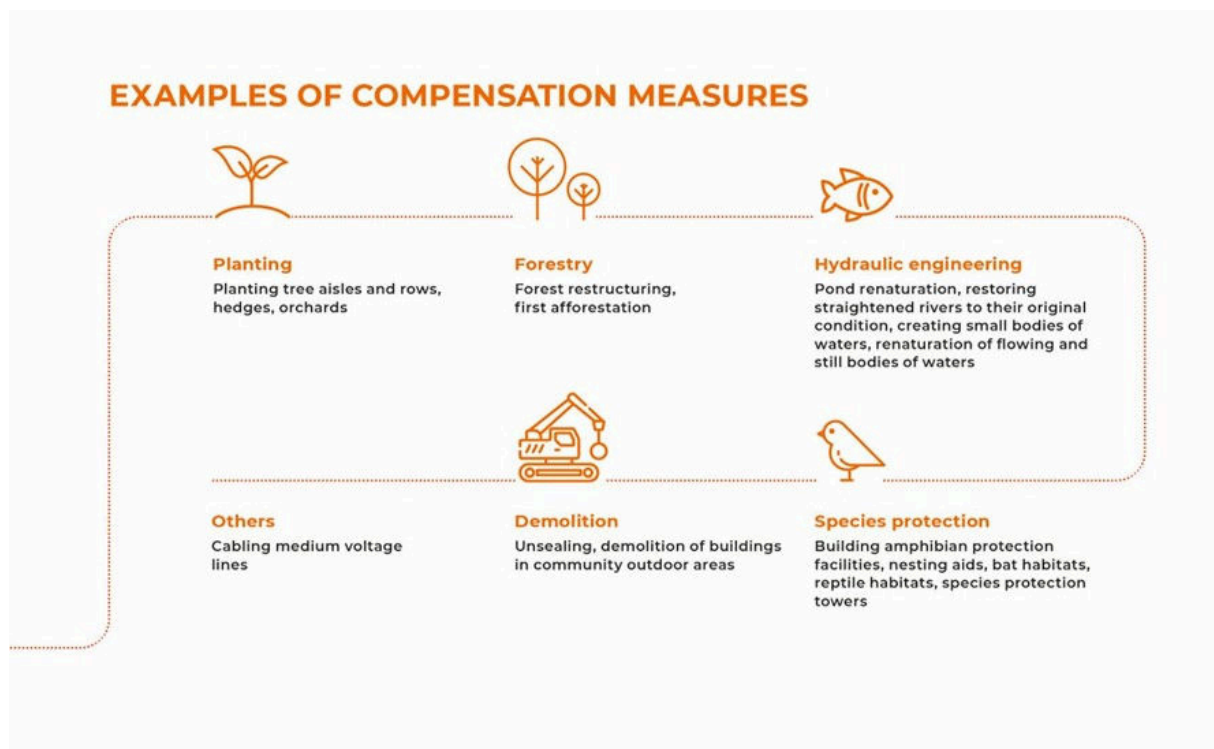
Compensation measures

(GRI 304-2)

According to the Federal Nature Conservation Act (BNatSchG), there is an obligation to avoid or minimize avoidable adverse effects on nature and the landscape (avoidance and minimization requirement). Wherever it makes sense, power lines are combined and bundled with existing overhead lines and other infrastructure such as railroad lines and freeways. To avoid unnecessarily impairing the landscape, the lines are adapted to the landscape conditions. Where interference is unavoidable, 50Hertz takes compensatory measures.

Regional ecopools are increasingly coming into play here. Ecopools are participations in projects of other organizations as well as compensation payments that enable more comprehensive measures than individual replacement plantings and are therefore more effective, efficient and sustainable. When planning and implementing compensation measures, 50Hertz applies the principle of involving the affected municipalities, nature conservation authorities, interested citizens and non-governmental organizations at an early stage. In a cooperative partnership, 50Hertz develops suitable projects at an early stage and proposes these to the authorities in the course of the approval planning. A guideline for targeted compensation management defines the fields of action that are necessary for the successful approval and implementation of the measures. An internal evaluation committee meets every two months to decide on the measures. The selected measures are recorded in a property register.

Compensation measures	2023	2022	2021
Under development	177	119	153
Ongoing	389	376	371
Completed	345	331	313
Total	911	826	837

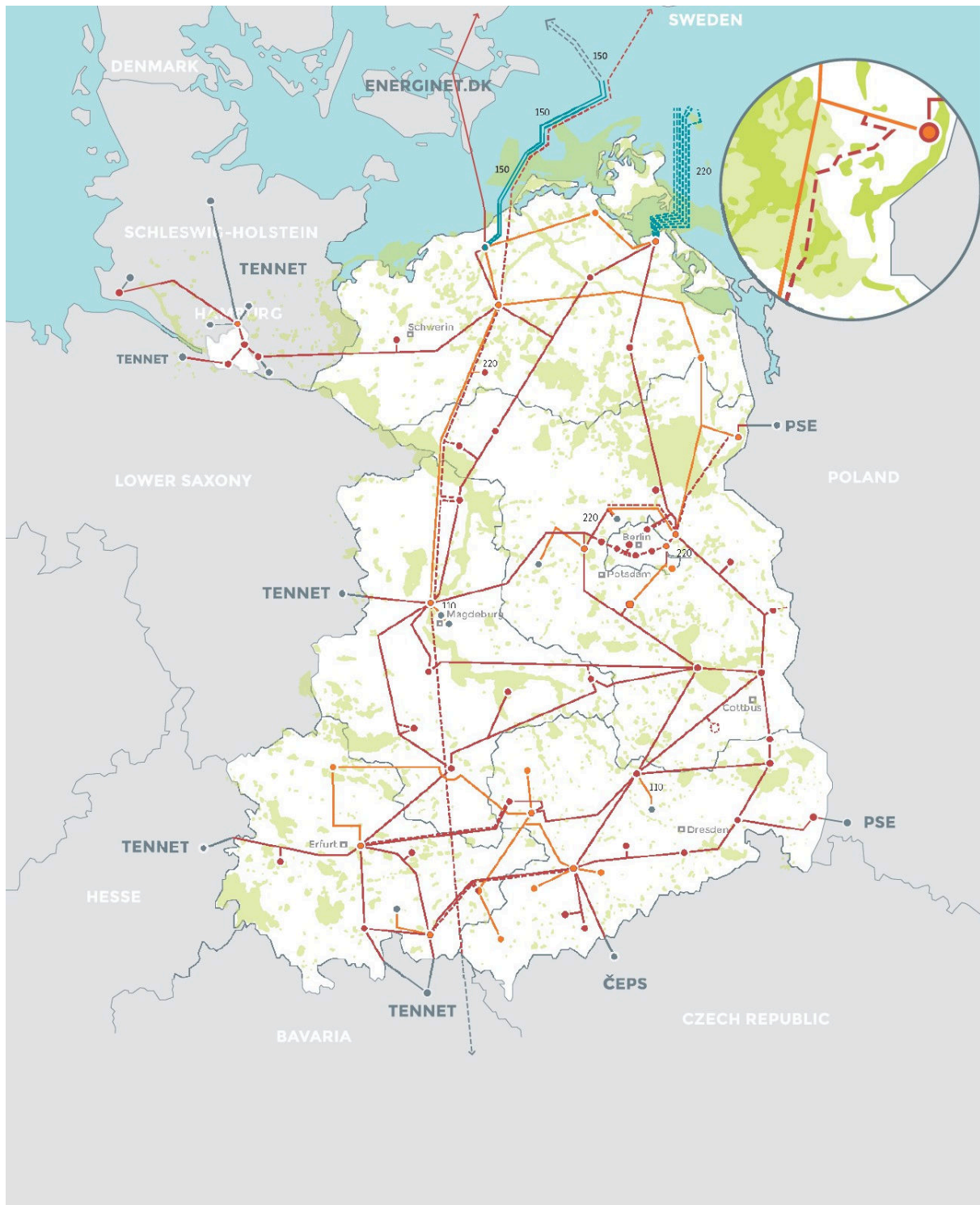


Ecological route management

(GRI 304-3)

To build an overhead line, aisles are usually created. The conductor cables need sufficient clearance to the sides and to the ground due to the necessary safety distances. In wooded areas in particular, trees have to be removed regularly and in sections along these routes. However, trees and bushes provide habitats for numerous animals and plants. It is therefore 50Hertz's goal to affect these natural areas as little as possible in the long term and to increase biodiversity under the lines. For several years now, 50Hertz has been paying attention to so-called "ecological route management" (ÖTM). In regular route maintenance, ecological aspects such as the removal of individual trees and heather management are taken into account on more than two thirds of the forest corridors in the entire grid area. The pilot activities initiated in recent years in ÖTM on existing routes, such as the creation of forest edges or the establishment of species-rich meadows and pastures, are now part of an overall strategy to increase biodiversity.

Protection zones in the 50Hertz grid area



A geo-database is currently being created that depicts and structures all activities in line routes that contribute to increasing biodiversity in order to create a valid basis for targeted further action. The geodatabase also establishes the spatial relationship between forest corridors and the protected areas in the 50Hertz grid area. Based on this mapping, 50Hertz is able to make a contribution to the EU Biodiversity Strategy 2030.

The biodiversity strategy officially adopted in May 2020 sees the integration of ecological corridors as part of a genuine trans-European nature conservation network and therefore as a key obligation to improve biodiversity. As part of the ActNow sustainability program, 50Hertz has set itself the goal of introducing ecological route management on 95 percent of suitable routes by 2030. In order to further develop the topics of biodiversity and ETM

in the future, we have started a dialogue on these specific topics together with external stakeholders, such as nature conservation organizations and universities.

Bird protection

(GRI Sector Disclosure EN12)

Extra-high-voltage lines have a negative impact on bird life. This is why 50Hertz is also making great efforts to minimize negative effects on bird protection. To this end, a comprehensive study was carried out with the Brandenburg State Environmental Agency in the past reporting years and evaluated together with experts from the Renewables Grid Initiative (RGI) and the German Nature and Biodiversity Conservation Union (NABU). The aim is to identify power lines with an increased collision risk for birds and to equip them with bird protection markers.

Resource use and circular economy

(GRI 306-2)

Avoiding waste is a top priority for 50Hertz. Waste that cannot be avoided is treated according to the principle of "reuse - recycle - recover - dispose". If systems are newly built, converted or dismantled, the parts that are no longer required are disposed of professionally and in a way that conserves resources. The annual volume and composition of waste is heavily dependent on conversion and dismantling projects. As a result of numerous construction projects to expand the grid, construction and compensation projects generated more waste overall in 2023.

Waste (in t)	2023*	2022	2021
Hazardous waste (tons)	135,041	97,756	184,761
Non-hazardous waste (tons)	10,394	7,973	21,225
Waste total (tons)	124,647	89,783	163,536
Recycling rate (%)	94	95	89

*preliminary figures

With a recycling rate of 94 percent, 50Hertz fulfils the recycling requirement (recycling before disposal) to a high degree.

Information on social issues

ESRS S1 Own labour

As part of the gradual transition to an ESRS-compliant sustainability report, priority was given to reporting on the impact on the company's own workforce and the associated risks and opportunities.

STRATEGY

ESRS 2 SBM-2 – Interests and views of stakeholders

50Hertz is only successful because its employees are successful. It is part of our corporate responsibility to develop them, promote their health and commitment, involve them in decision-making and guarantee equal opportunities for all. As part of the Group-wide sustainability program "ActNow", we have set ourselves concrete goals in the areas of "diversity, equal opportunities and inclusion" as well as "occupational health and safety" and derived measures from them. Maintaining and further developing the value-based, open and inclusive corporate culture and creating a good work-life balance are among the company's top objectives and form the strategic basis for all HR-related decisions. Within the Management Board, responsibility for strategic HR issues lies with the Labor Director.

	2023		2022		2021	
	Number	Rate	Number	Rate	Number	Rate
Total new hires	325	19%	262	17%	204	15%
Breakdown by gender						
Male	236	73%	182	12%	148	11%
Female	89	27%	80	5%	56	4%

50Hertz = 50Hertz Transmission GmbH, 50Hertz Offshore GmbH (no employees), Eurogrid GmbH.

The methodology includes employees who have joined any company in the reporting entity without distinguishing whether they come from outside the Group or move from another company within the Group. The resulting inaccuracy is considered negligible and immaterial. The methodology takes into account the guidelines contained in the ESRS standards.

Formula for the total quota: $(\text{number of employees hired} / ((\text{number of employees at the beginning of the year} + \text{number of employees at the end of the year}) / 2)) * 100$

Formula for the gender quota: $(\text{new hires (male or female)} / \text{total number of new hires})$

Number of employees at the beginning of the year = contractually agreed headcount on January 1 of the reporting year

Number of employees at the end of the year = contractually agreed headcount on December 31 of the reporting year

Contractual headcount refers to the total number of people who have active contracts within an organization at a given time and includes all employees, including those on sick leave and directors, but excludes suspended contracts to avoid double counting. The headcount methodology has been adjusted for 2023 but does not apply to historical data (2022 and 2021).

The diversity, equality and inclusion objectives for new hires can be found in section S1-5 Objectives related to managing significant negative impacts, promoting positive impacts and managing significant risks and opportunities.

Retirement	in 5 years	in 10 years
Managing directors	0,10 %	0,20 %
Senior employees	0,20 %	0,80 %

50Hertz = 50Hertz Transmission GmbH, 50Hertz Offshore GmbH (no employees), Eurogrid GmbH.

When calculating this data point, it is assumed that employees retire at the age of 67. The actual career path may differ depending on various factors, but the inaccuracy resulting from the retirement trend shown in the table is considered negligible and immaterial. The projection is made for the company's own employees at the end of the reporting period.

Formula: $(\text{number of employees entitled to a pension} / \text{number of contract employees})$

The contractual headcount is the figure as of December 31 of the reporting year. The contractual headcount refers to the total number of people who have an active employment contract in an organization at any given time and includes all employees, including those on sick leave and managing directors. However, suspended contracts are not taken into account in order to avoid double counting.

ESRS 2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

Detailed information can be found in the description of our key topics "Talent management and diverse workforce" and "Health and safety".

S1-1 Policies related to own workforce

In addition to collective agreements and works agreements, 50Hertz is also committed to internationally established guidelines, such as the core labour standards of the International Labor Organization (ILO: C87, C98 and C135) and the employee rights in the UN Global Compact.

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

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

Detailed information can be found in the "Guidelines for dealing with material sustainability issues" section of this report.

S1-2 Processes for engaging with own workers and workers' representatives about impacts

50Hertz is committed to freedom of association, collective bargaining and the protection of employee representatives. Particular emphasis is placed on trusting and continuous cooperation with all company co-determination bodies. The Works Council is responsible for the representation of employees who are bound by collective agreements and those who are not.

Elia Transmission and 50Hertz have each established a General Works Council at national level, which is responsible for the interests of the employees. In addition, two members of the 50Hertz General Works Council are represented on the German Supervisory Board, which has equal representation. Seven representatives from each of the national works councils are members of the European Works Council of the Elia Group. In Germany, Sylvia Borcharding, CHRO, is responsible for the implementation of employee interests. The European Works Council of the Elia Group conducts cross-border discussions and derives measures.

A spokesperson committee with information and consultation rights represents the interests of senior executives. A youth and trainee representative body (JAV) represents the interests of young people. The JAV works closely with the co-determination committees.

S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns

Current issues are discussed and driven forward at regular meetings of the Works Council and in working groups. The programs are presented and discussed with the workforce at an annual general works meeting. In addition, other smaller works council meetings are held throughout the year to ensure employee participation. Interviews and surveys are conducted, and information is disseminated via the intranet to ensure that the workforce is consulted and involved beyond the meetings. With this approach, 50Hertz Transmission fulfils its obligations under Section 80 (2) of the German Works Constitution Act and the trusting cooperation with the Works Council.

Incidents	Total	Reviewed	Treated	Resolved
Discrimination, DE&I	3	3	3	3

SI-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Qualification

In order to realize our vision and our strategic goal "100 percent by 2032: New energy for a strong economy" and to master the challenges of tomorrow, motivated employees are an important success factor in times of constant change. Employees are therefore offered individually tailored further training and relevant additional qualifications. Systematic succession planning ensures that a sufficient number of potentially suitable employees are available for all management positions and that vacancies can be filled internally wherever possible. To this end, talent is identified and promoted - for example as part of annual programs for "Young (Tesla) and Growing (Faraday) Professionals", which are jointly developed and offered within the Elia Group. In addition, managers can take part in individual 50Hertz training modules to develop their own leadership skills, both at company and Group level as part of a Group-wide Leadership Journey. The aim is to create a shared leadership model.

In addition, a Group-wide talent program was launched in 2020. Against the backdrop of a constantly changing environment, a sustainable, integrated and diverse framework for action was developed as part of various sub-projects to support the implementation of the Elia Group strategy. The aim is to create a corporate culture and a working environment that is attractive and motivating for talented people. 50Hertz recruits qualified young talent as part of a certified trainee program.

Equal opportunities

As part of the Group-wide "ActNow" program, 50Hertz is committed to promoting diversity and providing equal opportunities for all employees. As a concrete objective, the 50Hertz management has agreed to increase the proportion of women in the overall workforce, in leadership positions and in management to at least 30 percent by 2030.

Diversity

Around 60 diversity ambassadors ensure the creation of an open and inclusive corporate culture throughout the company. To this end, workshops were offered and held in the reporting year to raise awareness of diversity and inclusion issues. A discussion format already offered in the previous year, the Diversity Break, was developed further. The new Blind Conversations took place in the reporting year, in which employees were able to speak anonymously on the topics of equality, diversity and inclusion. The format will be continued and evaluated in the coming year. An event was also held for managers to raise awareness.

In order to strengthen governance in matters of diversity and equal opportunities, an Equal Opportunities Officer was appointed for the first time in the reporting year. She provides an independent and anonymous reporting channel.

Promoting the health of employees

In addition to protecting health and reducing risk factors, the workplace health promotion programs at 50Hertz are designed to empower employees to take an active role in their own health. In addition to ensuring the employability of employees across all age groups, the aim is to maintain or increase motivation and boost job satisfaction. An app with personalized coaching and training is available to employees as a cross-location health promotion service. In addition to the app, users have access to an additional service that helps them find the right medical care for an individual medical concern. This service offers individual specialist medical advice that can help to find medical specialists and appointments quickly and reliably.

An external advisory service for all employees in the event of individual stress is provided by another external and professional advisory service. The offer includes fast and qualified help for all 50Hertz employees and their relatives with everyday issues through to serious crises. Another service offered is regular digital live talks on various health topics. The service is free of charge and confidential for employees and their relatives. Consultations can take the form of telephone calls or online consultations. Employees with relatives in need of care can also confidentially turn to another advisory service that specializes in helping those in need of care and their relatives and provides support for those affected with a team of experienced care professionals and social insurance experts.

Health protection and occupational safety

As part of the annual audit plan, internal occupational health and safety audits were carried out for the continuous development of the management system. The implementation of the requirements for the occupational health and safety management system (AMS) in accordance with DIN ISO 45001 was recertified by an external auditor in the reporting year.

Occupational health services

The early detection and prevention of work-related illnesses and maintaining employability are also fixed components of occupational health and safety at 50Hertz. In order to achieve these goals, 50Hertz guarantees appropriate occupational health care, with the focus on individual protection and prevention of health risks. The tasks of the company doctor for 50Hertz are carried out by an inter-company occupational health service. Occupational medical care is provided by one company doctor at each 50Hertz site in coordination with the respective local occupational safety specialist. A coordinating company doctor ensures uniform implementation of the care objectives at all sites and participates in the meetings of the occupational health and safety committee at 50Hertz. As part of its occupational health care, 50Hertz also provides regular company medical consultations, vaccinations and advice on ergonomic issues in the workplace for all employees.

Employee participation, consultation and communication on occupational health and safety

The occupational health and safety measures have been accompanied by the gib8 campaign since 2018 and by the "Simo" character since 2022. Simo stands for safety moment and for the communication of positive and negative events. The campaign aims to address and raise awareness of occupational health and safety among all employees. Employees can share their personal safety moments with others and thus also contribute to a positive error and safety culture. An occupational safety competition is also held once a year to further raise awareness and motivate the workforce. On the one hand, the accident figures for the individual sites from the previous year are taken into account and, on the other, knowledge of occupational safety is tested and anchored in a practical section that varies each year.

The representation of employees' interests in occupational health and safety matters is also ensured by the Works Council's Occupational Safety Committee (ASIA). Employees use this opportunity to put forward their suggestions for improving occupational health and safety in the Occupational Safety Committee (ASA), in which representatives of the Works Council are permanent members. Health and safety issues are a fixed part of the agenda of the weekly management meetings and the Eurogrid GmbH Supervisory Board.

Employee training on occupational health and safety

All employees are regularly instructed on workplace-specific hazards and measures to prevent them. Practical exercises and training sessions were again held in the reporting year for company-specific hazardous activities.

METRICS AND TARGETS

SI-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Material topic	Risk/opportunity	Entity	KPI	Target	Time-bound
Diversity, equity and inclusion	Opportunity	Elia Group	New hires (breakdown per female gender)	At least 30% of the total annual new hires	Annual target each year up to 2030
	Opportunity	50Hertz	Women in leadership positions	At least 10%	Yearly
	Opportunity	Elia Group	Women in total workforce	At least 25%	Target for 2023
Material topic	Risk/opportunity	Entity	KPI	Target	Time-bound
Health and safety	Risk	Elia Group	Total Recordable Injury Rate (TRIR) for own workforce	under 6.5	Annual target until 2023

SI-6 Characteristics of employees

Employees	2023	2022	2021
Male	1,334	1,160	1,042
Female	455	396	340
Other	0	0	0
Not disclosed	0	0	0
Total	1,789	1,556	1,382

*Gender as specified by the employees themselves.

50Hertz = 50Hertz Transmission GmbH, 50Hertz Offshore GmbH (no employees), Eurogrid GmbH.

The methodology assumes that headcount = total contractual headcount as of December 31 of the reporting year. Contractual headcount refers to the total number of people who have active contracts within an organization on a given date and includes all employees, including those on sick leave and directors, but excludes suspended contracts to avoid double counting. Note that the methodology for headcount has been adjusted for 2023 but does not apply to historical data (2022 and 2021).

There were 1,661 full-time and 12 part-time employees in 2023.

Employees	2023				
	Male	Female	Other	Not disclose	Total
Employees	1,334	455	0	0	1,789
permanent	1,293	429	0	0	1,722
temporary	41	26	0	0	67
not under contract	0	0	0	0	0

50Hertz = 50Hertz Transmission GmbH, 50Hertz Offshore GmbH (no employees), Eurogrid GmbH.

The methodology assumes that headcount = the total number of contracted employees on December 31 of the reporting year. The contracted headcount refers to the total number of people who have active contracts within an organization on a given date and includes all employees, including those on sick leave and directors, but excluding suspended contracts to avoid double counting. For 50Hertz, there are no non-contracted employees working for Elia Group companies for reporting purposes. All relevant data for this category is therefore marked with zero.

Turnover rate in %	2023	
	Number	Rate
Total	89	5.27

SI-7 Characteristics of non-employee workers in the own workforce

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

SI-8 Collective bargaining coverage and social dialogue

100% of 50Hertz employees are covered by collective agreements. 50Hertz pursues a strict policy of freedom of association and the right to collective bargaining.

SI-9 Diversity metrics

	2023		2022		2021		
	Headcount	%	Headcount	%	Headcount	%	
Directors	Total	5	100.00%	5	100.00 %	5	100.00 %
	Male	4	80.00%	4	80.00 %	4	80.00 %
	Female	1	20.00%	1	20.00 %	1	20.00 %
	Other	0	0.00%	0	0.00 %	0	0.00 %
	Not disclosed	0	0.00%	0	0.00 %	0	0.00 %
Senior managers	Total	57	100.00%	44	100.00 %	42	100.00 %
	Male	42	73.68%	33	79.34 %	33	78.57 %
	Female	15	26.32%	11	20.66 %	9	21.43 %
	Other	0	0.00%	0	0.00 %	0	0.00 %
	Not disclosed	0	0.00%	0	0.00 %	0	0.00 %

50Hertz = 50Hertz Transmission GmbH, 50Hertz Offshore GmbH (no employees), Eurogrid GmbH.

The methodology assumes that headcount = the total number of contracted employees as of December 31 of the reporting year. The contractual headcount refers to the total number of people who have active contracts within an organization on a given date and includes all employees, including those on sick leave and executives, but excludes suspended contracts to avoid double counting. The headcount methodology has been adjusted for 2023 but does not apply to historical data (2022 and 2021).

Age	2023		2022		2021	
	Number	%	Number	%	Number	%
< 30	187	10.45 %	161	10.14 %	132	9.37 %
30 - 50	1,196	66.85 %	1031	64.97 %	904	64.16 %
> 50	406	22.69 %	395	24.89 %	373	26.47 %

SI-10 Adequate wages

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

SI-11 Social protection

Under German law, employers are obliged to provide their employees with social protection against loss of income due to certain events:

- Illness
- Unemployment
- Accident at work and acquired disability
- Parental leave
- Retirement

Accordingly, all 50Hertz employees are protected against loss of income from these events. These policies are developed and enforced in accordance with applicable laws.

In these matters, 50Hertz and all companies under German law adhere in particular to the German Social Code, which provides the framework for social protection in Germany.

In addition to local laws and the EU legal framework, 50Hertz is bound by the industry-specific collective agreement, which also relates to these issues.

SI-12 Persons with disabilities

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

Inclusion

Promoting diversity and equal opportunities at 50Hertz also means giving people with health impairments the same opportunities as colleagues without health impairments. An inclusion agreement concluded with the works council, the spokesperson committee and the representative body for severely disabled employees sets out measures to promote people with health impairments in working life. An internal inclusion team is responsible for implementing and monitoring this agreement. In the reporting year, 50Hertz committed to creating seven inclusive jobs by 2024 as part of a campaign by Inklupreneur, a project by Hilfswerk gGmbH. In addition, more jobs are being advertised on the myability.jobs platform.

S1-13 Training and skills development metrics

In 2023, the average number of hours of training amounted to 16.96 hours per employee.

S1-14 Health and safety metrics

TRIR			
Employees	2023	2022	2021
1. The percentage of own workers who are covered by the undertaking's health and safety management system based on legal requirements and/or recognised	100	100	100
2. The total number of fatalities	0	0	0
2.1. The number of fatalities resulting from work-related injuries	0	0	0
2.2. The number of fatalities resulting from work-related ill health	N/A	N/A	N/A
3. The number of recordable work-related accidents	2	11	11
4. The rate of recordable work-related accidents (TRIR) V	0.80	4.90	5.30
5. The number of cases of recordable work-related ill health	N/A	N/A	N/A
6. The number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	11	61	21
6.1. The number of days lost from work-related accidents	11	61	21
6.2. The number of days lost from work-related ill health	N/A	N/A	N/A
6.3. The number of days lost from fatalities from ill health	N/A	N/A	N/A

50Hertz = 50Hertz Transmission GmbH, 50Hertz Offshore GmbH (no employees), Eurogrid GmbH.

In Germany, no distinction is made between work-related and non-work-related illnesses for reasons of confidentiality (in accordance with legal requirements). All information on these data points has therefore been removed. No information on non-workers is recorded either. All information on these data points has therefore been removed.

S1-15 Work-life balance metrics

Compatibility of career and family

Employees at 50Hertz benefit from a family-friendly working environment and the opportunity to create a healthy work-life balance. To give parents the flexibility they need for childcare, a company agreement is in place to improve the compatibility of work and family life. It regulates issues relating to parental leave, support services, flexible working hours, special leave and sabbaticals as well as career advancement. The 50Hertz Netzquartier also has a daycare center for employees' children, which also offers places for children from the neighbourhood. In addition, a parent-child office has been set up for short-term childcare shortages. The flexi-compass in 50Hertz job advertisements provides information on possible part-time and flexitime options. Employees whose work is suitable for this are to be given the opportunity to organize their work flexibly and independently in order to better reconcile personal interests and operational requirements. The operational principles for this are provided by the guideline on mobile working, which has been converted into a general works agreement on mobile working.

Together with the General Works Council and the Mining, Chemical and Energy Industrial Union (IG BCE), an agreement was concluded to promote and maintain the employability of employees. It creates the basis for personnel policy measures to counter the effects of demographic change. The aim is to enable employees to carry out their work without restrictions until they reach regular retirement age.

Gender	Eligible employees who have taken leave for family reasons, broken down by gender (percentage)					
	2023		2022		2021	
	Number	Rate	Number	Rate	Number	Rate
Male	85	4.80 %	72	4.60 %	49	3.50 %
Female	21	1.20 %	29	1.90 %	28	2.00 %
Other	0	0 %	0	0 %	0	0 %
Not disclosed	0	0 %	0	0 %	0	0 %
Total	106	5.90 %	101	6.50 %	77	5.50 %

50Hertz = 50Hertz Transmission GmbH, 50Hertz Offshore GmbH (no employees), Eurogrid GmbH.

Formula for the percentage: (Eligible employees who have taken leave for family reasons/total number of contractual employees)

The methodology considers "eligible employees who have taken leave for family reasons" as the number of employees who have taken their right to parental leave during the reporting period, even if the leave has not yet ended on December 31 or if someone takes leave twice in one year.

Contractual headcount refers to the total number of people who have an active employment contract within an organization at a given time and includes all employees, including those on sick leave and directors, but excludes suspended contracts to avoid double counting. Note that the methodology for the number of employees has been adjusted for 2023 but does not apply to the historical data (2022 and 2021).

The various internal HR systems of the Elia Group handle the gender-specific data of employees differently. For entities managed by the Belgian HR system, only male and female gender can be assigned to employees, as the law does not provide for any other options. This means that the data related to "Other" and "Not disclosed" will be marked as not available for these entities. For facilities managed through the German HR system, a third option is available under the label "Diverse", but so far, no employee has identified with it. The data for "Other" and "Not disclosed" is therefore set to zero for all measures for these facilities.

SI-16 Compensation metrics (pay gap and total compensation)

The wage gap at 50Hertz amounted to 5.08% in 2023.

50Hertz = 50Hertz Transmission GmbH, 50Hertz Offshore GmbH (no employees), Eurogrid GmbH.

The gender pay gap is reported for all employees from management level upwards. The methodology takes into account the guidelines set out in the ESRS standards:

Formula: Gender pay gap = ((average gross hourly wage of male employees - average gross hourly wage of female employees) / average gross hourly wage of male employees) *100

SI-17 Incidents, complaints, and severe human rights impacts

This disclosure requirement is currently being prepared in accordance with the ESRS guidelines.

Workers in the value chain

STRATEGY

Occupational health and safety are not limited to the company's own employees. The high 50Hertz standards also apply to contracted external companies working on 50Hertz construction sites. Already at the time of commissioning and later via IT-supported construction inspections with specially trained 50Hertz employees, it is verified that the suppliers comply with the high safety standards of 50Hertz. The regulations for ensuring occupational safety when using external companies in the transmission grid area of 50Hertz (OAFN) regulate this in a transparent and binding manner. For new contracts, the agreement on quality assurance on construction sites at

50Hertz is an integral part of the contract. This includes an unrestricted right to carry out inspections by 50Hertz. In the reporting year, 915 construction site inspections were carried out (652 in 2022). Overall, the quality of construction site inspections was improved, and the number reduced. This was achieved by introducing an IT-supported system and by concentrating the inspection tasks on the officers responsible for operational quality assurance at the individual sites.

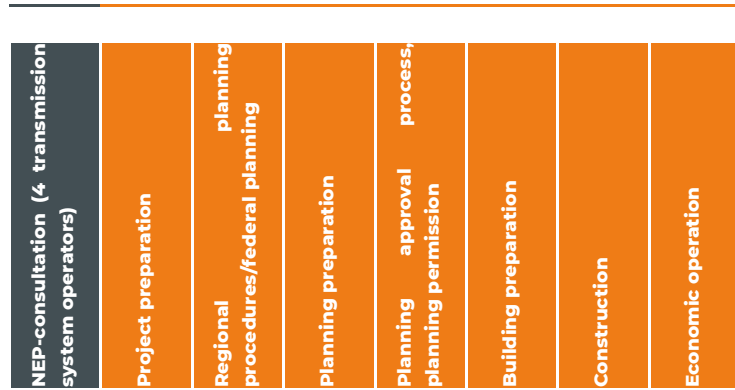
Affected communities

(GRI 102-21, GRI 102-29, GRI 102-40, GRI 102-43, GRI 102-44, GRI 413-1, GRI sector disclosure Stakeholder engagement)

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

50Hertz implements a comprehensive dialog and participation approach in the planning and implementation of grid expansion. This is because the involvement of the relevant stakeholder groups plays a special role in sustainable grid expansion. The regional and local stakeholder groups are first analysed in detail and the issues, questions and fears of those affected on site are identified. This allows a participation roadmap to be developed and implemented together with the region, which is based on both the standards of good early public participation and the project specifics of the respective project. This is because the information and participation need of citizens differ in the regions in which existing capacities are being increased or new substations and lines are being built. 50Hertz wants to focus on these specific needs and engage in dialog locally. This is the only way to further improve planning, integrate existing local knowledge and turn those affected into participants.

The dialog with the relevant stakeholder groups begins at a very early planning phase of the projects. This includes consultation on the grid development plan as well as on grid reinforcement and expansion projects. The dialog with stakeholders is based on the quality principles of the Diverse Democracy Alliance. Formats were then defined in a toolbox of measures that sets a minimum standard for each project. Within this framework, each project team further develops the necessary and meaningful participation roadmap. Increasingly, the participation measures were converted into digital formats and supplemented with additional digital information tools.



PUBLIC PARTICIPATION

TARGET GROUPS

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

PARTICIPATION

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

DIALOGUE

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

INFORMATION

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

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

The increased implementation of pipeline construction projects is also changing the range of tasks involved in public participation. Local authorities, the press and residents must be informed about construction measures in a targeted manner. This results in numerous queries and tasks that have to be dealt with jointly with the construction teams. The acceleration measures introduced by the federal government have also influenced the scope of activities

in the field of early public participation. Changes in the procedure and in the applicable guidelines for planning and approval must be communicated anew to residents and public agencies. The scope for compromise must be reassessed. This also applies to the interests of nature conservation. This is why the dialog with stakeholders from the areas of nature conservation and local authorities has been intensified.

50Hertz maintains a direct digital exchange with stakeholders via the company's presence on the two social media platforms Twitter and LinkedIn. The LinkedIn presence has over 33,000 followers, while X has around 4,000, who are informed about the latest developments at the company. At the same time, the channels offer them the opportunity to engage in direct dialog with the company at any time via news and comment functions.

GOVERNANCE INFORMATION

Governance & Business Conduct

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

The Elia Group, and therefore 50Hertz, is facing numerous changes and challenges. It is therefore becoming increasingly important to be able to deal with uncertainty and insecurity. We have an ambitious strategy that provides the framework for our actions in the interests of society. This is expressed in the corporate vision "A successful energy transition - for a sustainable world" and in the strategy "100 percent by 2032: new energy for a strong economy". 50Hertz has set itself the task of driving forward the energy transition and making a concrete contribution to enabling a stable electricity supply from 100% renewable energies in the 50Hertz grid area by 2032. Three strategic pillars define how 50Hertz, as part of the Elia Group, will provide the necessary infrastructure in an efficient manner, generate added value for society and strengthen the position of its customers and business partners. 50Hertz is a partner for companies on the path to a decarbonized industry on the one hand and for the expansion of renewable energies on the other.

To achieve this ambitious goal, we have adopted a comprehensive strategy, which is described in the Elia Group Integrated Report. With our ActNow sustainability program, we have firmly anchored sustainable practices in our corporate culture.

In order to achieve our goals, we have established a robust governance structure (chapter Governance), which we constantly review and develop further, in particular to best address the observed increase in capital expenditure in the area of infrastructure development (chapter Material impacts, risks and opportunities (double materiality and double materiality results)). Our guidelines ensure at all times that all employees successfully achieve our operational goals (chapter Guidelines for dealing with material sustainability issues).

The continuous expansion of sustainability management is reflected in the annual business plan, which is valid for five years in each case. As part of our ActNow sustainability program, targets, indicators and measures are systematically developed and reviewed, thereby anchoring them in the corporate strategy. A company-wide committee (Sustainability Board) at the first (managing directors) and second management level (division heads) steers this development from the development of roadmaps to reporting under the chairmanship of the Chief Financial Officer and the Chief Human Resources Officer. The Sustainability Board meets three times a year to agree on goals and processes.

The implementation of the individual measures and the recording of key figures is the responsibility of the relevant areas of the company. The sustainability core team meets on a quarterly basis. Data managers make key figures available on the central transparency management platform in a way that is comprehensible throughout the company. Sustainability risks are discussed and evaluated with the Executive Board in the quarterly risk analysis and at an annual risk conference. Furthermore, certified management systems, such as ISO 45001 in the area of occupational health and safety and ISO 27001 in information security management, or internal management systems based on recognized standards, for example as part of early public participation in accordance with VDI 7000, are used in core areas of sustainability. The environmental management system is certified in accordance with ISO 14001. 50Hertz will press ahead with the implementation of a certified energy management system in accordance with ISO 50001 by 2025.

None of this is possible without an outstanding corporate culture. That is why the Elia Group has also set itself the goal of growing together in the implementation of this strategy and thus further developing its culture and leadership role.

Six behavioural anchors form the basis for collaboration and the shared culture within the Elia Group. With Impact, Simplification, Co-Creating the future, Feedback, One Voice and One Company, we want to actively shape change as a Group. This is what the "Make A Difference" initiative is for. The name says it all and is also the prerequisite for remaining relevant and exerting influence in the future. The aim of the "Make A Difference" program is to promote

change towards a common culture within the Elia Group. We are integrating the six "Make A Difference" behavioural anchors into our daily work so that we can implement our ambitious strategy at Group and country level.

Community

(GRI 413-1)

50Hertz supports a wide range of projects in its grid area, primarily in the areas of culture, energy and environmental education as well as youth and social affairs. Clear management and organizational structures have been established for the implementation of the diverse social activities.

Responsibility lies with the Communication & Policy department. The internal guideline for donations and sponsorship sets out the general sponsorship principles, the evaluation criteria and the organizational process in a transparent, uniform and binding manner for all employees. When making donations and providing support through sponsorship, care is always taken to ensure that this is in line with our corporate values, that sponsorship offers genuine added value for society and people and that it follows the defined process.

It is important to impart concrete knowledge about the energy transition to children and young people. The hands-on exhibition "Turning energy together" developed by 50Hertz and the Independent Institute for Environmental Issues (UfU e. V.) illustrates various aspects of the energy transition to schoolchildren in a playful way. The aspects, some of which are quite technical or vague, become concrete and can be incorporated by schools into both physics and biology lessons. In addition, both partners have developed an online game on the topic of grid development and the energy transition, in which young people take on different roles such as local residents, farmers, conservationists, tourism managers, etc. and look at a grid expansion project in these roles. A points system is used to highlight and discuss the decisions of all players. The game has been in use since mid-2022.

50Hertz also supports selected projects in its grid area that enable a multifaceted cultural landscape. As an "innovation partner" of the Konzerthaus Berlin, 50Hertz particularly supports the digitalization of the traditional concert hall's offerings and enables the realization of cross-channel offerings that go far beyond the purely musical experience. The Mecklenburg-Vorpommern Festival was also supported once again.

In 2023, 50Hertz was once again involved in numerous initiatives, associations and organizations throughout the grid area in addition to industry-relevant congresses. These include, for example, the Rennsteig Autumn Run in the Thuringian Forest, the Baltic Sea Relay Marathon in Dierhagen and a large number of local charitable institutions.

Management of relationships with suppliers

Due to its legal status as an electricity transmission system operator, 50Hertz is subject to a variety of legal and regulatory requirements that prescribe three basic principles: non-discriminatory behaviour, confidential treatment of information and transparency towards all electricity market participants with regard to non-confidential market information. 50Hertz has corporate charters, policies and other documents that set out and implement the behaviour we expect from our employees. These documents set out the understanding of proper ethical behaviour and make it clear that the company complies with the law and does not tolerate corruption. These principles are translated into organizational measures that must be adhered to. A policy defining and addressing bribery and corruption has been published as part of our Code of Ethics.

Prevention and detection of corruption and bribery

(GRI 205-2, GRI 205-3)

A guideline on the prevention of corruption sets out what 50Hertz as a company understands by ethically correct behaviour and that corruption is subject to zero tolerance at 50Hertz. In addition to further guidelines on specific topics, another guideline describes the (anonymous) reporting channel via an external ombudsman as an integral part of the established whistleblower system. An anonymized electronic reporting channel has also been available since the end of 2023. In addition to demand-oriented classroom training for compliance, web-based compliance training was introduced and completed for employees throughout the company. The training takes place on an ongoing basis at regular intervals. The increasingly close integration of governance, risk and compliance means that internal control mechanisms are also being continuously developed and closely linked to risk management.

Confirmed cases of corruption and bribery

There were no incidents of corruption in the reporting period.

Political influence and lobbying activities

(GRI 102-16, GRI 415-1)

As the activities of legislative and regulatory bodies have a major impact on 50Hertz's business activities, the company contributes its positions to the political process in a transparent and publicly accessible manner. The Communication & Politics department is responsible for this.

The company's political communication is conducted in a responsible and transparent manner and does not make any donations to political parties. Ethical principles for the representation of political interests have been formulated and form the basis of our actions. A detailed guideline that applies throughout the company and has been agreed with the management explicitly regulates our conduct in the political environment. It is stated that 50Hertz does not make any donations to politicians or political parties and pays attention to appropriate consideration and balance when sponsoring. Responsibility for donations to party-affiliated foundations and associations is anchored centrally in the Communication & Politics department. Together with specific training programs, 50Hertz ensures in this way that its employees who are active in social and energy policy issues align their communication and actions with clearly defined principles. In addition, 50Hertz is registered in the EU Transparency Register and is committed to its Code of Conduct. Furthermore, 50Hertz is registered in the lobby register for representing interests vis-à-vis the German Bundestag and the Federal Government under the register number R001625.

In 2023, 50Hertz did not make any direct donations to politicians or political parties.

Memberships

(GRI 102-12, GRI 102-13)

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

Memberships	Energy	Climate	Environment	Human rights
AVEU Employers' Association of Energy and Utility Companies	☑			☑
BEN - Berlin-Brandenburg Energy Network e.V.	☑	☑	☑	
BDEW - German Association of Energy and Water Industries	☑		☑	
Diversity Charter				☑
German Committee of the CIGRE Conseil International des Grands Réseaux Électriques	☑			
EnergyDialog 2050 e.V.	☑	☑		
ENTSO-E - European Network of Transmission System Operators for Electricity	☑		☑	
FGW - Fördergesellschaft Windenergie und andere Dezentrale Energien e.V.	☑			
RGI - Renewables Grid Initiative	☑		☑	
UN Global Compact			☑	
VDE FNN - Forum Netztechnik/Netzbetrieb im VDE Elektrotechnischer Verein e. V.		☑	☑	☑
WindEnergy Network e.V.	☑			
World Energy Council	☑			

Appendix

Corporate Governance Statement

The following declaration in accordance with Section 315d HGB in conjunction with Section 289f (4) HGB is made voluntarily by the company:

Increasing the share of women in leadership positions

In 2022, the proportion of women on the Supervisory Board of Eurogrid was 20 percent. At 50Hertz Transmission, the proportion of women on the Supervisory Board was 33% and the proportion of women on the Extended Management Board remained the same as the previous year at 17%.

On August 7, 2017, the Management Board of 50Hertz Transmission decided that the proportion of women in the first and second management levels (divisional and departmental management) below the Management Board should reach 10 percent and in the third management level below (departmental management) 16 percent by June 30, 2022. As at December 31, 2023, these targets were exceeded at 26% at the first and second management levels and 23% at the third management level.

50Hertz promotes diversity and equal opportunities. On December 1, 2020, the 50Hertz management therefore voluntarily agreed to increase the proportion of women in the overall workforce and in management to 30 percent by 2030. Compared to the previous year, the proportion of women in 2023 remains unchanged at 25.4 percent.

Berlin, February 15, 2024

The management of Eurogrid GmbH

signed Stefan Kapferer

signed Yannick Dekoninck

Consolidated financial statements for fiscal year 2023

Eurogrid GmbH

Berlin

eurogrid
GmbH

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 $ECL = EAD \times PD \times LGD$, 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 through 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 development	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 development	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 INVESTEEES

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

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

EUR m	Elia Grid International NV/SA	
	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:

EUR m	2023		2022	
	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 EUR1 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.

EUR m	Pensions		Other	
	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

EUR m	Pensions		Other	
	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)
<u>Gains/losses recognised in other comprehensive income</u>				
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

EUR m	Pensions		Other	
	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

EUR m	Pensions		Other	
	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

EUR m	Effect on defined benefit obligation	
	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's 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			
	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	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			
	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	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	2022	2023	2022	2023	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	
CORES0 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 Vandendorre, 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
Wirtschaftsprüfer
(German Public Auditor)

Wirth
Wirtschaftsprüfer
(German Public Auditor)