elia group

READY TO SWITCH

FAST-FORWARDING THE GREEN TRANSITION

FINANCIAL REPORT 2022

TABLE OF CONTENTS

TABLE OF CONTENTS 1
CONSOLIDATED FINANCIAL STATEMENTS 3
Consolidated statement of profit or loss 3
Consolidated statement of profit or loss and comprehensive income 4
Consolidated statement of financial position 5
Consolidated statement of changes in equity 6
Consolidated statement of cash flows 7
NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS 8
1. Reporting entity 8
2. Basis of preparation 8
2.1 Statement of compliance 8
2.2 Functional and presentation currency 9
2.3 Basis of measurement 9
2.4 Going concern 9
2.5 Use of estimates and judgements 10
2.6 Approval by the Board of Directors 11
3. Significant accounting policies 12
3.1 Basis of consolidation 12
3.2 Foreign currency translation 13
3.3 Statement of financial position 13
3.3.1 Property, plant and equipment 13
3.3.2 Intangible assets 14
3.3.3 Goodwill 14
3.3.4 Trade and other receivables 14
3.3.5 Inventories 15
3.3.6 Cash and cash equivalents 15
3.3.7 Impairment of non-financial assets 15
3.3.8 Financial assets 15
3.3.9 Derivative financial instruments and hedge accounting 16
3.3.10 Equity 17
3.3.11 Financial liabilities 17
3.3.12 Employee benefits 17
3.3.13 Provisions 18
3.3.14 Trade and other payables 18
3.3.15 Other non-current liabilities 19
3.3.16 Leases 19
3.3.17 Regulatory deferral accounts 19
3.4 Items in the statement of profit or loss 20
3.4.1 Income 20
3.4.2 Expenses 23
3.5 Statement of comprehensive income and statement of changes in equity 24
4. Segment reporting 24
4.1 Basis for segment reporting 24
4.2 Elia Transmission (Belgium) 25
4.3 50Hertz Transmission (Germany) 27
4.4 Non-regulated activities and Nemo Link 29
4.5 Reconciliation of information on reportable segments to IFRS amounts 30
4.6 Adjusted items – reconciliation table 31
5. Items in the consolidated statement of profit or loss and other comprehensive income 32
5.1. Revenue, net income (expense) from settlement mechanism and other income 32
5.2. Operating expenses 32
5.3. Net finance costs 34
5.4. Income taxes 35
5.5. Earnings per share (EPS) 36
5.6. Other comprehensive income 36
6. Items in the consolidated statement of financial position 37
6.1. Property, plant and equipment 37
6.2. Intangible assets 39
6.3. Goodwill 40
6.4. Non current trade and other receivables 43
6.5. Equity-accounted investees 43
6.5.1. Joint ventures 43
6.5.2. Associates 44
6.6. Other financial assets 46
6.7. Deferred tax assets and liabilities 47
6.8. Inventories 49
6.9. Current trade and other receivables, deferred charges and accrued revenues 49
6.10. Current tax assets and liabilities 50
6.11. Cash and cash equivalents 50
6.12. Shareholders' equity 51

6.12.1. Equity attributable to the owners of the Company 51
6.12.2. Hybrid securities 52
6.13. Interest-bearing loans, borrowings and lease liabilities 53
6.14. Employee benefits 56
6.15. Provisions 63
6.16. Other non-current liabilities 64
6.17. Trade and other payables 64
6.18. Financial instruments – fair values 65
6.19. Leasing 67
6.20. Accruals and deferred income 69
7. Group structure 71
8. Other notes 73
8.1. Financial risk and derivative management 73
8.2. Commitments and contingencies 77
8.3. Related parties 77
8.4. Subsequent events 79
8.5. Miscellaneous 79
The impact of the war in Ukraine 79
8.6. Services provided by the auditors 79
9. REGULATORY FRAMEWORK AND TARIFFS 80
9.1. Regulatory framework in Belgium 80
9.1.1. Federal legislation 80
9.1.2. Regional legislation 80
9.1.3. Regulatory agencies 80
9.1.4. Tariff setting 80
9.2. Regulatory framework in Germany 83
9.2.1. Relevant legislation 83
9.2.2. Regulatory agencies in Germany 83
9.2.3. Tariff setting in Germany 83
9.3. Regulatory framework for the Nemo Link interconnector 84
JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS 85
INFORMATION ABOUT THE PARENT COMPANY 90
Statement of financial position after distribution of profits 90
Statement of profit or loss 92
Financial terms or Alternative Performance Measures 93

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in € million) − Year ended 31 December	Notes	2022	2021
Revenue	(5.1)	3,616.0	2,551.3
Raw materials, consumables and goods for resale	(5.2)	(69.7)	(83.1)
Other income	(5.1)	259.6	135.1
Net income (expense) from settlement mechanism	(5.1)	237.7	173.3
Services and other goods	(5.2)	(2,554.7)	(1,443.6)
Personnel expenses	(5.2)	(372.1)	(334.1)
Depreciation, amortisation and impairment	(5.2)	(513.7)	(467.5)
Changes in provisions	(5.2)	1.3	0.7
Other expenses	(5.2)	(44.4)	(41.4)
Results from operating activities		**559.8**	**490.7**
Share of profit of equity accounted investees (net of tax)	(6.5)	39.5	49.4
Earnings before interest and tax (EBIT)		**599.4**	**540.1**
Net finance costs	(5.3)	**(43.6)**	**(106.6)**
Finance income		75.4	3.9
Finance costs		(119.0)	(110.5)
Profit before income tax		**555.7**	**433.5**
Income tax expense	(5.4)	(147.5)	(105.2)
Profit for the period		**408.2**	**328.3**
Profit attributable to:			
Equity holders of the parent - equity holders of ordinary shares		341.7	276.0
Equity holders of the parent - hybrid securities		19.3	19.3
Non-controlling interest		47.2	33.1
Profit for the period		**408.2**	**328.3**
Earnings per share (in €)	(5.5)		
Basic earnings per share		4.80	4.02
Diluted earnings per share		4.80	4.02

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of profit or loss and comprehensive income

(in € million) — Year ended 31 December	Notes	2022	2021
Profit for the period		**408.2**	**328.3**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedges	(5.6)	(160.1)	356.2
Related tax		50.4	(105.8)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.14)	16.3	27.4
Net changes in fair value of investments	(5.6)	32.8	0.0
Related tax		(4.9)	(7.0)
Other comprehensive income for the period, net of tax		**(65.6)**	**270.8**
Total comprehensive income for the period		**342.6**	**599.1**
Total comprehensive income attributable to:			
Equity holders of the parent - ordinary shareholders		299.0	496.3
Equity holders of the parent - hybrid securities holders		19.3	19.3
Non-controlling interest		24.4	83.5
Total comprehensive income for the period		**342.6**	**599.1**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of financial position

(in € million) – As at	Notes	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS		**14,941.9**	**13,867.5**
Property, plant and equipment	(6.1)	11,844.7	10,859.5
Goodwill	(6.3)	2,411.1	2,411.1
Intangible assets	(6.2)	210.5	148.6
Equity-accounted investees	(6.5)	261.2	309.6
Other financial assets	(6.6)	117.2	136.3
Trade and other receivables non-current	(6.4)	95.5	0.5
Deferred tax assets	(6.7)	1.7	1.9
CURRENT ASSETS		**5,652.4**	**4,276.8**
Inventories	(6.8)	21.6	21.6
Trade and other receivables	(6.9)	1,206.2	861.3
Current tax assets	(6.10)	28.6	10.1
Other financial assets	(6.6)	219.7	316.2
Cash and cash equivalents	(6.11)	4,151.2	3,049.5
Deferred charges and accrued revenues	(6.9)	25.1	18.1
Total assets		**20,594.3**	**18,144.3**
EQUITY AND LIABILITIES			
EQUITY		**5,756.4**	**4,938.4**
Equity attributable to owners of the Company	(6.12)	5,319.6	4,552.0
Equity attributable to ordinary shares:		4,618.3	3,850.6
Share capital		1,823.1	1,709.2
Share premium		738.6	262.9
Reserves		173.0	173.0
Hedging reserve		119.2	197.1
Treasury shares		(1.8)	(0.8)
Retained earnings		1,766.2	1,509.2
Equity attributable to hybrid securities holders	(6.12)	701.4	701.4
Non-controlling interest		436.7	386.4
NON-CURRENT LIABILITIES		**8,548.0**	**8,471.3**
Loans and borrowings	(6.13)	7,715.6	7,741.7
Employee benefits	(6.14)	75.0	104.9
Provisions	(6.15)	146.2	125.6
Deferred tax liabilities	(6.7)	223.7	209.7
Other liabilities	(6.16)	387.6	289.5
CURRENT LIABILITIES		**6,289.8**	**4,734.6**
Loans and borrowings	(6.13)	867.2	194.0
Provisions	(6.15)	8.6	7.7
Trade and other payables	(6.17)	4,804.2	3,696.4
Current tax liabilities	(6.10)	26.6	26.8
Accruals and deferred income	(6.20)	583.3	809.8
Total equity and liabilities		**20,594.3**	**18,144.3**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of changes in equity

(in € million) - Year ended 31 December	Share capital	Share premium	Hedging reserve	Reserves	Treasury shares	Retained earnings	**Equity attributable to ordinary shares**	Equity attributable to hybrid securities	**Equity attributable to the owners of the company**	Non-controlling interests	**Total equity**
Balance at 1 January 2021	**1,709.1**	**262.4**	**(3.3)**	**173.0**		**1,330.5**	**3,471.7**	**701.4**	**4,173.1**	**326.9**	**4,500.0**
Profit for the period						295.2	295.2		295.2	33.1	328.3
Other comprehensive income			200.4			20.0	220.3		220.3	50.4	270.8
Total comprehensive income for the period			**200.4**			**315.2**	**515.6**		**515.6**	**83.5**	**599.1**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	0.2	0.4					0.6		0.6		0.6
Hybrid: coupon paid						(19.3)	(19.3)		(19.3)		(19.3)
Acquisition of treasury shares					(0.8)		(0.8)		(0.8)		(0.8)
Dividends to non-controlling interests										(24.0)	(24.0)
Dividends						(117.5)	(117.5)		(117.5)		(117.5)
Other						0.3	0.3		0.3		0.3
Total transactions with owners	**0.2**	**0.4**			**(0.8)**	**(136.5)**	**(136.7)**		**(136.7)**	**(24.0)**	**(160.7)**
Balance at 31 December 2021	**1,709.3**	**262.8**	**197.1**	**173.0**	**(0.8)**	**1,509.2**	**3,850.6**	**701.4**	**4,552.0**	**386.4**	**4,938.4**
Balance at 1 January 2022	**1,709.3**	**262.8**	**197.1**	**173.0**	**(0.8)**	**1,509.2**	**3,850.6**	**701.4**	**4,552.0**	**386.4**	**4,938.4**
Profit for the period						361.0	361.0		361.0	47.2	408.2
Other comprehensive income			-77.9			35.1	-42.7		-42.7	-22.8	-65.6
Total comprehensive income for the period			**-77.9**			**396.1**	**318.3**		**318.3**	**24.4**	**342.6**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	119.4	475.7					595.1		595.1		595.1
Issuance costs	(7.3)						(7.3)		(7.3)		(7.3)
Share-based payment expenses	1.7						1.7		1.7		1.7
Hybrid: coupon paid						(19.3)	(19.3)		(19.3)		(19.3)
Acquisition of treasury shares					(1.0)		(1.0)		(1.0)		(1.0)
Dividends to non-controlling interests										(24.0)	(24.0)
Dividends						(120.3)	(120.3)		(120.3)		(120.3)
Other		0.0				0.3	0.4		0.4	50.0	50.4
Total transactions with owners	**113.8**	**475.7**	**0.0**	**0.0**	**(1.0)**	**(139.2)**	**449.4**	**0.0**	**449.4**	**26.0**	**475.4**
Balance at 31 December 2022	**1,823.1**	**738.6**	**119.2**	**173.0**	**(1.8)**	**1,766.2**	**4,618.3**	**701.4**	**5,319.7**	**436.7**	**5,756.4**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of cash flows

(in € million) − period ended 31 December	Notes	2022	2021
Cash flows from operating activities			
Profit for the period		**408.2**	**328.3**
Adjustments for:			
Net finance costs	(5.3)	43.6	106.6
Other non-cash items		3.9	2.1
Current income tax expense	(5.4)	112.1	94.7
Profit or loss of equity accounted investees, net of tax		(39.5)	(49.4)
Depreciation of property, plant and equipment and amortisation of intangible assets	(5.2)	513.7	467.5
Loss / proceeds on sale of property, plant and equipment and intangible assets		(6.3)	17.5
Impairment losses of current assets		0.8	0.8
Change in provisions	(6.7)	(10.5)	1.5
Change in deferred taxes		35.4	10.5
Changes in fair value of financial assets through profit or loss		0.0	0.0
Cash flow from operating activities		**1,061.4**	**980.1**
Change in inventories		(0.3)	17.0
Change in trade and other receivables	(6.9)	(314.7)	639.9
Change in other current assets		(3.7)	(0.7)
Change in trade and other payables		1,188.1	2,645.0
Change in other current liabilities		(243.1)	(119.8)
Changes in working capital		**626.3**	**3,181.4**
Interest paid	(6.13)	(133.1)	(124.9)
Interest received		5.7	3.7
Income tax paid		(129.2)	(87.0)
Net cash from operating activities		**1,431.2**	**3,953.3**
Cash flows from investing activities			
Acquisition of intangible assets	(6.2)	(115.7)	(59.8)
Acquisition of property, plant and equipment	(6.1)	(1,455.4)	(1,160.5)
Proceeds from sale of property, plant and equipment		27.5	3.5
Proceeds from sales of investments		0.0	1.6
Proceeds from capital decrease from equity accounted investees	(6.5)	53.8	30.5
Dividend received	(6.5)	35.4	31.8
Loans and long term receivables		0.0	(0.5)
Net cash used in investing activities		**(1,454.4)**	**(1,153.4)**
Cash flow from financing activities			
Proceeds from the issue of share capital	(6.12)	595.1	0.6
Proceeds from the capital increase - NCI	(6.12)	50.0	
Expenses related to the issue of share capital	(6.12)	(7.3)	0.0
Purchase of own shares	(6.12)	(0.9)	(0.7)
Dividend paid	(6.12)	(120.3)	(117.5)
Hybrid coupon paid	(6.12)	(19.3)	(19.3)
Dividends to non-controlling parties		(24.0)	(24.0)
Repayment of borrowings	(6.13)	(95.8)	(737.7)
Proceeds from withdrawal of borrowings	(6.13)	747.4	558.0
Net cash flow from (used in) financing activities		**1,125.0**	**(340.6)**
Net increase (decrease) in cash and cash equivalents		**1,101.8**	**2,459.3**
Cash & Cash equivalents at 1 January		3,049.5	590.1
Cash & Cash equivalents at 31 December		4,151.2	3,049.5
Net variations in cash & cash equivalents		**1,101.8**	**2,459.3**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

The registered office of Elia Group SA/NV (hereafter referred to as the "Company" or "Elia") is established in Belgium and located at 20 Boulevard de l'Empereur, 1000 Brussels. Elia Group SA/NV is a public limited company, whose shares are listed on Euronext Brussels, under the symbol ELI.

The consolidated financial statements for the financial year 2022 include those of Elia Group SA/NV and its subsidiaries (collectively referred to as 'the Group' or 'Elia group') and the group's interests in joint ventures and associates.

The Elia group comprises two electricity transmission system operators (TSOs): Elia Transmission Belgium SA/NV in Belgium and 50Hertz Transmission GmbH, in which the Elia group holds an 80% stake. 50Hertz Transmission GmbH is one of Germany's four transmission system operators; it operates in the north and east of the country.

The group also has a 50% stake in Nemo Link Ltd, which constructed an electrical interconnector between the UK and Belgium: the Nemo Link interconnector. Nemo Link Ltd is a joint venture between Elia Transmission Belgium SA/NV and National Grid Ventures (in the UK). It began its commercial operations on 30 January 2019, with a transfer capacity of 1000 MW.

With around 2,750 employees and a transmission system that comprises some 19,126 km of high-voltage connections and serves 30 million end consumers, the Elia group is one of Europe's top five TSOs. It efficiently, reliably and securely transports electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources. In addition to its transmission activities in Belgium and Germany, the Elia group offers businesses a range of consultancy and engineering services.

Through Elia and 50Hertz, Elia Group's mission is to realise the climate ambitions of the European Green Deal. Over the next few years, large-scale investments in renewable energy production and the offshore grid are due to be undertaken. To make a fundamental contribution to the accelerated development of offshore energy, in 2022 Elia Group created a new subsidiary: WindGrid. We refer to note 6.1 where further information is provided on the investment plan.

The group operates under the legal entity Elia Group SA/NV, which is a listed company whose reference shareholder is municipal holding company Publi-T SC.

2. Basis of preparation

2.1. Statement of compliance

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the European Union. In doing so, the group applied all new and revised standards and interpretations published by the International Accounting Standards Board (IASB), including those which came into effect for the financial year starting on 1 January 2022, which are applicable to the group's activities.

New and amended standards and interpretations

The standards, amendments and interpretations listed below came into effect in 2022, with little or limited impact on the group:

- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (applicable for annual periods beginning on or after 1 April 2021);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Onerous Contracts – Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022).

The **standards, amendments and interpretations** listed below did not take effect in 2022. The changes to the standards, amendments and interpretations listed below are not expected to have a material impact on these annual accounts and are therefore not outlined in any great detail:

- IFRS 17: Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU).

2.2. Functional and presentation currency

These consolidated financial statements are presented in millions of euro, rounded to the nearest hundred thousand, unless stated otherwise.

2.3. Basis of measurement

In general, these consolidated financial statements were prepared on a historical cost basis. However, reporting related to the following categories deviate from this general rule:

- Equity accounted investees: the equity method was applied to determine the value of a shareholding over which the group has a significant influence;
- Other shareholdings: entities in which the group has a shareholding but over which it does not have a significant influence were valued at fair value through other comprehensive income (OCI);
- Current and non-current receivables were valued at the lowest of the carrying amount and the recoverable amount;
- Employee benefits were valued at the present value of the defined benefit obligations, minus the fair value of the plan assets (see also Note 6.14);
- Derivative financial instruments were measured at fair value through OCI or profit and loss (P&L), depending on whether the derivative can be designated as a hedging instrument (see also Note 8.1);
- Decommissioning provisions were valued at present value.

2.4. Going concern

The directors reassessed the going concern assumption of the Company and, at the time of approving the financial statements, held a reasonable expectation that the group had adequate resources to continue in operational existence for the foreseeable future. The directors will therefore continue to adopt the going concern basis of accounting in the preparation of the financial statements.

In the current context of inflation (energy crisis) and volatile market conditions, the group paid particular attention to adequately reflecting the current and expected impact of the situation on the financial position, performance and cash flows of the company, applying the IFRS accounting principles in a consistent manner. In general, since Elia Group is acting in accordance with the regulatory frameworks in Belgium and Germany, the profitability and the financial position of the group have not been affected.

2.5. Use of estimates and judgements

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that could affect the reported amounts of assets and liabilities and revenue and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances: the results of these estimates and assumptions form the basis for making judgements regarding the carrying amounts of assets and liabilities. Actual results could therefore differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised either: in the period during which the estimate is revised if the revision only affects this period; or in the period during which the estimate is revised and throughout future periods if the revision affects both current and future periods.

The following points include information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

- The total allowed remuneration for the group's role as TSO in the Belgian and German segments is mainly determined by calculation methods set by the Belgian federal regulator (the Commission for Electricity and Gas Regulation or CREG) and the German federal regulator (the Federal Network Agency or BNetzA) respectively. The recognition of deferral regulatory accounts is also based on the different regulatory schemes. For certain calculations, a level of professional judgement needs to be applied. More disclosures are provided in Notes 6.20, 9.1.4 and 9.2.3.
- Entities in which the group holds less than 20% of the voting rights but has significant influence are accounted for under the equity method. Following the guidance in IAS 28, the group assesses whether it has significant influence over its associates and therefore needs to account for them under the equity method (rather than applying IFRS 9) and reassesses this in each reporting period (see also Note 6.5).
- Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits in so far as it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In making a judgement on this, management takes into account elements such as long-term business strategy and tax planning opportunities (see Note 6.7).
- Credit risk related to customers: management closely reviews the outstanding trade receivables, including by considering ageing, payment history and credit risk coverage (see Note 8.1).
- Employee benefits including reimbursement rights – see Note 6.14:
  - The group has defined benefit plans and defined contribution plans which are disclosed in Note 6.15. The calculation of the liabilities or assets related to these plans is based on actuarial and statistical assumptions. For example, this is the case for the present value of future pension liabilities. The present value is, among other factors, impacted by changes in discount rates, and financial assumptions such as future increases in salary. In addition, demographic assumptions, such as average assumed retirement age, also affect the present value of future pension liabilities.
  - In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with currencies of the post-employment benefit obligation, i.e. euro, with at least an AA rating or above, as set by at least one leading rating agency and extrapolated along the yield curve to correspond with the expected term of the defined benefit obligation. Higher and lower yielding bonds are excluded in developing the appropriate yield curve.
  - Each plan's projected cash flow is matched to the spot rates of the yield curve to calculate an associated present value. A single equivalent discount rate is then determined that produces that same present value. The resulting discount rate therefore reflects both the current interest rate environment and the plan's distinct liability characteristics.
- Provisions for environmental remediation costs: at each year-end, an estimate is made regarding future expenses with respect to soil remediation, based on the expert advice. The extent of remediation costs is dependent on a limited number of uncertainties, including newly identified cases of soil contamination (see Note 6.15).
- Other provisions are based on the value of the claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated process/procedures (see Note 6.15).
- In determining the appropriate discount rate to discount the future dismantling obligation, management considers the interest rates of corporate bonds in euro with at least an AA rating or above as set by at least one leading rating agency and extrapolated along the yield curve to correspond with the expected term of the dismantling obligation. A sensitivity analysis is performed to measure the impact of a differing discount rate.
- Goodwill impairment testing: the group performs impairment tests on goodwill and on cash-generating units (CGUs) at the reporting date, and whenever there are indications that the carrying amount might be higher than the recoverable amount. This analysis is based on assumptions such as estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share, margin evolution and discount rates (see Note 6.3).
- Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs for these valuation techniques are taken from observable markets where possible. Where this is not feasible, a certain level of professional judgement is required in establishing fair values. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in OCI to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss (see Note 6.18).
- The useful life of the fixed assets is defined to reflect the real depreciation of each asset. The depreciation of property, plant and equipment is mainly calculated based on the useful lives determined by the regulatory frameworks in Belgium and Germany, which are considered to be the best possible approximation of actual events in terms of economic utilisation. (see Note 3.3.1 and 6.1)
- The group makes use of practical expedients when applying IFRS 16 (Leasing):
  - The group applies a single discount rate per type of contracts, summarised per their duration. Those leases are assumed to have similar characteristics. The discount rate used is the group's best estimate of the weighted average incremental borrowing rate. Each lease contract is classified in a duration bucket (<5 years, between 5 and 10 years, etc.) for which an interest rate is derived equal to the interest rate of a traded bond with the same rating as Elia Group SA/NV in the same sector with a similar duration. The interest rate is fixed over the lifetime of the lease contract.
  - The group assesses the non-cancellable period of each of the contracts falling within the scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonably certain that they will exercise that option. Certainly, where it relates to office rent contracts, the group makes its best estimate of the non-cancellable period based on all information at its disposal (see Note 6.19).

- The impacts of the COVID-19 crisis and macroeconomic developments were taken into account by the group to assess potential effects on Elia's financial performance. In general, as Elia is acting in accordance with regulatory frameworks in Belgium and Germany, its profitability was not significantly affected in 2021 or 2022. During these two years, the COVID pandemic did not significantly impact the group neither in terms of financial performance nor in terms of the execution of the onshore and offshore infrastructure projects in either Belgium or Germany. The only exception to this was, in 2021, Elia Grid International's activities, since the international consulting business was negatively impacted by the COVID-19 restrictions, leading to a drop in its revenues. This situation was nevertheless offset by cost control measures in COVID times. Effects on macro-economic metrics, such as the interest rate, discount rate, etc. - were taken into account.

The year 2022 has been more impacted by the war in Ukraine and its consequences on energy prices (inflation).

Given the nature and location of its operations and the fact that Elia Group does not currently have activities in Russia nor in Ukraine or with Russian companies, Elia Group has not observed a direct impact of the Ukrainian conflict on its business. However, there was a strong push at the European level to become less dependent from Russian gas and fossil fuels with a willingness among the authorities in Belgium and Germany to accelerate the energy transition. This led to an increase of the Group's investment program over the mid-term.

With regard to the increasing inflation rates, this is a matter of concern for the group even if it operates under regulatory framework to offset major cost increases. The impacts of the current market volatility and macroeconomic developments were taken into account by the group to assess potential effects on Elia's financial performance and the valuation of its assets and liabilities (see note 4.4, 5.2, 5.3, 6.15 and 6.17). In particular, key assumptions used in the calculation of the post employments obligations have been reviewed to ensure a proper valuation as per 31 December 2022 (see note 6.14). The group assessed whether its non-financial assets might be impaired: it carried out an analysis of potential impairment indicators, in accordance with the provisions of IAS 36 – Impairment of Assets. The impairment test was carried out based on the last business plan; this identified no impairment risks as per 31 December 2022.

The different crisis and, in 2022, the strong increase of electricity prices could result in a potentially increased credit risk and may therefore affect the amount of impairment losses to be recognised with respect to expected credit losses. The group has since monitored payment receipts and counterparty risk more closely, noting no significant deterioration.

We refer to the following notes for more information: 6.3, 6.9, 6.19 and 8.1.

2.6. Approval by the Board of Directors

These consolidated financial statements were authorised for publication by the Board of Directors on 30 March 2023.

3. Significant accounting policies

3.1. Basis of consolidation

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date this control commences until the date that it ceases. The accounting policies of subsidiaries are changed when necessary, in order to align them with the policies adopted by the group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this results in a deficit balance of the non-controlling interests. Changes to the group's interest in a non-wholly-owned subsidiary that do not result in a loss of control are accounted for as equity transactions.

ASSOCIATES

Associates are those companies over which the Company exerts significant influence, but not control, in terms of their financial and operating policies. Investments in associates are accounted for in the consolidated financial statements in accordance with the equity method. They are initially recognised in the consolidated statement of financial position at cost, with all transaction costs incurred with the acquisition included, and are adjusted thereafter to reflect the group's share of the profit or loss and other comprehensive income of the associate. This accounting under the equity method is done from the date that significant influence commences until the date that it ceases. When the group's share of the losses exceeds its interest in an associate, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the group has incurred legal or constructive obligations or has made payments on behalf of an associate.

INTERESTS IN JOINT VENTURES

A joint venture is an arrangement under which the group has joint control and has rights to the net assets of the arrangement, as opposed to joint operations, under which the group has rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost price, with all transaction costs incurred with the acquisition included. Subsequent to initial recognition, the consolidated financial statements include the group's share of the total recognised profits and losses of joint ventures on the basis of the equity method, from the date that joint control commences until the date that it ceases. When the group's share of the losses exceeds its interest in joint ventures, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the group has incurred legal or constructive obligations or has made payments on behalf of a joint venture.

NON-CONTROLING INTERESTS

Non-controlling interests are measured in line with their proportional share of the acquiree's identifiable net assets on the acquisition date.

LOSS OF CONTROL

Upon the loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of other comprehensive income related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in the former subsidiary, then such interest is measured at fair value on the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a fair value financial asset depending on the level of influence retained.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

Intra-group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated when preparing the consolidated financial statements.
Unrealised gains from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATION AND GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.
The group measures goodwill on the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is completed in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities at acquisition date.

When the excess is negative, a gain on a bargain purchase is recognised immediately in profit or loss.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.
Transaction costs incurred by the group in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.
Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.2. Foreign currency translation

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into the functional currency of the Company at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are converted at the foreign exchange rate on that date. Foreign exchange differences arising on conversion are recognised in profit or loss.
Non-monetary assets and liabilities denominated in foreign currencies that are valued in terms of historical cost are converted at the exchange rate on the date of the transaction.

FOREIGN OPERATIONS

A foreign operation is an entity that is a subsidiary, an associate, an interest in a joint venture or a branch of the reporting entity whose activities are based or conducted in a country or currency other than those of the reporting entity.
The financial statements of all group entities that have a functional currency which differ from the group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the exchange rate at the reporting date;
- income and expenses are translated at the average exchange rate of the year.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, interests in joint ventures and associates at closing exchange rates are included in shareholder's equity under OCI. Upon the (partial) disposal of foreign subsidiaries, joint ventures and associates, (partial) cumulative translation adjustments are recognised in the profit or loss as part of the gain or loss on the sale.

3.3. Statement of financial position

3.3.1 Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost (including the directly allocated costs such as finance costs), less accumulated depreciation and impairment losses (see Section 3.3.7. 'Impairment of non-financial assets'). The cost of self-produced assets comprises the cost of materials, direct labour and, where relevant, the initial estimate of the costs of dismantling and removing the assets and restoring the site on which the assets were located. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Borrowing costs that are directly attributable to the construction of the qualifying asset are capitalised as part of the cost of that asset.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the subsequent costs of replacing part of such an item when that cost is incurred, but only when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repair and maintenance costs, are recognised in profit or loss as and when they are incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated. The applied depreciation percentages can be found in the bullet points below. Depreciation methods, remaining useful lives and residual values of property, plant and equipment are reassessed annually and are prospectively adjusted as the occasion arises.

- Administrative buildings 1.67 – 2.00%
- Industrial buildings 2.00 – 4.00%
- Overhead lines 2.00 – 4.00%
- Underground cables 2.00 – 5.00%
- Substations (facilities and machines) 2.50 – 6.67%
- Remote control 3.00 – 12.50%
- Dispatching 4.00 – 10.00%
- Other PPE (fitting out rented buildings) contractual period
- Vehicles 6.67 – 20.00%
- Tools and office furniture 6.67 – 20.00%
- Hardware 25.00 – 33.00%
- Right of use assets contractual period

Decommissioning an asset

In accordance with IAS 16, when the entity has a present, legal or constructive obligation to dismantle the item or restore the site, the initial cost of the item of property, plant and equipment includes an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A corresponding provision for this obligation is recorded for the amount of the asset component (the dismantling asset) and depreciated over the asset's entire useful life (see also 3.3.13 Provisions).

Derecognition

An asset is no longer recognised when it is subject to disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss, under other income or other expenses, during the year in which the asset was derecognised.

3.3.2 Intangible assets

Computer software

Software licences acquired by the group are stated at cost, less accumulated amortisation (see below) and impairment losses (see Section 3.3.7. 'Impairment').

Expenditure on research activities undertaken with the purpose of developing software within the group is recognised in profit or loss as it is incurred. Expenditure related to the development phase of software developed within the group is capitalised if:

- the costs of development can be measured reliably;
- the software is technically and commercially feasible and future economic benefits are probable;
- the group plans – and has sufficient resources – to complete development;
- the group plans to use the software.

The capitalised expenditure includes the cost of material, direct labour costs and overhead costs that are directly attributable to preparing the software for its use. Other costs are recognised in profit or loss as they are incurred.

Licences, patents and similar rights

Expenditure on acquired licences, patents, trademarks and similar rights are capitalised and amortised on a straight-line basis over the contractual period, if any, or the estimated useful life.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, unless the useful life is indefinite. Goodwill and intangible assets with indefinite useful lives are tested systematically for impairment on each end of the reporting period. Software is amortised from the date it becomes available for use. The estimated useful lives are as follows:

Licences	20.00%
Concessions	contractual period
Computer software	20.00 – 25.00%

Depreciation methods, remaining useful lives and residual values of intangible assets are reassessed annually and are prospectively adjusted as the occasion arises.

Derecognition

An intangible asset is derecognised upon disposal (i.e., the date upon which the recipient obtains control of it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3.3.3 Goodwill

Goodwill is stated at cost, less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see Section 3.3.7 'Impairment of non-financial assets'). In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

3.3.4 Trade and other receivables

Contract assets

Revenue arising from third party services (see Note 3.4.1) and associated costs are recognised over time as we have the right to consideration for work performed but not billed. Progress is determined based on the costs incurred.

The contract assets primarily relate to the group's rights to consideration for work completed but not billed at the reporting date on project work. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the group issues an invoice to the customer. Contract assets are included in trade and other receivables.

Levies

In its role as TSO's, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to various public service obligations imposed by their respective governments and/or by regulation mechanisms. These identify public service obligations in various areas (such as promoting the use of renewable energy, social support, fees for the use of the public domain, offshore liabilities) that should be fulfilled by TSO's. The costs incurred by TSOs as they undertake these obligations are fully covered by the tariff 'levies' approved by the regulators in Belgium and Germany. The amounts outstanding (deficit) are reported as a trade and other receivables. Throughout this process, as the TSO's are agents, the Group opted for a net presentation both at profit or loss and at balance sheet level. These transactions are fully "passed through".

See also Note 9.1.4.

Trade and other receivables

Trade receivables and other receivables are measured at amortised cost minus the appropriate allowance for amounts regarded as unrecoverable.

Impairment

For trade receivables and contract assets, the group applies a simplified approach when calculating the Expected Credit Losses (ECLs). The impairment model is based on the expected credit loss model. An individual approach is used for customers and other counterparties, for which the change in credit risk is monitored on an individual basis.

See Note 8.1 'Credit risk', for a detailed description of the model.

3.3.5 Inventories

Inventories (spare parts) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price minus the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted-average-cost-price method. The cost includes the expenditure incurred in acquiring the inventories and the direct costs of bringing them to their location and making them operational.
Write-downs of inventories to net realisable value are recognised in the period in which the write-offs occurred.

3.3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank balances, commercial paper and deposits that can be withdrawn on demand. Overdrafts that are repayable on demand form an integral part of the group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3.7 Impairment of non-financial assets

The carrying amount of the group's assets, excluding inventories and deferred taxes, is reviewed at the end of the reporting period for each asset to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.
The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets that are not yet available for use is estimated at the end of each reporting period.
An impairment loss is recognised whenever the carrying amount of such an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Recognised impairment losses relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis.
After recognition of impairment losses, the depreciation costs for the asset will be prospectively adjusted.

Calculation of the recoverable amount

The recoverable amount of intangible assets and property, plant and equipment is determined as the higher of their fair value less costs of disposal and their value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the current market assessment of the time value of money and the risks specific to the asset.

The group's assets do not generate cash flows that are independent from other assets. The recoverable amount is therefore determined for the cash-generating unit (i.e. the entire high-voltage grid) to which the asset belongs. This is also the level at which the group administers its goodwill and gathers the economic benefits of acquired goodwill.

Reversals of impairment

An impairment loss with respect to goodwill is not reversed. Impairment loss on other assets is reversed if there have been changes in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3.8 Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on their 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.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets measured at fair value through OCI (equity instruments)
- Financial assets measured at fair value through profit and loss

Financial assets at amortised cost

Financial assets at amortised cost are managed with a view to holding them to maturity and collecting contractual cash flows. The financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost include loans to third parties.

Financial assets measured at fair value through OCI (equity instruments FVOCI)

Upon initial recognition, the group irrevocably classifies its equity investments as equity instruments measured at fair value through OCI when the group does not have significant influence and the assets are not held for trading. This 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 which case any such gains are recorded in OCI. Equity instruments measured at fair value through OCI are not subject to impairment assessment.

The group has elected to irrevocably classify non-listed equity investments over which the group does not have significant influence in this category.

Financial assets measured at fair value through profit and loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL

Impairment of financial assets

The group recognises an allowance for expected credit losses (ECLs) for its debt instruments. See Note 8.1 'Credit risk', for a detailed description of the approach

3.3.9 Derivative financial instruments and hedge accounting

Derivative financial instruments

The group sometimes uses derivative financial instruments to hedge its exposure to foreign exchange, interest rate and commodity prices risks arising from operating, financing and investment activities. In accordance with its treasury policy, the group neither holds nor issues derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as instruments held for trading purposes.
Derivative financial instruments are initially recognised at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, the reflection of any resulting gain or loss depends on the nature of the item being hedged.
The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparties and the group. The fair value of forward exchange contracts is their quoted market price at the end of the reporting period, i.e. the present value of the quoted forward price.

Derivatives used as hedging instruments

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash-flow hedge are recognised directly in OCI to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss.
The group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The group designates only the spot element of forward contracts as a hedged risk. The forward element is considered the cost of hedging and is recognised in OCI and accumulated in a separate component of the statement of financial position under hedging reserves.
If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is prospectively discontinued. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in OCI is transferred, where justified, to the carrying amount of the asset. In other cases, the amount recognised in OCI is transferred to profit or loss in the same period that the hedged item affects profit or loss.
When a derivative or hedge relationship is terminated, cumulative gains or losses still remain in OCI, provided that the hedged transaction is still expected to occur. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is removed from OCI and is immediately recognised in profit or loss.
The group recognises derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for intended price hedging covers a period of up to two years from the balance sheet date. In this context, the group pursues a conservative hedging strategy oriented towards the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging.

The critical term match method measures effectiveness. If the valuation-relevant parameters of the hedged item and hedging instrument match, it is assumed that an effective hedging relationship exists and that changes in value from both items offset each other. The group strives for full price hedging of the expected volume of grid loss energy (hedge ratio 1:1).

Hedging of monetary assets and liabilities

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as foreign currency gains and losses.

3.3.10 Equity

Share capital – transaction costs

Transaction costs related to the issuing of capital are deducted from the capital received.

Share capital – share-based payment expenses

Share-based payment expenses are added to the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared (see note 6.12.1).

Hybrid securities

Hybrid securities are deeply subordinated securities. With the exception of ordinary shares, hybrid securities rank as the most junior instruments in the capital structure of the group in an insolvency hierarchy. Hybrid securities are perpetual instruments and do not default on non-payment of coupons (unless such payment was mandatory following a resolution or payment of a dividend to ordinary shareholders).

The holders of hybrid securities have limited influence on the outcome of a bankruptcy proceeding or restructuring outside bankruptcy. Consequently, the holders cannot oblige the group to pay distributions or redeem the securities in part or in full. Payment of distributions on and redemption of the securities is at our sole discretion. In light of their characteristics, hybrid securities are classified as an equity instrument under IFRS. The associated issue costs are recognised directly in retained earnings.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are deducted from equity. The amount of treasury shares held is disclosed in the treasury share reserve. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within retained earnings. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Share-based payments

The cost of share-based payment transactions is reflected in the income statement. The stock options are valued at grant date, based on the share price at grant date, business evolution, exercise price and interest rates. Stock option plan cost is taken into result on a straight-line basis from the grant date until the end of the vesting period.

3.3.11 Financial liabilities

Financial liabilities consist of interest-bearing loans and borrowings in the group. They are initially recognised at fair value, less related transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost price with any difference between amount at initial recognition and redemption value being recognised in profit or loss over the period of the loans on an effective interest basis.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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

3.3.12 Employee benefits

Defined-contribution plans

In Belgium, contribution based promises, called defined-contribution pension plans under Belgian pension legislation, are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer.

Before 1 January 2016, the legal minimum return was 3.75% on employee contributions, 3.25% on employer contributions and 0% for inactive plan participants.
From 1 January 2016 onwards, the legal minimum return is a variable rate between 1.75% and 3.75%. The interest rate is automatically adapted on 1 January each year based on the average return OLO 10 years over 24 months, with 1.75% as a minimum. As of 1 January 2016, the legal minimum return is 1.75% on employee and employer contributions and 0% for inactive plan participants.
As the plans are funded via a pension fund, the vertical approach is applied, meaning that 1.75% is applied on all the reserves (even before 2016).
The employer needs to finance the deficits related to the “Law on Supplementary Pensions (LSP) guarantee at any time for the employee contract and at the moment the vested reserves are transferred in case of departure, retirement or liquidation of the pension for the employer contract.
For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any).
The Defined-Benefit Obligation (DBO) was determined following the Projected Unit Credit (PUC) method. The plan formula (backloaded or not) determines whether the premiums are projected.

In Germany, the defined-contribution plan comprises a fixed pension to be paid to an employee upon retirement, which is usually based on one or more factors such as the employee’s age, years of service and salary.

In both countries, the calculation is performed by an accredited actuary.

Defined-benefit plans

For defined-benefit plans, which exist in both Belgium and Germany, the pension expenses for each plan are assessed separately on an annual basis by accredited actuaries using the PUC method. The estimated future benefit that employees have earned in return for their service in the current and previous periods is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the interest rate, at the end of the reporting period, on high quality bonds that have maturity dates approximately equivalent to the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss at the earlier of the following dates:

- when the plan amendment or curtailment occurs; or
- when the entity recognises related restructuring costs under IAS 37 or termination benefits.

Where the calculation results in a benefit to the group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements – comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined-benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined-benefit liability) – are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Reimbursement rights (Belgium)

Reimbursement rights are recognised as a separate asset when, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle the corresponding benefit obligation. Reimbursement rights are presented as non-current assets under other financial assets and are measured at fair value. These rights are handled the same way as the corresponding defined-benefit obligation. When the changes in the period result from changes in financial assumptions or from experience adjustments or changes in demographic assumptions, then the asset is adjusted through OCI. The components of the defined-benefit cost are recognised net of amounts relating to changes in the carrying amount of the rights to reimbursement.

Other long-term employee benefits

The group's net obligation regarding long-term service benefits other than pension plans is assessed on an annual basis by accredited actuaries. The net obligation is calculated using the PUC method and is the amount of future benefit that employees have earned in return for their service in the current and previous periods. The obligation is discounted to its present value, and the fair value of any related assets is deducted. The discount rate is the yield, at the end of the reporting period, on high quality bonds that have maturity dates approximately equivalent to the terms of the group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid out under a short-term cash bonus or profit-sharing plans if the group has a legal or constructive obligation to pay this amount as a result of the employee's past service and the obligation can be reliably estimated.

3.3.13 Provisions

A provision is recognised in the balance sheet when the group has a current legal or constructive obligation as a result of a past event and it is likely that an outflow of economic benefits – of which a reliable estimate can be made – will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, of the risks specific to the liability.
The group's main long-term provisions are provisions for dismantling obligations. The present value of the obligation at the time of commissioning represents the initial amount of the provision for dismantling with, as the counterpart, an asset for the same amount, which is included in the carrying amount of the related property, plant and equipment and is depreciated over the asset's entire useful life.
Factors having a significant influence on the amount of provisions include:

- cost estimates
- the timing of expenditure ; and
- the discount rate applied to cash flows.

These factors are based on information and estimates deemed by the group to be the most appropriate as of today.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.3.14 Trade and other payables

Trade and other payables are stated at amortised cost.

Levies

In its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to various public service obligations imposed by the Government and/or by regulation mechanisms. These identify public service obligations in various fields (such as promoting the use of renewable energy, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by TSOs in accordance with these obligations are fully covered by the tariff 'levies' approved by the regulator. The amounts outstanding (surplus) are reported as a trade and other payable.
In this process, as the TSO's are agents, the group opted for a net presentation both at profit or loss and at balance sheet level. These transactions are fully "passed through".

See also Note 9.1.14.

3.3.15 Other non-current liabilities

Government grants

Government grants are recognised when it is reasonably certain that the group will receive such grants and that all underlying conditions will be met. Grants related to an asset are presented under other liabilities and will be recognised in the statement of profit or loss on a systematic basis over the expected useful life of the asset in question. Grants related to expense items are recognised in the statement of profit or loss in the same period as the expenses for which the grant was received. Government grants are presented as other operating income in the statement of profit or loss.

Contract liabilities – last mile connection

The consideration of the last mile connection is paid upfront, whilst the revenues are recognised over the lifetime of the underlying asset. The amounts to be released in future are reflected in this section. See also Note 3.4.1.

3.3.16 Leases

Upon the inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease included in IFRS 16.

The group as a lessee

The group recognises a right-of-use asset and a lease liability on the lease commencement date. Assets and liabilities arising from a lease are initially measured on a present value basis and discounted using the group's best estimate for the weighted average incremental borrowing rate, in case the rate implicit in the lease cannot be readily determined. The group applies a single discount rate per group of similar contracts, summarised per their duration.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. Variable lease payments are expensed as incurred. As a practical expedient, no distinction is made between lease and non-lease components. Components that do not transfer any goods or services (initial direct costs, prepayments) are excluded from the lease price.

Right of use assets are subsequently reduced by accumulated depreciation, impairment losses and any adjustments resulting from the remeasurement of the lease liability. These assets are depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects the fact that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payments 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 not to be exercised.

The group presents right-of-use assets within ‘property, plant and equipment’ and lease liabilities within ‘loans and borrowings’ (current and non-current) in the statement of financial position.

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 such risks and rewards are recognised as operating leases. As a lessor, the group has only operating lease contracts. The lease payments received are recognised as other income on a straight-line basis over the lease term.

3.3.17 Regulatory deferral accounts

The group operates in a regulated environment in which tariffs are meant to realise total revenue/income consisting of:

- a reasonable return on invested capital;
- all reasonable costs which are incurred by the group.

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting agreed with regulator) to cover all reasonable costs of the system operator including a reasonable profit margin for its shareholders.
If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to end consumers should have been lower or higher respectively (and vice versa). This surplus or deficit is therefore reported in the regulatory deferral account. The release of the regulatory deferral account will impact future tariffs: incurred regulatory liabilities will decrease future tariffs, whilst incurred regulatory assets will increase future tariffs.
In the absence of an IFRS standard which specifically applyies to the treatment of these regulatory deferral accounts, Elia management referred to the requirements of IFRS 14 and the Conceptual Framework for Financial Reporting alongside the latest changes in the IASB project on Rate-regulated Activities to develop the following accounting policy:

- a liability is recognised in the statement of financial position and presented as part of “accruals and deferred income” with respect to the Elia group’s obligation to deduct an amount from the tariffs to be charged to customers in future periods because the total allowed compensation for goods or services already supplied is lower than the amount already charged to customers, or excess revenues has been generated due to higher volumes than initially estimated (regulatory liability);
- an asset is recognised in the statement of financial position with respect to the Elia group’s right to add an amount to the tariffs to be charged to customers in future periods because the total allowed compensation for the goods or services already supplied exceeds the amount already charged to customers or shortage in revenues has occurred due to lower volumes than initially estimated (regulatory asset); and
- the net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line item “net regulatory income (expense)”.

The amount in the regulatory deferral accounts is reported on an annual basis and assessed by the regulator.

The sum of revenue from contracts with customers (as defined in IFRS 15), other income and the net income (expense) from the settlement mechanism is also presented as a subtotal headed “Revenue, other income and net income (expense) from settlement mechanism”, as in substance it represents the revenue that is economically earned during the period taking into account the regulated environment in which the Elia group operates. The effect of discounting is reflected in the financial result. See Note 9.

3.4 Items in the statement of profit or loss

3.4.1 Income

Revenues

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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. These are the five steps to consider for each customer contract:

1. Identifing the contract(s) with a customer;
2. Identifing the performance obligations in the contract(s);
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognising revenue when performance obligations are satisfied, or when control of goods or services is transferred to the customer.

The group’s main revenues are realised by TSOs which operate in accordance with regulatory frameworks and which have de facto/legal monopolies in their respective control zones. The frameworks which apply in the group’s main countries of activity are detailed in Note 9 ‘Regulatory framework and tariffs’.

With regard to the regulated business, each service is based on a standard contract with the customer, mostly with a predefined regulated tariff (unit price multiplied by the volume (injection or offtake) or the reserved capacity (depending on the type of service)), so pricing is not variable. The allocation of the transaction price over the different performance obligations is therefore straightforward (one-to-one relationship). Most of these contracts are concluded for an indefinite period and have general payment terms of 15-30 days. Considering the business of the Elia group, there are no relevant right-of-return and warranty obligations.

For all services provided by the group, Elia is the sole and primary party responsible for executing the service and is thus the principal. However, in its role as a TSO, Elia Transmission Belgium SA/NV and 50Hertz Transmission GmbH are subject to public service obligations imposed by the government/regulation mechanisms. These obligations mainly relate to financial support for the development of renewable energy. TSOs act as agents for these activities, and since the expense/income streams are fully covered by tariffs, they have no impact on the statement of profit and loss. See section ‘Levies’ of Note 3.3.14 for more information on the accounting treatment.

The group’s main performance obligations/contract types, their pricing and the revenue recognition method for 2022 can be summarised as follows:

Revenue by category for Elia Transmission Belgium

Revenue stream	Nature, customer and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Grid connection	**Technical studies** conducted at the request of grid users, connected directly to the grid with a view to having a new connection built or an existing connection altered. The revenue is recognised at the point in time when the study is delivered.	Contract and tariff approved by regulator. Fixed amount per type of study.
	Last-mile connection is a component of the grid connection contract. At the request of a future grid user, Elia constructs/adjusts a dedicated/ physical connection, known as a last-mile connection, to connect the customer's facility to Elia's grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by Elia is valuable to the grid user, hence why the grid user compensates Elia in cash. Since the grid user simultaneously enters into a grid connection contract, the two activities (access right and grid connection services) are not distinct and constitute a single performance obligation and interdependence between the contracts. As the total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, the contract has no specific end date. This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
	The fees charged to grid users/distribution system operators (DSOs) cover the **maintenance and operating** costs relating to the **dedicated connection facilities.** The revenue is recognised over time, as this service is performed continuously throughout the contractual term.	Contract and tariff approved by regulator. Tariff is set per asset type (e.g. bay, km of cable).
Management and development of grid infrastructure	This component of the access contract signed with access holders/DSOs covers the development and management of the grid with a view to meeting capacity needs and satisfying demand for electricity transmission. The revenue is recognised over time, as providing sufficient capacity and a resilient grid is a service performed continuously throughout the contractual term.	Contract and tariff approved by regulator. EUR per kW/KVA for yearly/monthly peak and power available at access point.
Management of the electricity system	This component of the access contract signed with access holders/DSOs covers the management and operation of the electricity system and the offtake of additional reactive energy relating to Elia's grid (different from the connection assets). The revenue is recognised over time, as these services are performed continuously throughout the contractual term.	Contract and tariff approved by regulator. EUR per kW/ kVArh at access point.
Market integration	This component is part of the access contract signed with access holders/DSOs, and covers (i) services to facilitate the energy market; (ii) services to develop and enhance the integration of an effective and efficient electricity market; (iii) the management of interconnectors and coordination with neighbouring countries and the European authorities; and (iv) the publication of data, as required by transparency obligations. The revenue is recognised over time, as these services are performed continuously throughout the contractual term.	Contract and tariff approved by regulator. EUR per kW at access point.
Compensation for imbalances	As defined in the BRP contract, the BRP (Balance Responsible Party) has a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance caused by a BRP, Elia has to activate the ancillary services, which are then invoiced to the BRP. The revenue is recognised at the point in time when an imbalance occurs.	Contract and tariff/mechanism approved by regulator. Based on market prices, EUR per kW imbalance at access point.
International revenues	Grid use along borders is organised through half-yearly, quarterly, monthly, weekly, weekend, daily and intra-day auctions. Elia and the regulators decide which auctions are conducted along each border. Auctions are organised through an auction office, which acts as an agent. The auction office collects the revenues paid by the European energy traders, which are ultimately shared between neighbouring TSOs based on the volumes imported/exported on the border. The revenue is recognised at the point in time when an import/export activity occurs.	Framework agreement with parties and auction office. Price is set based on price difference in cross-border market prices.

Revenue by category for 50 Hertz Transmission

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Revenues from incentive regulation	The ‘grid use fee’ is charged to grid users/DSOs connected to the grid for the volume of injection and/or offtake on the onshore grid. This contract is signed with grid users. The revenue is recognised over time, as this service is a performed continuously throughout the contractual term.	Standard contract and grid tariffs defined by regulator.
	Last-mile connection is a component of the ‘grid use fee’ contract. At the request of a future grid user, 50Hertz constructs a dedicated/physical connection, known as a last-mile connection, to create an interface point to the grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by 50Hertz is valuable to the grid user, hence why the grid user compensates Elia in cash. Since the grid user simultaneously enters into a grid connection contract, the two activities (access right and grid connection services) are not distinct and constitute a single performance obligation and interdependence between the contracts. As the total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, the contract has no specific end date. This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
Revenues from offshore regulation	This component comprises tariffs charged to grid users/DSOs to cover grid connection costs for offshore wind farms. The revenue is recognised over time, as this service is performed continuously throughout the contractual term	Contract and tariffs predefined in regulatory mechanism.
Energy revenues	This revenue stream consists of different components **Congestion management and redispatch** fees are paid by market participants for use of the capacity made available by 50Hertz on specific lines (including use of cross-border assets). This allocation mechanism is governed by transparent, market-oriented procedures. The revenue is recognised at the point in time when it is generated	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	Compensation for imbalances Market participants (BRPs) have a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance, 50Hertz invoices the market participant to compensate for the costs incurred. The revenue is recognised at the point in time when an imbalance occurs.	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	Horizontal reimbursement of lignite back-up costs In its role as a TSO, 50Hertz charges fees to other TSOs for services related to the reserve power required by the legal framework. The revenue is recognised over time, as this service is performed continuously throughout the contractual term.	

Other revenues

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Other revenues		
Third-party services	Elia Grid International provides consultancy services to third parties around the world. The revenue is recognised over the completion of the contract. Third-party services are presented in other revenues.	Contract negotiated between EGI and customer. The contract price is set when the contract is concluded with the customer. The payment term is generally 30 days from the invoice date.
Commission fee	Re.alto provides a platform through which energy actors (e.g. traders, prosumers) can exchange energy data. re.alto receives a commission on transactions undertaken via the platform. The revenue is recognised at the point in time when the transaction occurs. The commission fee is presented in other revenues.	The commission fee is a fixed percentage on each transaction.
Others	This mainly covers other services than those described above. The revenue is recognised at the point in time when the service is complete.	

Consequently, all revenue components contain revenue from contracts with customers, i.e. parties that have contracts in place with the Group to obtain services resulting from the Group's ordinary activities in exchange for a consideration.

Other income

Other income is recognised when the related service is performed and no further performance obligations arise.

Net regulatory income (expense) from settlement mechanism

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting is agreed with the regulator) to cover all the system operator's reasonable costs, including a reasonable profit margin for the shareholders.
If the applied tariffs result in a surplus or deficit at the end of the year, this means that the tariffs charged to consumers/the general public could have been lower or higher. This surplus or deficit is therefore reported in the settlement mechanism deferral account.
The release of this deferral account will impact future tariffs: where regulatory liabilities are incurred, future tariffs will be lower, and where regulatory assets are incurred, future tariffs will be higher. The net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss in the line 'Net income (expense) from settlement mechanism'. See also Note 3.3.17.

3.4.2 Expenses

Other expenses

Property taxes are directly recognised in full as soon as ownership is certain (generally on 1 January of the year in question). However, these costs, which are considered to be non-controllable costs under the regulatory framework, are recorded as revenue through the settlement mechanism for the same amount, resulting in zero impact in terms of profit or loss.

Finance income and expenses

Finance expenses comprise interest payable on borrowings (calculated using the effective interest rate method), interest on lease liabilities, foreign-exchange losses, gains on currency hedging instruments that offset currency losses, results on interest-rate hedging instruments, losses on hedging instruments that are not part of a hedge accounting relationship, losses on financial assets classified as being for trading purposes and impairment losses on financial assets as well as any losses from hedge ineffectiveness.
Finance income includes interest receivables on bank deposits, which are recognised in profit or loss using the effective interest rate method as they accrue.
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Income taxes

Income taxes comprise current and deferred tax. Income tax expense is recognised in profit or loss, except where it relates to items recognised directly in equity. Taxes on hybrid coupons are recognised in the statement of profit and loss as these are a tax on profits whereas the hybrid coupon itself is recognised directly in equity.
Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in relation to previous years.
Deferred tax is recognised, using the balance sheet method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and joint ventures where these will probably not be reversed in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising from initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred items relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they are intended to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.
A deferred tax asset is recognised only to the extent that it is likely that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer likely that the related tax benefit will be realised.
Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3.5 Statement of comprehensive income and statement of changes in equity

The statement of comprehensive income presents an overview of all revenues and expenses recognised in the consolidated statement of profit or loss and in the consolidated statement of changes in equity. The group has elected to present comprehensive income using the two-statement approach, i.e. the statement of profit or loss immediately followed by the statement of other comprehensive income. As a result of this approach, the content of the statement of changes in equity is restricted to owner-related changes.

4. Segment reporting

4.1 Basis for segment reporting

The group has opted for segment reporting, in conformity with the different regulatory frameworks that currently exist within the group. This reporting approach closely reflects the group's operational activities and is also in line with the group's internal reporting to the Chief Operating Decision Maker (CODM), enabling the CODM to better evaluate and assess the group's performance and activities in a transparent way.

Pursuant to IFRS 8, the group has identified the following operating segments based on the aforementioned criteria:

- Elia Transmission (Belgium), which comprises the activities based undertaken in line with the Belgian regulatory framework: the regulated activities of Elia Transmission Belgium SA/NV, Elia Asset SA/NV, Elia Engineering SA/NV, Elia Re SA, HGRT SAS and Coreso SA/NV, whose activities are directly linked to the role of the Belgian transmission system operator and are subject to the regulatory framework applicable in Belgium – see Section 9.1.3.
- 50Hertz Transmission (Germany), which comprises the activities undertaken in line with the German regulatory framework: Eurogrid GmbH, 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, whose activities are directly linked to the role of the transmission system operator in Germany – see Section 9.2.3.
- Non-regulated activities and Nemo Link, comprising:
    - Elia Group NV/SA, mainly consisting of the holding activities in the Elia Transmission (Belgium) and 50Hertz Transmission (Germany) segment;
    - Eurogrid International NV/SA;
    - the holding activities in Nemo Link Ltd. This company comprises and manages the Nemo project, which connects the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries and for which a specific regulatory framework has been set up – see Section 9.3 for more details;
    - the non-regulated activities of the Elia Transmission (Belgium) segment. 'Non-regulated activities' refers to activities which are not directly related to the role of a TSO – see Section 9.1;
    - EGI (Elia Grid International NV/SA, Elia Grid International GmbH, Elia Grid International Pte. Ltd Singapore (closed in 2022), Elia Grid International LLC Saudi Arabia and Elia Grid International Inc Canada (a new subsidiary incorporated in 2022), which are companies that supply specialists in consulting, services, engineering and procurement, creating value by delivering solutions based on international best practice while fully complying with regulated business environments;
    - Re.Alto-Energy BV/SRL and Re.Alto-Energy GmbH, a start-up founded in August 2019 which is the first European digital marketplace for energy data and services;
    - Windgrid, a new entity created during the reporting period 2022, which was established to manage expected increase in investments in renewable energy production and the offshore grid expansion.

The CODM has been identified by the group as the Boards of Directors, CEOs and Management Committees of each segment. The CODM periodically reviews the performance of the group's segments using various indicators such as revenue, EBITDA and operating profit.

The information presented to the CODM follows the group's IFRS accounting policies, so no reconciling items have to be disclosed.

4.2 Elia Transmission (Belgium)

The table below shows the 2022 consolidated results for Elia Transmission (Belgium)

Results Elia Transmission (in € million) – period ended 31 December	**2022**	**2021**	**Difference (%)**
Revenue, other income and net income (expense) from settlement mechanism	1,561.3	1,199.5	30.2%
Revenues	*1,420.4*	*1,009.8*	*40.7%*
Other income	*147.6*	*68.3*	*116.1%*
Net income (expense) from settlement mechanism	*(6.7)*	*121.4*	*(105.5%)*
Depreciation, amortisation, impairment and changes in provisions	(214.4)	(205.1)	4.5%
Results from operating activities	259.6	224.8	15.5%
Equity accounted investees	2.4	2.3	3.3%
EBIT	262.0	227.1	15.4%
EBITDA	476.4	432.2	10.2%
Finance income	1.3	1.7	(23.5%)
Finance costs	(63.7)	(64.8)	(1.7%)
Income tax expenses	(42.7)	(32.9)	29.7%
Net profit	**156.9**	**131.0**	**19.8%**
Consolidated statement of financial position (in € million)	**31 December 2022**	**31 December 2021**	**Difference (%)**
Total assets	7,848.6	7,153.5	9.7%
Capital expenditures	449.0	417.2	7.6%
Net financial debt	2,916.2	3,441.0	(15.3%)

The tariff methodology approved by the CREG on 7 November 2019 came into force in 2020. The methodology is applicable for a four-year period (2020 – 2023). See Note 9.1 for more information about the new regulatory framework.

Financial

Elia Transmission's revenue was up 30.2% compared with last year, increasing from €1,199.5 million to €1,561.3 million. Revenue was impacted by a higher regulated net profit, higher depreciations linked to the growing asset base, one-off tariff compensation for the financial cost linked to the capital increase (i.e. portion allocated to ETB) and higher costs for ancillary services. Higher ancillary services resulted from the high gas prices caused by the war in Ukraine and, to a lesser, extent the increase in imbalance volume caused by the increase in the share occupied by renewables in the energy mix.

The table below provides more details about revenue component changes:

(in € million)	**2022**	**2021**	**Difference (%)**
Grid revenue:	**1,415.8**	**1,006.0**	**40.7%**
Grid connection	44.8	45.1	(0.6%)
Management and development of grid infrastructure	475.3	480.6	(1.1%)
Management of the electrical system	149.8	149.0	0.6%
Compensation for imbalances	365.0	220.6	65.4%
Market integration	22.2	23.2	(4.0%)
International revenue	358.6	87.5	309.6%
Last mile connection	3.5	2.9	19.6%
Other revenue	1.1	0.8	27.3%
Subtotal revenue	1,420.4	1,009.8	40.7%
Other income	147.6	68.3	116.1%
Net income (expense) from settlement mechanism	(6.7)	121.4	(105.5%)
Total revenue and other income	**1,561.3**	**1,199.5**	**30.2%**

Revenues from the **management and development of grid infrastructure**, the **management of the electrical system**, **market integration** and **grid connection** remained stable compared to 2021.

Services rendered in the area of energy management and the individual balancing of balancing groups are paid under **revenues from compensation for imbalances**. These revenues, which increased from €220.6 million to €365.0 million (+65.4%), were largely due to the tariff for maintaining and restoring the residual balance of individual access responsible parties (+€147.8 million). The higher balance activation costs due to the increase in gas prices caused by the war in Ukraine and, to a lesser extent, the increase in imbalance volume caused by the increase in the share occupied by renewables (in particular offshore wind) - which are more heavily influenced by forecast differences in the generation mix - were the main drivers of the revenue increase.

International revenue increased to €358.6 million (+309.6%), mainly due to increasing congestion income on the border with France. Indeed, the prices in France are higher than in the rest of Europe due to nuclear outages, and Belgium, as direct neighbour of France, has a big share of the congestion revenues linked to price spread with France.

The **last mile connection (previously called transfer of asset from customers) increased** compared to the previous year, so driving the further electrification of the power sector, while **other revenues** also increased, mainly due to works delivered to third parties.

The **settlement mechanism** decreased from €121.4 million in 2021 to -€6.7 million in 2022 and encompassed both deviations in the current year from the budget approved by the regulator (-€132.4 million) and the settlement of net surpluses from the previous tariff period (€125.7 million). The operating surplus (-€132.4 million), with respect to budgeted costs and revenue authorised by the regulator, will be returned to consumers in a future tariff period. The surplus was primarily the result of higher costs for ancillary services (+€228.6 million), higher influenceable costs (+€212.7 million) and a higher net profit (+€28.7 million). This was more than offset by an increase in tariff sales (-€247.0 million), which was mainly driven by imbalance compensations, and higher international and other sales (-€396.7 million), including the within-period Cap & Floor adjustment for Nemo Link (€69.1 million), as the cap surplus needs to be returned to the tariffs.

EBITDA rose to €476.4 million (+10.2%) due to a higher regulated net profit, higher depreciations linked to the growing asset base and higher financial costs all passed through into revenue. The **EBIT** increase was more pronounced (+15.4%), mainly due the lower depreciations of assets not covered by tariffs, being the intangible assets expensed during the previous regulatory period and activated under IFRS and for leasing contracts. The contribution of equity-accounted investments remained flat at €2.4 million, linked to the contribution from HGRT.

Net finance cost slightly decreased (-1.1%) compared with the previous year. This was mainly driven by the higher activation of borrowing costs due to the growth of the asset base (€2.1 million) and partially offset by other financial costs. The financial costs linked to Elia Group's capital increase were allocated to the Belgian regulated activities on a pro-rata basis in accordance with the use of proceeds. Under IFRS, these costs (€3.6 million) are directly accounted through equity. During 2022, ETB did not tap into the debt market and had a well-balanced debt maturity profile. The average cost of debt remained at 1.9% at the end 2022 and all outstanding debt had a fixed coupon.

Net profit rose by 19.8% to €156.9 million, mainly due to the following:

- A **higher fair remuneration** (+€12.1 million) due to asset growth and higher equity. The increase in equity was mainly driven by the proceeds allocated to the Belgian regulated activities (€290.1 million) following Elia Group's capital increase. Additionally, the fair remuneration benefitted from the capital grant received from the Federal Government in relation to the Princess Elisabeth Island (€73.1 million net of deferred tax) and recognised as part of the regulated equity.
- Increase in **incentives** (+€1.4 million), reflecting a solid operational performance, primarily linked to a better performance on the incentive for innovation, customer satisfaction and influenceable costs and partially offset by lower incentive for interconnection capacity. Driven by the growth of the activities, the efficiency gain on controllable costs slightly decreased compared with the previous year, while the net contribution from incentives benefitted from a reduction in the average tax rate due to a higher innovation income deduction.
- **Employee and other provisions** (+€7.9 million), mainly driven by higher contributions to plan assets.
- Higher **capitalised borrowing costs** due to a higher level of assets under construction (+€1.7 million).
- A one-off **tariff compensation** for the financial costs linked to the capital increase (+€3.6 million).
- **Regulatory settlements** and the reversal of provision for the influenceable incentive following the Saldi 2021 review (+€2.2 million).
- **Other** (-€3.0 million): this was primarily due to share-based payment expenses linked to the capital increase in favour of members of staff (-€1.7 million),deferred tax effects (-€2.4 million) and other restatements (-€0.6 million), partially offset by the lower depreciation of software and hardware (+€1.4 million) and less damage to electrical installations compared with the previous year (+€0.3 million).

Total assets increased by €695.1 million to €7,848.6 million due to the realisation of the investment programme and higher liquidity.

Net financial debt dropped to €2,916.2 million (-15.3%), as ETB's CAPEX programme was fully financed by the proceeds from the capital increase and by cash flows from operating activities, which were positively impacted by higher cash inflows from levies and the cap surplus paid by Nemo Link (€69.1 million, which needs to be returned to the tariffs). The sustainability-linked RCF (€650 million) and the commercial paper (€300 million) were fully undrawn at the end of 2022. S&P Global confirmed ETB's rating at BBB+ with a stable outlook at the end of 2022.

4.3 50Hertz Transmission (Germany)

The table below shows the 2022 consolidated results for 50Hertz Transmission (Germany) system operator activities in Germany.

Results 50Hertz Transmission (Germany) (in € million) – period ended 31 December	2022	2021	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	2,592.7	1,716.9	50.9%
Revenues	*2,222.4*	*1,569.9*	*41.6%*
Other income	*125.9*	*95.1*	*32.4%*
Net income (expense) from settlement mechanism	*244.4*	*51.9*	*n.r.*
Depreciation, amortisation, impairment and changes in provisions	(297.3)	(261.2)	13.8%
Results from operating activities	314.1	272.9	15.1%
EBIT	314.1	272.9	15.1%
EBITDA	611.5	534.0	14.5%
Finance income	73.9	2.1	3419.0%
Finance costs	(46.6)	(36.9)	26.4%
Income tax expenses	(105.3)	(72.8)	44.6%
Net profit	**236.1**	**165.4**	**42.7%**
Of which attributable to the Elia Group	***188.9***	***132.3***	***42.8%***
Consolidated statement of financial position (in € million)	**31 December 2022**	**31 December 2021**	**Difference (%)**
Total assets	11,638.1	9,941.3	17.1%
Capital expenditures	1,135.9	880.4	29.0%
Net financial debt	1,255.3	1,014.9	23.7%

50Hertz Transmission's total revenue and other income increased compared with 2021 (+51.0%).

Total revenues are detailed in the table below.

(in € million)	2022	2021	Difference (%)
Grid revenue:	**2,213.1**	**1,561.3**	**41.7%**
Revenue from incentive regulation	862.7	911.8	(5.4%)
Revenue from offshore regulation	295.1	294.7	0.1%
Energy revenue	1,055.4	354.9	197.4%
Other revenue (incl. last mile connection)	9.2	8.6	7.1%
Subtotal revenue	2,222.4	1,569.9	41.6%
Other income	125.9	95.1	32.4%
Net income (expense) from settlement mechanism	244.4	51.9	370.9%
Total revenue and other income	**2,592.6**	**1,716.9**	**51.0%**

Revenues from incentive regulation consist of grid tariffs before the settlement mechanism; they are primarily driven by the regulatory remuneration for onshore activities (revenue cap).

Revenues from incentive regulation decreased by €49.1 million, coming from lower volume effects than last year and lower revenues from the revenue cap.

The infeed of renewable energy into the distribution grid was higher than expected, leading to lower volumes in the transmission grid. Consequently, the volume effect was lower than in previous years (-€99.2 million).
The revenue cap decrease (-€14.3 million) was mainly driven by higher paybacks for old regulatory balances via the regulatory account (-€67.3 million). Additionally, the pass-through energy costs for reserve power plants decreased compared to 2021 (-€14.7 million). These effects were partially compensated for by an increased allowance for onshore investments (+€21.7 million) as well as a higher cost allowance for ancillary services (+€48.5 million).

Furthermore, there was no pass-through payback related to the old regulatory offshore mechanism compared with last year (+€64.5 million).

Revenues from offshore surcharge include all revenues derived from the offshore grid surcharge. This includes regulatory remuneration for the connection of offshore wind farms, the reimbursement of offshore liability payments and offshore costs charged to 50Hertz by third parties, e.g. other TSOs.

The offshore surcharge revenues increased slightly compared with the previous year (+€0.4 million) as the remuneration of 50Hertz's own offshore grid connection costs increased (+€25.5 million), driven by ongoing offshore investments (Ostwind 2 and Ostwind 3). This effect was offset by the decrease in the pass-through costs charged to 50Hertz by third parties compared with 2021 (-€25.1 million).

Energy revenues include all revenues related to system operations and are mostly corresponding costs charged on to third parties, such as redispatch measures, costs for reserve power plants or control power costs. Revenues generated from auctioning off interconnector capacity are also included in this section.

Energy revenues strongly increased compared to the previous year (+€700.5 million), due to the continuing rise in energy prices. The control power costs charged to balancing groups increased significantly (+€386.0 million), as did the charges to other TSOs for redispatch measures (+€188.5 million). Furthermore, revenues from the auctioning of interconnector capacities benefitted from price developments (+€77.9 million), as well as revenues from the compensation of involuntary exchanges at the grid's borders (+€33.1 million).

Other revenues (including last-mile connection) increased (+€0.5 million), mainly due to higher revenues received from the Inter-Transmission System Operator Compensation (ITC) mechanism. The ITC mechanism is based on an EU regulation and compensates TSOs for the costs of hosting cross-border electricity flows on their networks. TSOs contribute/receive funds based on electricity flows onto/from their national transmission systems.

Other income rose (+€30.9 million), as a result of higher own work capitalised following the increase in staffing to execute and manage the investment programme (+€18.3 million). Furthermore, other operating revenues increased (+€9.1 million), including the capitalisation of dismantling provisions and higher charges for IT to third parties.

The **net regulatory income (expense) from settlement mechanism** neutralises regulatory time lags. It consists of two components: firstly, the neutralisation of differences between cost allowances in the tariffs and the actual costs incurred for the current year (+€125.2 million); secondly, the balancing of said differences from prior years (+€119.1 million).

EBITDA increased to €611.5 million (+14.5%). The growing asset base benefitted the investment remuneration (+€77.6 million). The opex costs decreased as 50Hertz ramped down from a peak in the maintenance cycle while focussing on operational efficiency and safety, while also benefitting from capitalised dismantling costs that were passed through under the offshore cost-plus regulation (+€11.8 million). Furthermore, the losses on asset disposal and trade debtors were reduced (+€5.6 million). In order to ensure the energy transition is a success and manage the increasing complexity of system operations in the future, 50Hertz continued to expand its talent pool, leading to additional staffing costs (-€16.3 million), which was compensated for by the higher own work capitalised (+€14.2 million). Furthermore, EBITDA benefited from one-off revenues from the regulatory settlement and related provisions amounting to €23.4 million (-€18.9 million). This settlement was mainly related to an agreement on the offshore lump sum for the year 2018, while in 2021 it originated from the refund of clawback amounts as part of the transition towards the Capital Cost Adjustment model in 2024.

There was a less pronounced increase in **EBIT** (+€41.2 million) which was driven by increasing depreciations (-€37.3 million) following the commissioning of projects like Ostwind 2 (first cable system and Arcadis Ost 1 platform). Furthermore, operating provisions decreased slightly compared with 2021 (+€1.1 million). No adjusted items occurred in 2022.

The **net financial result** increased to €27.3 million (+€62.0 million), driven primarily by the revaluation of provision for congestion income from interconnectors to be returned to grid customers based on the strong upwards revision of the interest forward curve amounting to €67.5 million in 2022 (+€63.1 million compared to 2021).

Net profit increased to €236.1 million (+42.7%) as a result of:

- Higher investment remuneration (+€54.4 million) following the growth of the asset base.
- Higher financial results (+€43.4 million), driven primarily by the revaluation of long-term provisions.
- Decreased OPEX and other costs (+€12.3 million).
- These effects were partially offset by:
- Higher depreciations (-€26.1 million) due to the commissioning of projects.
- Lower regulatory settlement prior years (-€13.2 million).

Total assets rose by €1,696.8 million compared with 2021, mainly due to a favorable development of the EEG business (+€826.0 million) and the execution of the investment programme (€1,085.5 million). The **free cash flow** totalled -€359.2 million and was heavily affected by the high investment programme as well as the time-lag in recovering the high energy costs. The cash flow on the EEG account only partially compensated for these effects (+€826.0 million). The parliament decided to reduce the EEG surcharge to zero as of 1 July 2022 in order to relieve households and companies given increased electricity costs. In future, the costs for promoting RES will be financed through the Energy and Climate Fund. 50Hertz will continue to act as a trustee.

The **net financial debt** increased by €240.4 million compared with end of 2021, as the realisation of the investment programme was partially financed by existing liquidity, while the operating cash flow was negatively impacted by high energy costs. The EEG cash inflow from higher energy prices only partially compensated for these effects. The EEG cash position as of December 2022 amounted to €2,936.0 million. 50Hertz issued a second green bond of €750 million at the beginning of September with a tenor of 9 years and a fixed rate of 3.28%, leading to an average cost of debt of 1.5% at the end of December 2022.

4.4 Non-regulated activities and Nemo Link

The table below shows the 2022 consolidated results for the ‘Non-regulated activities and Nemo Link’ segment.

Results Non-regulated activities and Nemo Link (in € million) – period ended 31 December	**2022**	**2021**	**Difference (%)**
Total revenues	5.9	28.7	(79.4%)
Other income	38.9	8.1	377.3%
Depreciation, amortisation, impairment and changes in provisions	(0.7)	(0.5)	36.3%
Results from operating activities	(13.6)	(6.8)	99.3%
Share of profit of equity accounted investees (net of income tax)	37.1	47.1	(21.2%)
EBIT	23.6	40.3	(41.4%)
EBITDA	24.3	40.8	(40.4%)
Finance income	3.8	0.1	3700.0%
Finance costs	(12.5)	(9.0)	39.4%
Income tax expenses	0.4	0.5	(24.1%)
Net profit	**15.2**	**31.9**	**(52.4%)**
Of which attributable to the Elia Group	***15.2***	***31.9***	***(52.4%)***
Consolidated statement of financial position (in € million)	**31 December 2022**	**31 December 2021**	**Difference (%)**
Total assets	1,946.5	1,654.0	17.7%
Capital expenditures	0.9	1.6	(43.8%)
Net financial debt	260.1	430.4	(39.6%)

Non-regulated revenue increased by 21.5% to €44.7 million compared to 2021. This is the result of higher intersegment transactions mainly between Elia Group SA, Elia Transmission Belgium and 50Hertz and partially offset by lower revenues generated by Elia Grid International (‘EGI’) (-€4.2 million), as prior year’s revenues benefited from the commissioning of a turnkey project, while the international consulting business is slowly increasing as a result of the pandemic revival. The effect of these intersegment transactions is disclosed in ‘Note 2.2. Segment reconciliation’.

Equity-accounted investments contributed €37.1 million to the Group’s result, which is almost entirely attributable to **Nemo Link**. With an availability rate of 99.1%, Nemo Link remains one of the highest performing assets of its kind in the world.

In 2022, geopolitical tensions put pressure on electricity markets, especially across the European continent because of the region’s dependence on Russian gas. This pressure was increased by the historically low level of nuclear availability in France. The spot NBP gas, which drives the UK electricity price, was traded from May to October with a significant discount compared to TTF gas, the reference gas price in Europe. This was because Great Brittan was better supplied by gas compared to the continent. As a result, Nemo Link was used very frequently for exports towards Belgium; it demonstrated its value to Belgian consumers by providing them with electricity at lower prices to help with the energy crisis. The Nemo Link interconnector highlights the importance of similar links in providing Belgium with access to energy that is produced outside of the country whilst contributing to the functioning of competitive international market operations.

This exceptional situation during 2022 led to revenues of Nemo Link amounting to €282.6 million, so exceeding (for the first time since it began operating) the cumulative revenue cap by €137.6 million. Its total net profit reached €74.2 million for 2022, with a contribution to Elia Group’s net profit amounting to €37.1 million.

EBIT dropped to €23.6 million (-€16.7million). This decrease was primarily due to the lower contribution from Nemo Link (-€9.9 million) and the higher operating costs for the holding and WindGrid driven by the pursuit of inorganic growth ambitions (-€6.7 million). Following the drop in revenues, the contribution from EGI (-€0.6 million) and re.alto (-€0.4 million) decreased.

Net finance cost remained flat at €8.8 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), the cost linked to the Nemo Link private placement (€2.9 million) and other financial costs linked to Elia Group SA. The pro-rata costs linked to the capital increase of Elia Group and allocated to Elia Group SA and Eurogrid International respectively are directly recognised in equity under IFRS (€3.5 million).

Net profit decreased by €16.7 million to €15.2 million, mainly as a result of:

- Lower contribution from Nemo Link (-€9.9 million).
- Higher costs driven by the establishment of WindGrid and business development activities (-€6.9 million).
- Lower contribution from re.alto (-€0.6 million).
- Other items (+€0.7 million) driven by lower regulatory rejections (+€0.1 million), lower other non-regulated costs (+€0.8 million) and partially offset by a lower contribution from EGI (-€0.2 million).

Total assets increased by 17.7%, amounting to €1,946.5 million (+€292.5 million), primarily driven by the net proceeds from the capital increase allocated to the non-regulated segment (+€98.8 million) and dividend payments from subsidiaries offset by the payment of last year's dividend (-€120.3 million). This led to a drop in net financial debt of €170.3 million to €260.1 million.

4.5 Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in € million) – period ended 31 December	**2022** Elia Transmission (a)	**2022** 50Hertz Transmission (b)	**2022** Non-regulated activities and Nemo Link (c)	**2022** Consolidation entries & intersegment transactions (d)	**2022** Elia Group (a) + (b) + (c) + (d)
Revenue	1,420.4	2,222.4	5.9	(32.7)	3,616.0
Other income	147.6	125.9	38.9	(52.7)	259.6
Net income (expense) from settlement mechanism	(6.7)	244.4	0.0	0.0	237.7
Depreciation, amortisation, impairment and changes in provisions	(214.4)	(297.3)	(0.7)	0.0	(512.4)
Results from operating activities	**259.6**	**314.1**	**(13.6)**	**(0.3)**	**559.8**
Share of profit of equity accounted investees, net of tax	2.4	0.0	37.1	0.0	39.5
Earnings before interest and tax (EBIT)	262.0	314.1	23.6	(0.3)	599.4
Earnings before depreciation, amortisation, interest and tax (EBITDA)	476.4	611.5	24.3	(0.3)	1,111.8
Finance income	1.3	73.9	3.8	(3.6)	75.4
Finance costs	(63.7)	(46.6)	(12.5)	3.9	(119.0)
Income tax expenses	(42.7)	(105.3)	0.4	0.0	(147.5)
Profit attributable to the owners of the company	**156.9**	**188.9**	**15.2**	**0.0**	**361.0**
Consolidated statement of financial position (in € million)	**31.12.2022**	**31.12.2022**	**31.12.2022**	**31.12.2022**	**31.12.2022**
Total assets	7,848.6	11,638.1	1,946.5	(838.9)	20,594.3
Capital expenditures	449.0	1,135.9	0.9	0.0	1,585.8
Net financial debt	2,916.2	1,255.3	260.1	0.0	4,431.6

Consolidated results (in € million) – Year ended 31 December	2021 Elia Transmission (a)	2021 50Hertz Transmission (b)	2021 Non-regulated activities and Nemo Link (c)	2021 Consolidation entries & intersegment transactions (d)	2021 Elia Group (a) + (b) + (c) + (d)
Revenue	1,009.8	1,569.9	28.7	(57.1)	2,551.2
Other income	68.3	95.1	8.1	(36.4)	135.1
Net income (expense) from settlement mechanism	121.4	51.9	0.0	0.0	173.3
Depreciation, amortisation, impairment and changes in provisions	(205.1)	(261.2)	(0.5)	0.0	(466.8)
Results from operating activities	**224.8**	**272.9**	**(6.8)**	**(0.2)**	**490.7**
Share of profit of equity accounted investees, net of tax	2.3	0.0	47.1	0.0	49.3
Earnings before interest and tax (EBIT)	227.1	272.9	40.3	(0.2)	540.1
Earnings before depreciation, amortisation, interest and tax (EBITDA)	432.2	534.0	40.8	(0.2)	1,006.9
Finance income	1.7	2.1	0.1	0.0	3.9
Finance costs	(64.8)	(36.9)	(9.0)	0.2	(110.5)
Income tax expenses	(32.9)	(72.8)	0.5	0.0	(105.1)
Profit attributable to the owners of the company	**131.0**	**132.3**	**31.9**	**0.0**	**295.2**
Consolidated statement of financial position (in € million)	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**	**31.12.2021**
Total assets	7,153.5	9,941.3	1,654.0	(604.4)	18,144.4
Capital expenditures	417.2	880.4	1.6	0.0	1,299.2
Net financial debt	3,441.0	1,014.9	430.4	0.0	4,886.3

There are no significant intersegment transactions.

The Group has no concentration of customers in either of the operating segments.

4.6 Adjusted items – reconciliation table

N/A

5. Items in the consolidated statement of profit or loss and other comprehensive income

There were no changes made to the basis of preparation and therefore no restatements of figures from previous years were required.

5.1. Revenue, net income (expense) from settlement mechanism and other income

(in € million)	2022	2021
Revenue, excluding net income from settlement mechanism	**3,853.7**	**2,724.6**
Grid revenue:	3,837.0	2,711.1
Last mile connection	5.1	4.3
Other revenue	11.6	9.3
Net income (expense) from settlement mechanism	**237.7**	**173.3**
Other income	**259.6**	**135.1**
Services and technical expertise	(0.8)	(2.2)
Own production	107.0	82.1
Optimal use of assets	16.2	15.8
Other	136.6	37.8
Gain on sale PPE	0.7	1.5

We refer to the segment reports for a detailed analysis of the group's recognised revenues at segment level. The Elia Transmission (Belgium) segment reported revenues and other income of €1,561.3 million (Note 4.2), the 50Hertz Transmission (Germany) segment reported revenues and other income of €2,592.6 million (Note 4.3) and the 'Non-regulated activities and Nemo Link' segment reported revenues and other income of €44.7 million (Note 4.4). The total reported revenues and other income amount to €4,113.3 million.

No further geographical information is provided as revenues are generated in the countries where the grid infrastructure is located, which largely corresponds to the segments mentioned above.

The group's own production relates to time spent on investment projects by group employees.

The group recognised €8.3 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€140.5 million). Additional information is provided in Note 6.16. The group did not recognise any substantial revenues in the reporting period with respect to performance obligations in previous periods.

5.2. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in € million)	2022	2021
Raw materials, consumables and goods for resale	69.7	83.1
Purchase of ancillary services	2,142.4	1,067.7
Services and other goods (excl. purchase of ancillary services)	412.3	375.9
Total	**2,624.4**	**1,526.7**

The group's costs for 'Raw materials, consumables and goods for resale' decreased to €69.7 million for the financial year 2022. In 2022, the costs are attributable to the Belgian segment for €5.0 million (€5.2 million in 2021), the German segment for €64.2 million (€72.0 million in 2021) and EGI for €0.5 million (€5.9 million in 2021).

Purchase of ancillary services' includes the costs for services which enable the group to balance generation with demand, maintain constant voltage levels and manage congestion across its grids. The cost incurred in 2022 by Elia Transmission (Belgium) increased to €566.8 million (up from €294.0 million in 2021) mainly because of increased prices to cover electricity losses and increased activations to balance the grid against a background of the high energy prices. 50Hertz Transmission (Germany) incurred increased costs of €1,575.6 million in 2022 compared to €773.1 million in 2021 also due to higher electricity prices.

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy fees, and others. The cost of these increased by €36.4 million (+9.6%) to €412.3 million. The increase is mainly explained by the increased level of activities in an inflationary environment.

PERSONNEL EXPENSES

(in € million)	2022	2021
Salaries and wages	274.6	242.2
Social security contributions	56.6	50.8
Pension costs	29.6	22.6
Other personnel expenses	5.8	5.9
Share-based payments expenses	2.0	0.2
Employee benefits (excl. pensions)	3.6	12.4
Total	**372.1**	**334.1**

Personnel expenses increased by €38 million in 2022 as a consequence of the indexation and the continued growth in headcount, especially in the non-regulated segment. For Elia Transmission (Belgium) the personnel expenses amounted to €183.5 in 2022 compared to €166.5 million in 2021. 50Hertz Transmission (Germany) accounted for €168.1 million of the group’s personnel expenses for 2021 (previous year: €151.4 million) and the non-regulated activities and Nemo Link accounted for €20.5 million (previous year: €16.2 million). All three segments have experienced a growth in the number of full-time equivalents to support the acceleration of the energy transition and the development opportunities linked to the expansion of its international offshore activities.

A new capital increase in favour of the members of the personnel of Elia Group NV/SA and its Belgian subsidiaries was completed in December 2022. The capital increase resulted in the creation of 47,920 additional shares without nominal value. The group's employees were granted a 16.66% reduction on the quoted share price, which resulted in a €1.7 million reduction overall.

See Note 6.13 ‘Employee benefits’ for more information about pension costs and employee benefits’.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in € million)	2022	2021
Amortisation of intangible assets	30.2	24.5
Depreciation of property, plant and equipment	483.6	443.1
Total depreciation and amortisation	**513.7**	**467.5**
Impairment of inventories	0.0	0.6
Total impairment	**0.0**	**0.6**
Provisions for litigations	(1.5)	(0.5)
Environmental provisions	0.3	(0.2)
Other provisions	(0.0)	0.0
Changes in provisions	**(1.3)**	**(0.8)**
Depreciation, amortisation, impairment and changes in provisions	**512.4**	**467.4**

The total ‘depreciation, amortisation, impairment and changes in provisions’ increased from €467.4 million in 2021 to €512.4 million in 2022, mainly because of an increase in depreciation of property, plant and equipment due to increasing fixed assets.

A detailed description and movement schedule is provided in other sections for 'Intangible assets' (see Note 6.2), 'Property, plant and equipment' (see Note 6.1) and 'Provisions' (see Note 6.15).

OTHER EXPENSES

(in € million)	2022	2021
Taxes other than income tax	15.4	14.0
Loss on disposal/sale of property, plant and equipment	17.8	19.1
Impairment on receivables	1.2	0.5
Other	10.0	7.7
Total	**44.4**	**41.4**

In 2022, the share of Elia Transmission (Belgium) in the group’s other expenses was €26.6 million (€21.6 million in 2021), 50Hertz Transmission (Germany)’s total share amounted to €17.0 million (€19.7 million in 2021) and the share of the non-regulated activities and Nemo Link segment accounted for €0.9 million (€0.1 million in 2021).

Taxes other than income tax mainly consist of property taxes.

Losses on disposal for property, plant and equipment totalled €12.8 million for Elia Transmission (Belgium), compared with €9.0 million in the previous year. 50Hertz Transmission (Germany) recorded €5.0 million of losses on disposal for property, plant and equipment in 2021, from €10.1 million in 2021.

The amount of impairment on trade receivables is explained in Note 8.1 'Financial risk and derivative management'.

5.3. Net finance costs

(in € million)	2022	2021
Finance income	**75.4**	**3.9**
Interest income on cash and cash equivalents and granted loans	4.2	1.1
Other financial income	71.2	2.8
Finance costs	**(119.0)**	**(110.5)**
Interest expense on eurobonds and other bank borrowings	(112.0)	(110.4)
Interest expense on derivatives	(0.6)	(0.6)
Interest cost on leasing	(1.3)	(1.8)
Other financial costs	(5.1)	2.3
Net finance costs	**(43.6)**	**(106.6)**

Finance income increased from €3.9 million in 2021 to €75.4 million in 2022. 50Hertz Transmission (Germany)'s contribution explains the variation with €73.9 million in 2022 compared to €2.1 million in 2021. This variation is primarily driven by the revaluation of provision for congestion income from interconnectors to be returned to grid customers based on an upwards revision of the interest forward curve. The contribution of Elia Transmission (Belgium) is close to previous year (€1.3 million in 2022 compared €1.7 million in 2021). The non-regulated activities and Nemo Link segment showed €3.8 million of financial income (€0.1 million in 2021).

The interest expenses on Eurobonds and other bank borrowings increased by €1.6 million compared to the previous year. See Note 6.12 for more details regarding the loans outstanding and the interest paid in 2022.

The interest cost on leasing slightly decreased in comparison with the previous year. This is explained by the lower value of financial lease liabilities.

Other financial costs decreased from -€2.3 million in 2021 to €5.1 million in 2022. In 2021, a net interest on German regulatory issues (credit amount of €6.5 million) was reported in this caption in connection with the revenue for congestion management. As explained here above, in 2022, the financial income is reported in 'Other financial income'.

Please see Note 6.13 for more details about net debt and loans.

5.4. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in € million)	2022	2021
Current year	112.8	98.8
Adjustments for prior years	(0.7)	(4.1)
Total current income tax expenses	**112.1**	**94.7**
Origination from and reversal of temporary differences	35.4	10.5
Total deferred taxes expenses	**35.4**	**10.5**
Total income taxes and deferred taxes recognised in profit and loss	**147.5**	**105.2**

Total income tax expenses 2022 were higher than in 2021. The increase is mainly explained by the higher profit generated both in Belgium and Germany.

Deferred income taxes are discussed further in Note 6.7.

RECONCILIATION OF THE EFFECTIVE TAX RATE

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the Belgian statutory tax rate applicable to profits (losses) of the consolidated companies:

(in € million)	2022	2021
Profit before income tax	555.7	433.5
Domestic corporate income tax	25%	25%
Income tax, using the domestic corporate tax rate	**(138.9)**	**(108.4)**
Effect of the foreign tax rate	(17.5)	(11.6)
Share of profit of equity accounted investees, net of tax	10.0	12.3
Non-deductible expenses	(11.0)	(10.6)
Adjustments for prior years	0.8	4.4
Tax credits and other tax reductions	7.3	5.6
Effect of unrecognized deferred tax assets on tax loss carry-forwards	(4.6)	(1.9)
Tax on hybrid securities	4.8	4.8
Corporate interest restriction	0.0	0.0
Other	1.6	0.1
Total income taxes and deferred taxes recognised in profit and loss	**(147.5)**	**(105.2)**

** The income tax rate in Germany amounts to 29.93% in 2022 and 29.72% in 2021*

The effective tax rate 2022 of the Group is 26.54%, compared to 24.27% in 2021. This increase is mainly explained by the higher contribution of the German segment to the profit before tax at an higher local tax rate.

5.5. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the Company's shareholders (after adjustment for the distribution on hybrid securities) (€341.7 million) by the weighted average number of ordinary shares outstanding during the year.

	2022	2021
Profit attributable to equity holders of ordinary shares	**341.7**	**276.0**
Effect of dilutive potential ordinary shares	0	0
Earnings for the purposes of diluted earnings per share	**341.7**	**276**
Ordinary shares issued on 1 January	68,728,055	68,720,695
Treasury shares as at 1 January	-7,248	0
Ordinary shares issued in March 2021		7,360
Ordinary shares issued in June 2022	4,739,864	
Ordinary shares issued in December 2022	47,920	
Treasury shares - net movement for the year	-6,232	-7,248
Outstanding ordinary shares as at 31 December	**73,502,359**	**68,720,807**
Weighted average of outstanding ordinary shares (basic)	**71,142,846**	**68,722,476**
Effect of dilutive potential ordinary shares	0	0
Weighted average number of outstanding ordinary shares (diluted)	**71,142,846**	**68,722,476**
Basic earnings per share (in €)	**4.80**	**4.02**
Diluted earnings per share (in €)	**4.80**	**4.02**

DILUTED EPS

Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and convertible bonds.

Diluted earnings per share are equal to basic earnings per share, since there are no share options or convertible bonds.

5.6. Other comprehensive income

Total comprehensive income includes both the result of the period recognised in the statement of profit or loss and other comprehensive income recognised in equity. 'Other comprehensive income' includes all changes in equity other than owner-related changes, which are reported in the statement of changes in equity.

The total other comprehensive income for 2022 amounts to €65.6 million negative impact, representing a significant decrease compared with the previous year (€270.8 million positive impact). The most important drivers of this are described below.

Cash flow hedges

Since 2021, 50Hertz applies hedge accounting for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. Due to the drop in energy prices in the last quarter of the year, the fair value of these contracts decreased from €355.6 million in 2021 to €129.6 million end of 2022, or a decrease of €226 million (pre-tax). This impact has been partly offset by the positive value accounted for in Belgium in connection with the pre-hedging of probable forecast debt transactions (bonds issuance). The fair value of these derivatives amounted to €65.3 million (pre-tax).

The related tax on these elements amounts to +€50.4 million.

Financial assets measured at fair value through other comprehensive income

The measurement at fair value of the participation of EEX, in which 50Hertz Transmission holds a 5.4% stake resulted in a gain of €32,7 million as of 31 December 2022. The fair value evolved from €42,7 million end of 2021 to €75.9 million end of 2022.

Remeasurements of post-employment benefit obligations

The other comprehensive income on post-employment obligations had a positive impact amounting to €16.3 million. This impact is mainly explained by the increase in the discount rate, partly offset by the negative return of the plan assets. See Note 6.13 for more details.

The related tax on these elements amounts to -€4.9 million.

6. Items in the consolidated statement of financial position

6.1. Property, plant and equipment

(in € million)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Leasing and similar rights	Assets under construction	Total
ACQUISITION VALUE							
Balance at 1 January 2021	**430.8**	**11,179.4**	**343.8**	**31.5**	**117.0**	**1,713.0**	**13,815.6**
Additions	10.6	179.8	36.0	0.9	49.6	956.0	1,232.8
Disposals	(3.3)	(87.1)	(42.6)	(0.2)	(0.4)	0.0	(133.6)
Transfers	27.6	503.0	35.1	2.9	0.0	(570.1)	(1.5)
Balance at 31 December 2021	**465.8**	**11,775.0**	**372.3**	**35.1**	**166.1**	**2,098.8**	**14,913.2**
Balance at 1 January 2022	**465.8**	**11,775.0**	**372.3**	**35.1**	**166.1**	**2,098.8**	**14,913.2**
Additions	9.3	334.0	34.7	0.1	(15.6)	1,130.1	1,492.6
Disposals	(1.8)	(82.6)	(8.4)	0.0	0.5	(0.7)	(93.0)
Transfers	3.6	718.9	105.6	11.1	0.0	(838.0)	1.1
Balance at 31 December 2022	**476.8**	**12,745.3**	**504.2**	**46.4**	**151.0**	**2,390.1**	**16,313.8**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance at 1 January 2021	**(36.1)**	**(3,416.0)**	**(205.7)**	**(29.2)**	**(34.2)**	**0.0**	**(3,721.2)**
Depreciation	(6.6)	(381.5)	(39.7)	(1.1)	(14.8)		(443.6)
Disposals	2.2	68.6	39.7	0.1	0.4		111.1
Transfers	0.0	2.3	0.0	(2.3)	0.0		0.0
Balance at 31 December 2021	**(40.5)**	**(3,726.6)**	**(205.7)**	**(32.4)**	**(48.6)**	**0.0**	**(4,053.7)**
Balance at 1 January 2022	**(40.5)**	**(3,726.6)**	**(205.7)**	**(32.4)**	**(48.6)**	**0.0**	**(4,053.7)**
Depreciation	(6.2)	(404.1)	(59.1)	(0.6)	(13.5)		(483.6)
Disposals	1.2	59.4	8.1	0.0	(0.5)		68.2
Transfers	0.0	11.0	0.0	(11.0)	0.0		0.0
Balance at 31 December 2022	**(45.5)**	**(4,060.3)**	**(256.7)**	**(44.0)**	**(62.5)**	**0.0**	**(4,469.1)**
CARRYING AMOUNT							
Balance at 1 January 2021	394.7	7,763.4	138.1	2.3	82.8	1,713.1	10,094.4
Balance at 31 December 2021	425.3	8,048.4	166.6	2.8	117.5	2,098.9	10,859.5
Balance at 1 January 2022	425.3	8,048.4	166.6	2.8	117.5	2,098.9	10,859.5
Balance at 31 December 2022	431.4	8,684.9	247.4	2.3	88.5	2,390.1	11,844.7

Large-scale (onshore and offshore) infrastructure projects in both Belgium and Germany are underway. These projects are focusing on strengthening both the Belgian and German grids, developing the necessary offshore infrastructures to allow the integration of increasing amounts of renewable energy into the grid and the digitalization of the infrastructure. The acceleration of the energy transition and the current inflationary environment are driving the investments of the Group.

In Belgium, Elia Transmission made investments totalling €403.2 million in property, plant and equipment. In 2022, 159 replacement projects occurred across the Belgian grid, amounting to a total investment of €113.4 million. Around €60 million was invested in supporting the digitalisation of our infrastructure and the development of new tools. The reinforcement works between Avelgem and Avelin, which forms part of the 380 kV backbone between Mercator and France, had been successfully finalised by the end of the year. Construction works continued along the Massenhoven Van Eyck Corridor (€32.7 million) and the Mercator Bruegel Corridor (€33.9 million). An important milestone was reached with the commissioning of a new 380 kV GIS substation, two 380 kV phase shifters and a 380 kV compensator in Zandvliet (€12.1 million). In Q3-2022, work began in Rimière on the construction of a new 380 kV substation and the extension of the existing 220 kV substation (€11.9 million); this project aims to create the required hosting capacity for the new CRM power plants in Les Awirs & Seraing by 2025.

In Germany, 50Hertz Transmission invested €1,089.3 million in property, plant and equipment. The most significant onshore investment is the DC line SuedOstLink (€210.0 million). It plays an important role in connecting the growing (offshore) production in the north of Germany with the consumption centres in the South. In order to reinforce the existing grid, the upgrading of high-voltage pylons to boost operational safety was accelerated in 2022 (€54.7 million). Another important milestone was reached for the replacement of the old Uckermark line with the successful settlement of a lawsuit after 17 years. The investment for this reinforcement consists of the overhead line in the southern Uckermark region (€53.1 million) and the overhead line in the northern Uckermark region (€46.9 million). Other important onshore projects to strengthen our onshore grid are the restructuring of the substation Lauchstädt with STATCOM and MSCDN (€35.0 million) and the restructuring and reinforcement of the overhead line between Wolmirstedt and Güstrow (€34.6 million). Offshore investments mainly focused on the Ostwind 2 project (€186.3 million), with the next offshore wind farm connection (Ostwind 3) already advancing along the project pipeline (€82.5 million).

During 2022, €24.2 million of borrowing costs were capitalised on assets under construction. An amount of €6.1 million based on an average interest rate of 1.91% originated from the Elia Transmission Belgium segment (€7.8 million at 2.03% in 2021). An amount of €18.1 million based on an average interest rate of 1.44% was accounted for in the 50Hertz Transmission segment (€13.5 million at 0.98% in 2021).

There were no mortgages, pledges or similar securities on PP&E relating to loans.

Outstanding capital expenditure commitments are described in Note 8.2. The analysis of lease liabilities is presented in note 6.19.

6.2. Intangible assets

(in € million)	Development costs of software	Licenses/ concessions	Other intangible assets	Total
ACQUISITION VALUE				
Balance at 1 January 2021	**209.0**	**29.6**	**0.0**	**238.5**
Additions	61.5	4.9	0.0	66.4
Disposals	(2.7)	0.0	0.0	(2.7)
Transfers	0.6	0.0	0.9	1.5
Balance at 31 December 2021	**268.4**	**34.5**	**0.9**	**303.8**
Balance at 1 January 2022	**268.4**	**34.5**	**0.9**	**303.8**
Additions	89.5	3.1	0.6	93.2
Disposals	0.0	0.0	0.0	0.0
Transfers	(1.1)	0.0	0.0	(1.1)
Balance at 31 December 2022	**356.8**	**37.6**	**1.6**	**395.9**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2021	**(125.4)**	**(7.8)**	**0.0**	**(133.1)**
Depreciation	(21.4)	(2.9)	(0.2)	(24.5)
Disposals	2.5	(0.2)	0.0	2.4
Transfers	0.0	0.0	0.0	0.0
Balance at 31 December 2021	**(144.2)**	**(10.8)**	**(0.2)**	**(155.2)**
Balance at 1 January 2022	**(144.2)**	**(10.8)**	**(0.2)**	**(155.2)**
Depreciation	(26.3)	(3.5)	(0.3)	(30.2)
Disposals	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0
Balance at 31 December 2022	**(170.5)**	**(14.4)**	**(0.5)**	**(185.4)**
CARRYING AMOUNT				
Balance at 1 January 2021	83.6	21.8	0.0	105.4
Balance at 31 December 2021	124.2	23.6	0.8	148.6
Balance at 1 January 2022	124.2	23.6	0.8	148.6
Balance at 31 December 2022	186.3	23.2	1.1	210.5

Software comprises both IT applications developed by the Group for operating the grid and software for the Group's normal business operations.

The group invested a total amount of €93.2 million, of which €45.8 million in Elia Transmission Belgium, €46.7 million in 50Hertz Transmission and €0.7 million in the non-regulated activities and Nemo Link segment.

During 2022, €0.6 million in borrowing costs were capitalised on software in development (compared with €0.3 million in 2021) in the Elia Transmission Belgium segment, based on an average interest rate of 1.91% (1.92% in 2021). No borrowing costs on software in development were capitalised in the 50Hertz Transmission segment.

The group does not hold individual intangible assets that are material to its financial statements, except capacity entitlements in the Kontek cable (Denmark) that amount to €16.5 million (with a remaining useful life of 10 years (until 2033)).

6.3. Goodwill

There were no changes in goodwill during the years 2021-2022. The carrying amount is the following:

(in € million)	Goodwill
ACQUISITION VALUE	
Balance at 1 January 2021	2,411.1
Balance at 31 December 2021	**2,411.1**
Balance at 1 January 2022	2,411.1
Balance at 31 December 2022	**2,411.1**

The goodwill relates to the following business combinations and is allocated to the cash generating unit (CGU) Elia Transmission for the acquisition of Elia Asset and Elia Engineering and to the CGU 50Hertz Transmission for the acquisition of the 20% stake in Eurogrid International:

(in € million)	2022
Acquisition Elia Asset – 2002	1,700.1
Acquisition Elia Engineering – 2004	7.7
Acquisition Eurogrid International – 2018	703.4
Total	**2,411.1**

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

According to IFRS rules, goodwill should be tested for impairment on at least an annual basis or upon the occurrence of a triggering event. Goodwill is allocated to the CGUs Elia Transmission and 50Hertz Transmission for impairment testing. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually.

The recoverable amount of CGUs is determined by reference to a value in use that is calculated based on different methods (Discounted Cash Flow and Discounted Dividend Model) using **cash flow projections** drawn up on the basis of the 2022 reforecast and the 2023-2027 business plan, as approved by the Management Committee and the Board of Directors, and on extrapolated cash flows beyond that time frame.
The forecasts and projections included in the reference scenario were determined on the basis of the estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share and margin evolution. As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods.

The **discount rates** used correspond to the weighted average cost of capital, which is adjusted in order to reflect the business, market, country and currency risk relating to each goodwill CGU reviewed. The discount rates used are consistent with available external information sources.

The **growth rates** associated with the terminal values do not exceed the inflation rate or the long-term average growth rate for the market to which the CGU is dedicated.

More details are provided below by CGU.

Acquisition of Elia Asset and Elia Engineering

In 2002, the acquisition of Elia Asset by the Company for €3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. This difference consists of various aspects such as the fact that (i) Elia was appointed as a TSO for a period of 20 years (ii) Elia had unique resources in Belgium as it owns the whole of extra-high-voltage grid and owns 94% of the high-voltage grid (or has the right to use this), and hence only Elia is entitled to put forward a development plan and (iii) Elia had the relevant TSO know-how.

At the date of acquisition, the description or the quantification in euros of these aspects could not be performed on an objective, transparent and reliable basis and, the difference could not therefore be allocated to specific assets and was considered unallocated. This difference has consequently been recognised as goodwill since the initial adoption of IFRS in 2005. The regulatory framework, in particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable from 2008 onwards, did not have an impact on this accounting treatment. The goodwill described above and the goodwill resulting from the acquisition of Elia Engineering in 2004 were allocated to the single cash-generating unit for the impairment test determined, since the income and expenses were generated by one activity, specifically 'regulated activity in Belgium', which will also be considered one CGU.

As a result, the group assigned the carrying amount of the goodwill to one unit, namely the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and have not resulted in the recognition of any impairment losses.

The impairment test was conducted by an independent expert. This impairment test is based on the value in use and uses two main valuation methods to estimate the recoverable amount: 1) a discounted cash flows method (DCF); and 2) a dividend discount model (DDM), both of which are further detached in valuation variants depending on the terminal value calculation.

Future cash flows and future dividends are based on a business plan for the period 2022-2032. As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods. Note that the regulatory framework within which Elia operates is characterised by an allowed revenues basis structured around: 1) a fair remuneration of the regulated asset base; and 2) incentives to guarantee the continuity of supply and improve efficiency. Considering that the regulator will allow a fair remuneration of the regulated asset base consistent with market expectations, the estimated regulated asset base for the last forecast year can be considered an indication of the terminal value. This approach does not take into account potential cash flows generated by meeting or beating future efficiency targets.

The valuation methods are subject to different assumptions, the most important of which are outlined below.

1. Discounting of future cash flows (DCF-models):

- Discount rate:
  - Cost of Equity of 9.3%;
    - Risk-free-rate: 2.2%
    - Beta 0.93
    - Equity market risk premium 5.5%
    - Country risk premium 1.0%
    - Small firm premium 1.0%
  - Pre-tax Cost of Debt of 3.8%;
  - Corporate tax rate of 25%;
  - Target gearing (D/(D+E)): 60%;
  - Post-tax WACC: 5.4%.

- Terminal value based on two variants:
  - Terminal value based on a 1.13x RAB multiple in 2032

    NB: as such, the RAB itself does not take into account the contribution that the incentive remuneration makes to the value creation process.
  - Terminal value based on a perpetual growth rate of 3.3%. This long term growth rate is higher than long term expected inflation to capture the returns generated from the significant investments in the business plan.

2. Discounting of future dividends (DDM-models):

- Discount rate:
  - Cost of Equity of 9.3%
- Terminal value based on two variants:
  - Terminal value based on 1.13x RAB multiple in 2032.

    NB: as such, the RAB itself does not take into account the contribution of the incentive remuneration to the value creation process.
  - Terminal value based on a perpetual growth rate of 3.3%. This approach assumes that the residual value consists of profit after tax less investments and considers net borrowings (in relation to the investments). However, profit and thus dividend payments in FY32 most likely does not yet reflect the (positive) impact of the investments planned in FY26-FY32.

Conclusion:

- The independent analysis, which was based on a (€3,127 million) midpoint of the different valuation approaches and variants used did not result in the identification of an impairment of goodwill in the financial year 2022. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.

- As the median and the average of the different methods presented above were relatively far apart (€2.625 million and €4.635 million respectively), mainly due to differences in assumptions for the terminal value, the expert's mid-point is based on 75% of the median and 25% of the average, bearing in mind, among other factors, that the median alone might not appropriately reflect the impact of incentive remuneration on the terminal value (see above for more details).

- Due to the increase in 2022 in the interest rates, the discount rate has increased significantly compared to last year. This increase has been fully taken into account in the cost of equity without considering that it could be more linked to the maximum allowed return. This approach results in conservative values. The valorisation is also impacted by the significant investments (and related cash outs) expected on the horizon of the plan (acceleration of the energy transition) whereas the returns on these investments will materialise over a longer period. In this context, and all other things being equal, an increase of 1% of the cost of equity/ 50 basis point in the WACC (market reference) would result in a 22% lower value in use and a potential impairment loss of around €385.0 million. The evolution of market parameters is closely monitored by the group with the regulator in order to secure the realization of the expected investments and allow ETB to keep a strong position in the market. A decrease of 1% of the cost of equity/ 50 basis points in the discount rates used would lead to an increase in the value of the CGU of around €1,205.0 million.

Acquisition of Eurogrid International

- In April 2018, the acquisition of an extra 20% stake in Eurogrid International by the group for €988.7 million resulted in a goodwill of €703.4 million, being the difference between the acquisition value of this stake and the proportional carrying amount of its assets. The goodwill resulting from the additional 20% stake in Eurogrid International was allocated to the CGU 50Hertz Transmission, since it comprises all income and expenses generated thereof.

- The impairment test was conducted by an independent expert. This impairment test is based on two main valuation methods: 1) a discounted cash flows (DCF) method; and 2) a dividend discount model (DDM). Both of these are further detached in valuation variants depending on the terminal value calculation. Future cash flows and future dividends are based on a business plan for the period 2021-2031 (two regulatory periods). As the group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the next two regulatory periods.

The valuation methods are subject to different assumptions, most importantly:

1. Discounting of future cash flows (DCF-models):

- Discount rate:
  - Cost of Equity: 8.3%;
    - Risk-free-rate: 2.2%
    - Beta 0.93
    - Equity market risk premium 5.5%
    - Country risk premium 0.0%
    - Small firm premium 1.0%
  - Pre-tax Cost of Debt: 3.8%;
  - Corporate tax rate: 30%;
  - Target gearing (D/(D+E)): 60%;
  - WACC: 4.9%.
- Terminal value based on three variants:
  - Terminal value based on a 1.13x RAB multiple in 2032;
  - Terminal value based on a perpetual growth rate of 2.0%.

2. Discounting of future dividends (DDM-models):

- Discount rate:
  - Cost of Equity: 8.3%
- Terminal value based on two variants:
  - Terminal value based on 1.13x RAB multiple in 2032;
  - Terminal value based on a perpetual growth rate of 2.0%.

Conclusion:

- Neither the independent analysis, which was based on a (€2,602 million) midpoint of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2022. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.

- The median of the different methods presented above were relatively close (€2,602 million and €3,055 million respectively), as the assumptions for the terminal value were similar. Neither the independent analysis based on a median of the different valuation approaches and variants used, nor the sensitivity analysis resulted in the identification of an impairment of goodwill in the financial year 2022.

- Due to the increase in 2022 in the interest rates, the discount rate has increased significantly compared to last year. This increase has been fully taken into account in the cost of equity without considering that it could be more linked to the maximum allowed return. This approach results in conservative values. The valorisation is also impacted by the significant investments (and related cash outs) expected on the horizon of the plan (acceleration of the energy transition) whereas the returns on these investments will materialise over a longer period. In this context, and all other things being equal, an increase of 1% of the cost of equity/ 50 basis point in the WACC (market reference) would result in a 19% lower value in use, being a value slightly higher than the book value. A decrease of 1% of the cost of equity/ 50 basis points in the discount rates used would lead to an increase in the value of the CGU of around €385.8 million.

6.4. Non current trade and other receivables

The non current trade and other receivables are mainly composed by the long term part of the granted investment subsidy (€95.0 million).

On 20 November 2022, a Royal Decree has granted an investment subsidy for the creation of an offshore artificial island (The Princess Elisabeth Island) within the framework of the Recovery and Resilience Facility (EU instrument to support project of Member States and help the EU emerge stronger and more resilient from the current crisis). This island will serve as a multifunctional energy hub/an extension of the electricity grid in the North Sea. It will connect wind farms from the sea to the mainland and create new connections with neighbouring countries. The text of the RD provides that the practical details will be agreed upon by a “Protocol” between the State and Elia. This Protocol was signed on 14 December 2022, providing for the intervention of the SPF Economy up to a subsidy of €99,7 millions out of a total budgeted investment of circa €600.0 millions.

Out of this amount, €97.5 million are classified as an investment grant against €2.2 million as operational grant. Cash will be collected as predefined milestones are reached. The agreed planning results in a split €95.0 million classified as long term and €4.7 million in short term.

The recoverability of this amount is contractually guaranteed. No credit risk has been considered on this long-term receivable.

6.5. Equity-accounted investees

The movements in the equity-accounted investees are summarised as follows:

(in € million)	**2022**	**2021**
Equity accounted investees (opening balance)	**309.6**	**323.1**
Profit for the year	39.5	49.4
Dividends received by the Group	(34.2)	(30.9)
Capital repayment of equity accounted investee	(53.8)	(30.5)
Investment in equity accounted investee		
Sale of equity accounted investee		(1.5)
Equity accounted investees (closing balance)	**261.2**	**309.6**
Of which joint ventures	*243.4*	*292.1*
Of which associates	*17.8*	*17.5*

Details are given in the subchapters below.

6.5.1.Joint ventures

Nemo Link Ltd
On 27 February 2015, Elia System Operator and National Grid signed a joint venture agreement to build the Nemo Link Interconnector between Belgium and the UK. This project consists of subsea and underground cables connected to converter stations and an electricity substations in each country, allowing electricity to flow in either direction between the two countries, so giving the UK and Belgium improved reliability and access to electricity and sustainable generation. Each shareholder holds a 50% stake in Nemo Link Ltd, a UK company. The interconnection was commissioned in late January 2019.

To finance the project both shareholders have provided funding to Nemo Link Ltd since 2016 via equity contributions and loans (divided on a 50/50 basis). In June 2019, the loans were incorporated in the share capital (loan swap to equity).

In 2022, Nemo Link Ltd reduced its share capital by €107.6 million (€61.0 million in 2021). In addition to these capital reduction rounds, dividends totalling €64.0 million (€58.0 million in 2021) were paid out to its shareholders.

The following table summarises the financial information of the joint venture, based on its IFRS financial statements and reconciliation with the carrying amount for the group's interest in the consolidated financial statements.

(in € million)	2022	2021
Percentage ownership interest	**50.0%**	**50.0%**
Non-current assets	591.3	617.4
-Current assets	29.1	19.5
Non-current liabilities	111.2	41.0
Current liabilities	22.3	11.6
Equity	486.9	584.2
Group's carrying amount for the interest	**243.4**	**292.1**
Revenues and other income	122.0	151.1
Total depreciation and amortisation	(27.1)	(27.0)
Other operating expenses	2.9	(7.7)
Net finance costs	(5.6)	(1.0)
Profit before income tax	92.3	115.3
Income tax expense	(18.1)	(21.2)
Profit for the year	74.2	94.0
Total comprehensive income for the year	74.2	94.0
Group's share of profit for the year	**37.1**	**47.0**
Dividends received by the Group	32.0	29.0

6.5.2.Associates

As of 31 December 2022, the group has 2 associates, both being equity-accounted investees.

- The group has a 22.2% stake in Coreso SA/NV. Coreso SA/NV is a company that provides coordination services aimed at facilitating the secure operation of the high-voltage grid in several European countries.

- The group holds a 17.0% stake in HGRT SAS. HGRT SAS is a French company with a 49.0% stake in Epex Spot, the exchange for power spot trading in Germany, France, Austria, Switzerland, Luxembourg and (through its 100% associate APX) the UK, Netherlands and Belgium. As one of the founding partners of HGRT, the group has a 'golden share', giving it a minimum number of representatives on HGRT's Board of Directors. This constitutes a significant influence and therefore HGRT is accounted for using the equity method. In 2022, the group received a dividend of €2.2 million from HGRT (€1.9 million in 2021).

None of these companies are listed on any public exchange.

The following scope changes are to be reported:

- 2022: none
- 2021: The investment in Enervalis NV (16,5%), a start-up that develops innovative software for smart control of energy sources, was sold in April 2021 resulting in a gain of €0.15 million

The following table illustrates the summarised financial information of the group's investment in these companies, based on their respective financial statements prepared in accordance with IFRS.

(in € million)	Coreso 2021	HGRT 2021
Percentage ownership interest	**22.2%**	**17.0%**
Non-current assets	8.2	96.5
Current assets	4.5	0.8
Current liabilities	8.2	0.0
Equity	4.5	97.3
Group's carrying amount for the interest	**1.0**	**16.5**
Revenue	25.7	0.0
Other operating expenses	(24.6)	13.2
Profit before income tax	1.1	13.2
Income tax expense	(0.4)	(0.1)
Profit for the year	0.7	13.1
Total comprehensive income for the year	0.7	13.1
Group's share of profit for the year	**0.2**	**2.2**
Dividends received by the Group		1.9

(in € million)	Coreso 2022	HGRT 2022
Percentage ownership interest	**22.2%**	**17.0%**
Non-current assets	10.1	96.9
Current assets	3.1	0.7
Current liabilities	7.9	0.0
Equity	5.3	97.5
Group's carrying amount for the interest	**1.2**	**16.6**
Revenue	28.3	0.0
Other operating expenses	(27.1)	13.4
Profit before income tax	1.3	13.4
Income tax expense	(0.5)	(0.1)
Profit for the year	0.8	13.2
Total comprehensive income for the year	0.8	13.2
Group's share of profit for the year	**0.2**	**2.2**
Dividends received by the Group		2.2

6.6. Other financial assets

(in € million)	2022	2021
Immediately claimable deposits	*7.0*	*7.0*
Reimbursement rights	*33.7*	*46.2*
Other shareholdings	*75.7*	*43.8*
Other	*0.8*	
Non-current derivatives	*0.0*	*39.4*
Other financial assets (non-current)	**117.2**	**136.3**
Current derivatives	*219.7*	*316.2*
Other financial assets (current)	**219.7**	**316.2**
Other financial assets	**336.9**	**452.5**

The total other financial assets decreased by €115.6 million compared with the previous year.

Immediately claimable deposits are measured at fair value. The risk profile of these investments is discussed in Note 8.1. The value as at 31 December 2022 is stable compared to 2021.

Reimbursement rights are linked to the obligations regarding (i) the retired employees falling under specific benefit schemes (Scheme B - unfunded plan); and for (ii) health plan and reduced energy pricing plans for retired staff members. See Note 6.14: 'Employee benefits'. The reimbursement rights are recoverable through the regulated tariffs. The following principle applies: all incurred pension costs for 'Scheme B' retired employees and the costs linked to healthcare and reduced energy pricing plans for retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The decrease in the carrying value of this asset is disclosed in Note 6.14: 'Employee benefits' and mainly explained by the change in discount rate. Considering the nature (regulatory asset) of these financial assets, they are not considered to be at risk of impairment.

Other shareholdings: the group holds 5.3% (at 100%) of the shares in European Energy Exchange (EEX), Leipzig, Germany, for a total value of €42.7 million as of the reporting date. These shares are disclosed under Other shareholdings in addition to an 8.0% (at 100%) shareholding in JAO Joint Allocation Office SA, a 6.7% (at 100%) shareholding in TSCNET Services GmbH (Munich, Germany) and a 10.4% (at 100%) shareholding in the Stiftung Kurt-Sanderling-Akademie des Konzerthausorchesters foundation (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 under other comprehensive income. The reassessment 2022 resulted in an increase of €32.7 million based on a total fair value of €75.4 million. The remaining balance is related to JAO (€0.3 million).

Derivatives: since 2021, 50Hertz applies hedge accounting for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. Due to the drop in energy prices in the last quarter of the year, the fair value of these contracts decreased to €154.4 million (current derivatives). Long term contracts shows a negative fair value. This evolution explains an overall decrease of €201.3 million (-€39.4 million in long-term derivatives and -€161.9 million in short-term derivatives). This decrease is partly offset by the positive value accounted for in Belgium in connection with the pre-hedging of probable forecast debt transactions (bonds issuance). The fair value of these derivatives amounted to €65.3 million. See Note 8.1 for more info on these derivatives.

Erreur ! Signet non défini.

Erreur ! Signet non défini.

6.7. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in € million)	2022		2021	
	Assets	Liability	Assets	Liability
Property, plant and equipment	25.1	(258.6)	25.2	(245.8)
Intangible assets		(15.8)		(15.4)
Financial assets	7.4	(62.5)		(105.7)
Non-current trade and other receivables	1.2	(0.0)	1.3	(0.0)
Interest-bearing loans and other non-current financial liabilities	33.9	(5.5)	41.8	(5.6)
Employee benefits	19.2	(10.8)	26.7	(11.8)
Provisions	36.3		30.2	
Deferred revenue	28.2	(1.1)	25.9	(1.5)
Regulatory liabilities	79.4	(76.3)	22.3	
Deferred tax on investment grants		(25.3)		(1.0)
Losses carried forward	12.6		14.0	
Other items	0.3	(9.5)	0.7	(8.9)
Tax asset/liability before offsetting	**243.6**	**(465.4)**	**188.1**	**(395.8)**
Offsetting of tax	(241.8)	241.8	(186.2)	186.2
Net tax asset/(liability)	**1.8**	**(223.6)**	**1.9**	**(209.6)**

The changes in deferred tax assets and liabilities can be presented as follows:

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES RESULTING FROM MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

(in € million)	Net tax asset/(liability)	Recognised in income statement	Recognised in comprehensive income	Other	Total
2021					
Property, plant and equipment	(210.6)	(10.4)	0	0	(221.0)
Intangible assets	(6.3)	(9.1)	0	0	(15.4)
Financial assets			(105.7)	0	(105.7)
Non-current trade and other receivables	0.8	0.3	0	0	1.1
Interest-bearing loans and other non-current financial liabilities	27.6	18.9	(0.2)		46.3
Employee benefits	19.0	2.9	(7.0)	0	14.9
Provisions	46.8	(2.2)	0	0	44.6
Deferred revenue	22.5	(7.8)	0		14.6
Regulatory liabilities	22.6	(0.4)	0	0	22.2
Deferred tax on investment grants	(1.1)	0	0.1	0	(1.0)
Losses carried forward	0.8	0.2	0	0	1.0
Other items	(6.5)	(2.8)	0		(9.3)
Total	**(84.5)**	**(10.5)**	**(112.8)**	0	**(207.8)**

2022					
Property, plant and equipment	(221.0)	(13.8)	0	0	(234.8)
Intangible assets	(15.4)	(0.4)	0	0	(15.8)
Financial assets	(105.7)	0	50.6	0	(55.1)
Non-current trade and other receivables	1.1	(0.0)	0	0	1.1
Interest-bearing loans and other non-current financial liabilities	46.3	(6.9)	(0.1)	0	39.3
Employee benefits	14.9	(1.6)	(4.9)	0	8.5
Provisions	44.6	6.1	0	0	50.7
Deferred revenue	14.6	2.6	0	0	17.2
Regulatory liabilities	22.2	(19.1)	0	0	3.0
Deferred tax on investment grants	(1.0)	(0.0)	0	0	(0.1)
Losses carried forward	1.0	0.0	0	0	1.0
Other items	(9.3)	(2.4)	0	0	(11.7)
Total	**(207.8)**	(35.4)	45.6	0	**(196.6)**

The deferred tax liability on right-of-use assets from IFRS 16 leases is shown under ‘Property, plant and equipment’, whilst the deferred tax asset on finance lease liability is shown under ’Interest-bearing loans and other non-current financial liabilities’.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

As at 31 December 2022, the group had unrecognised deferred tax assets for a total of €26.9 million. This amount can be summarized follows:

(in € million)		Gross	Deferred tax
Tax losses		**7.0**	**1.7**
	Realto	1.2	0.3
	EGI (including branches)	3.0	0.7
	Windgrid	2.8	0.7
Dividend received deduction		**27.1**	**6.8**
	Elia Group	21.8	5.5
	Eurogrid International (BE)	3.0	0.8
	EGI	2.3	0.6
Exceeding borrowing costs		**73.6**	**18.4**
	Elia Group	73.6	18.4
Total		**107.7**	**26.9**

These unused tax losses carried forward, Dividend Received Deduction carried forward and non-deductible interests carried forward (Corporate Interest Restriction rule) have no expiry date. An assessment is conducted each year to determine the probability that these fiscal deductions could be used in the future to lower the tax base.

6.8. Inventories

(in € million)	2022	2021
Raw materials and consumables	37.4	35.6
Work in progress	0.9	1.9
Write-downs	(16.7)	(15.9)
Total	**21.6**	**21.6**

The warehouse primarily stores replacement and spare parts for maintenance and repair work carried out along the group's high-voltage substations, overhead lines and underground cables.

The value of inventories remains stable and limited compared to December 31, 2021.

Write-downs are recorded following the non-utilisation of stock items based on their underlying rotation. These were slightly higher than in 2021.

6.9. Current trade and other receivables, deferred charges and accrued revenues

(in € million)	2022	2021
Contract assets	0.9	2.9
Trade receivables	748.7	716.5
Advance payments	1.9	1.0
Levies	80.5	36.6
VAT and other taxes	145.6	79.1
Other	228.7	25.1
Trade and other receivables	**1,206.2**	**861.3**
Deferred charges	20.2	18.1
Accrued interests	4.9	
Deferred charges and accrued revenues	**25.1**	**18.1**
Total	**1,231.4**	**879.4**

The total current trade and other receivables, deferred charges and accrued revenues increased by €352.0 million compared with the previous year. This is mainly explained by the cash collateral reported by the German segment for a total of €239.0 million and the higher amount of trade receivables and levies in a context of rising prices.

Contract assets are mainly related to EGI's business and transmission system operations. The position decreased from €2.9 million in the previous year to €0.9 million at year-end.

Trade receivables are non-interest-bearing and generally have payment terms of 15 to 30 days. The increase is driven by both Belgian and German segments against a background of high activity and a significant increase in energy prices.

The increase in the levies is mainly attributable to Germany where the offshore receivable position rose from €20.9 million to €68.9 million at year end in 2022.

'Other receivables' mainly relate to the margin calls (advances received or paid as part of collateralization agreements set up by the group to manage counterparty risk on commodity transactions) of the German segments (€239 million).

The group's exposure to credit and currency risks, and impairment losses related to trade receivables are shown in Note 8.1.

At 31 December, the ageing analysis of trade receivables is as follows:

(in € million)	2022	2021
Not past due	639.6	687.4
Past due 0-30 days	75.6	15.1
Past due 31-60 days	29.3	2.4
Past due 61 days - one year	1.8	11.1
Past due one year - two years	2.8	2.1
Total (excl. impairment)	**749.1**	**718.1**
Doubtful amounts	202.2	201.4
Amounts write-offs	(201.7)	(200.8)
Allowance for expected credit losses	(0.9)	(2.1)
Total	**748.7**	**716.5**

See Note 8.1 for a detailed analysis of the credit risk incurred in connection with these trade receivables.

Considering the nature (as regulatory assets) and/or the risk profile of the counterparties (Belgian/German state) of the most significant other receivables, there is a low impairment risk and thus it is not needed to record a loss allowance.

6.10. Current tax assets and liabilities

(in € million)	2022	2021
Tax receivables	28.6	10.1
Tax liabilities	(26.6)	(26.8)
Net tax asset/(liability)	**1.9**	**(16.7)**

Tax receivables increased compared with the previous year. The €28.6 million income tax receivables recorded on 31 December 2022 mainly relates to advances on corporate tax to be recovered in the financial year 2023. Income tax liabilities remained stable at €26.6 million.

6.11. Cash and cash equivalents

(in € million)	2022	2021
Short-term deposits	3,516.6	2,486.2
Balance at bank	634.6	563.2
Total	**4,151.2**	**3,049.5**

Cash and cash equivalents increased by €1,101.7 million. This increase was mainly due to the higher EEG, KWK and StromNEV (levies) surplus of €2,884.6 million (+€752,5 million) in Germany and the capital increased completed by the Group.

Short-term deposits are invested for periods varying from a few days or weeks to several months (generally not exceeding three months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for short-term deposits.

Bank account balances earn or pay interest in line with the variable rates of interest on the basis of daily bank deposit interest rates. The group's interest rate risk and the sensitivity analysis for financial assets and liabilities are discussed in Note 8.2.

The cash and cash equivalents disclosed above and in the statement of cash flows include restricted cash for a total of €2,936.0 million held by 50Hertz Transmission GmbH and €1.4 million held by Elia Re.

6.12. Shareholders' equity

6.12.1. Equity attributable to the owners of the Company

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2022	2021
Number of issued shares at the beginning of the year	68,728,055	68,720,695
Issued against cash payment	4,787,784	7,360
Number of issued shares at the end of the year	**73,515,839**	**68,728,055**
Number of treasury shares at the end of the year	13,480	7,248
Number of outstanding shares at the end of the year	**73,502,359**	**68,720,807**

The capital has been modified twice during the year 2022:

- On 24 June 2022, Elia Group SA/NV successfully completed a public offering of new shares to existing shareholders and any holders of an extra-legal preferential right. Through this offering, the capital of Elia Group SA/NV has increased by an amount of €118.2 million along with an increase in share premium of €471.9 million for which 4.739.865 new shares have been issued at a subscription price of €124.5 per share. €6.9 million of costs were incurred in relation to the capital increase.

- The extraordinary shareholders' meeting held on 21 June 2022 decided to execute a capital increase in two steps/periods (one in 2022 for a maximum of €5.0 million and the other in 2023 for a maximum of €1.0 million), for a total maximum amount of €6.0 million for its Belgian employees. The first tranche of this capital increase for employees took place in December 2022. The transaction resulted in the creation of 47,920 new shares for a total amount of €5.0 million, consisting of a €1.2 million capital increase and a €3.8 million increase in share premium.

In 2021, the movement was related to the second tranche of the 2020 capital increase for Elia employees completed in March 2021. This capital increase resulted in the creation of 7,360 additional shares without nominal value for a total amount of 0.2 million capital increase and a €0.4 million increase in share premium.

RESERVES

In line with Belgian legislation, 5% of the Company's statutory net profit must be transferred to the legal reserve each year until the legal reserve represents 10% of the capital. As at 31 December 2022, the Group's legal reserve amounts to €180.2 million and represents 9.8% of the capital.

The Board of Directors can propose the pay-out of a dividend to shareholders totalling up to a maximum of the available reserves plus the profit carried forward from the Company's previous financial years, including the profit for the financial year ending on 31 December 2022. Shareholders must approve the dividend payment at the Annual General Meeting of Shareholders.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments with regard to hedged transactions that have not yet occurred.

Since 2021, hedge accounting is applied to future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. The fair value of these contracts amounted to €129.6 million at the end of 2022 (€355.6 million in 2021). Considering a deferred tax effect, a net variation of the hedge reserve amounting to -€159.1 million was recorded in other comprehensive income in 2022. This negative impact was driven by the drop in energy prices in the last quarter of the year and was partly offset by the new derivatives in which Elia Transmission Belgium SA/NV entered into in 2022 for the pre-hedging of probable forecasted debt transactions. The fair value of these derivatives was €65.3 million at the end of the year 2022, resulting in a net hedging reserve of €49.0 million fully recognized in other comprehensive income.

As the costs for grid losses are almost fully passed through to the tariffs, the fair value of the future contracts has no relevance for the current or future profitability of the company.

TREASURY SHARES

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the group. On 31 December 2021, the group held 7.248 of the Company's shares.

Number of treasury shares	2022	2021
On 1 January	7,248	0
Repurchased during the year	452,289	270,331
Sold during the year	-446,057	-263,083
Number of treasury shares at the end of the year	**13,480**	**7,248**

SHARE-BASED PAYMENTS

At 31 May 2021, Eurogrid International SA/NV has granted 1,640 stock options to the employees of RealTo BV/SRL and RealTo GmbH at a strike price of €100 per stock option at exercise date 31 March 2024. As per 14 March 2023, 500 additional stock options have been granted to new employees at the same terms and conditions. In total, 2,120 stock options have been accepted, worth €1,4 million. As per 31 December 2022, 1.140 options are still living. The share-based payments cost amounted to €0.3 million in 2022 (€0.2 million). As the stock option plan concerns shares in RealTo BV/SRL and its parent company, the share-based payments are not presented separately in the statement of equity.

DIVIDEND

After the reporting date, the Board of Directors will put forward the dividend proposal outlined below.

Dividend (in €)	2022	2021
Per ordinary share entitled to dividend	1.91	1.75

It was proposed and approved, at the Shareholders' Meeting convened to approve the Elia Group SA/NV financial statements for the year ended 31 December 2021, to pay a dividend of €1.75 per share, representing a total payout of €120.3 million.

The Board of Directors meeting on 30 March 2023 proposed a gross dividend of €1.91 per share with regard to 2022. This dividend is subject to approval by shareholders at the Annual General Meeting on 16 May 2023 and is not included as a liability in the Group's consolidated financial statements.

The total dividend, calculated based on the number of shares outstanding on 30 March 2023 corresponds to a total of €140.4 million.

6.12.2. Hybrid securities

In September 2018, the group issued hybrid securities to finance the additional 20% stake in 50Hertz Transmission (Germany). The issue resulted in a €700 million increase in the group's equity.

The hybrid securities bear an optional, cumulative coupon of 2.75%, payable at the group's discretion annually on 5 December of each year, with the first payment on 5 December 2019. As at 31 December 2022, the unpaid cumulative dividend amounted to €1.4 million. (2021: €1.4 million). A coupon of €19.3 million was paid to the holders of hybrid securities in December 2022.

The hybrid securities have an initial call date in December 2023, with a reset every five years thereafter.

The hybrid securities are structured as perpetual instruments, have junior ranking to all senior debt and are recorded as equity in the group's accounts pursuant to IFRS.

6.13. Interest-bearing loans, borrowings and lease liabilities

(in € million)	2022	2021
Non-current borrowings	7,638.6	7,658.2
Lease liabilities − non-current	77.0	83.7
Subtotal non-current borrowings	**7,715.6**	**7,741.7**
Current borrowings	772.0	82.3
Lease liabilities − current	13.2	35.1
Accrued interest	81.9	76.4
Subtotal current loans and borrowings	**867.2**	**194.0**
Total	**8,582.8**	**7,935.7**

The tables below show the changes in the group's liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes.

(in € million)	Current interest-bearing loans and borrowings	Non-current interest-bearing loans and borrowings	Total
Balance at 1 January 2021	805.5	7,249.6	8,055.1
Cash flow: repayment of borrowings	(722.3)	(15.4)	(737.7)
Cash flow: proceeds from withdrawal borrowings	60.0	498.0	558.0
Accrued interest	5.4	0.0	5.4
Other	45.4	9.5	54.9
Balance at 31 December 2021	**193.9**	**7,741.7**	**7,935.7**
Balance at 1 January 2022	193.9	7,741.7	7,935.7
Cash flow: repayment of borrowings	(82.3)	(13.3)	(95.8)
Cash flow: proceeds from withdrawal borrowings	0.0	747.4	747.4
Accrued interest	5.5	0.2	5.7
Other	750.2	(760.4)	(10.2)
Balance at 31 December 2022	**867.2**	**7,715.6**	**8,582.8**

During the year 2021, the group (Eurogrid GmbH) paid back the revolving credit facilities (€700 million) that were temporarily contracted to finance the EEG deficit at the end of 2020. Elia Group had issued an Eurobond of €500.0 million with maturity date 2033 and an interest rate of 0.88%. The group also issued commercial papers for total amount of €60.0 million with maturity date 2022 and an interest rate of -0.15% under its commercial paper program of €300.0 million.

In 2022, Eurogrid GmbH has secured liquidity for the further grid expansion necessary for the energy transition with the issuance of a ésecond Green Bond in the amount of €750.0 million at a rate of 3.279% and a term of nine years. Repayments of borrowing 2022 mainly relate to the closing of the commercial paper program (-€60.0 million) and the capital repayment of the amortizing loans (€22.0 million).

Movements in 'Other' during the financial year 2022 mainly relates to reclassifications of long-term debt to short-term debt based on when instruments become due in 2023.

Information on the terms and conditions of outstanding interest-bearing loans and borrowings is outlined below:

As per 31 December 2022:

(in € million)	Maturity	Redemption schedule	Amount	Interest rate
Eurobond issues 2013/15 years	2028	At maturity	548.0	3.25%
Eurobond issues 2013/20 years	2033	At maturity	199.3	3.50%
Eurobond issues 2014/15 years	2029	At maturity	347.6	3.00%
Eurobond issues 2015/8.5 years	2024	At maturity	499.6	1.38%
Eurobond issues 2017/10 years	2027	At maturity	248.5	1.38%
Senior bond 2018/10 years	2028	At maturity	298.3	1.50%
Eurobond issues 2019/7 years	2026	At maturity	499.0	1.38%
Eurobond issues 2020/10 years	2030	At maturity	790.9	0.88%
Amortising term loan	2033	Linear	167.8	1.80%
Amortising bond - 7,7 years	2028	Linear	50.3	1.56%
Amortising bond - 23,7 years	2044	Linear	132.4	1.56%
European Investment Bank	2025	At maturity	100.0	1.08%
Commercial Paper	2022	At maturity	0.0	
Bond as part of Debt Issuance Programme 2015	2025	At maturity	499.0	1.875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2015	2023	At maturity	749.7	1.625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2015	2030	At maturity	139.4	2.625% p.a. (fixed)
Bond as part of Debt Issuance Programme 2016	2028	At maturity	748.0	1.500% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2032	At maturity	747.7	1.113% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2031	At maturity	747.4	3,279% p.a. (fixed)
Bond as part of Debt Issuance Programme 2020	2040	At maturity	199.5	0,875% p.a. (fixed)
Bond as part of Debt Issuance Programme 2021	2033	At maturity	498.3	0,741% p.a. (fixed)
Registered bond 2014	2044	At maturity	50.0	3,000% p.a. (fixed)
Loan with KFW	2026	At maturity	150.0	0.90%
Total			**8,410.7**	
Lease debts			90.2	
Accrued interests			81.9	
Total Loans and Borrowings (Current and Non-current)			**8,582.8**	

As per 31 December 2021:

(in € million)	Maturity	Redemption schedule	Amount	Interest rate
Eurobond issues 2013/15 years	2028	At maturity	547.7	3.25%
Eurobond issues 2013/20 years	2033	At maturity	199.2	3.50%
Eurobond issues 2014/15 years	2029	At maturity	347.2	3.00%
Eurobond issues 2015/8.5 years	2024	At maturity	499.1	1.38%
Eurobond issues 2017/10 years	2027	At maturity	248.2	1.38%
Senior bond 2018/10 years	2028	At maturity	297.9	1.50%
Eurobond issues 2019/7 years	2026	At maturity	498.6	1.38%
Eurobond issues 2020/10 years	2030	At maturity	789.7	0.88%
Amortising term loan	2033	Linear	181.7	1.80%
Amortising bond - 7,7 years	2028	Linear	58.7	1.56%
Amortising bond - 23,7 years	2044	Linear	132.3	1.56%
European Investment Bank	2025	At maturity	100.0	1.08%
Commercial Paper	2022	At maturity	60.0	-0.15%
Bond as part of Debt Issuance Programme 2015	2025	At maturity	498.6	1.88%
Bond as part of Debt Issuance Programme 2015	2023	At maturity	749.4	1.63%
Bond as part of Debt Issuance Programme 2015	2030	At maturity	139.3	2.63%
Bond as part of Debt Issuance Programme 2016	2028	At maturity	747.7	1.50%
Bond as part of Debt Issuance Programme 2020	2032	At maturity	747.4	1.11%
Bond as part of Debt Issuance Programme 2020	2040	At maturity	199.4	0.88%
Bond as part of Debt Issuance Programme 2021	2033	At maturity	498.1	0.88%
Registered bond 2014	2044	At maturity	50.0	3.00%
Loan with KfW	2026	At maturity	150.0	0.90%
Total			**7,740.5**	
Lease debts			118.8	
Accrued interests			76.4	
Total Loans and Borrowings (Current and Non-current)			**7,935.7**	

Erreur ! Signet non défini.

Erreur ! Signet non défini.

6.14. Employee benefits

The group has various legal and constructive defined benefit obligations linked to its Belgian and German operations.

The total net liability for employee-benefit obligations is as follows:

(in € million)		2022			2021	
	Belgium	Germany	Total	Belgium	Germany	Total
Defined benefit plans	4.3	20.9	25.1	28.6	34.0	62.6
Post-employment benefits other than pensions	47.6	4.3	51.9	36.2	7.9	44.0
Subtotal	***51.9***	***25.2***	***77.1***	***64.8***	***41.8***	***106.6***
Other (non actuarial provision)		1.0	1.0			0.0
Total provisions for employee benefits	**51.9**	**26.2**	**78.1**	**64.8**	**41.8**	**106.6**

Of the €78.1 million in employee benefits provisions recognised at the end of the financial year 2022, €75.0 million is presented in the long term and €3.2 million in the short term (see Note 6.14).

BELGIUM

DEFINED-CONTRIBUTION PLAN

Employees remunerated based on a salary scale and recruited after 1 June 2002, as well as management staff recruited after 1 May 1999 are covered by two defined-contribution pension plans (Powerbel and Enerbel):

- The Enerbel plan is a plan for salaried employees hired after 1 June 2002, to which the employee and the employer contribute based on predefined formula.
- The Powerbel plan is a plan for managers hired after 1 May 1999. The contributions of the employee and employer are based on a fixed percentage of the employee’s salary.

The new law regarding occupational pension plans, published at the end of 2015, made various changes to the guaranteed return on defined-contribution plans. For payments made after 1 January 2016, the law requires employers to guarantee an average annual return of at least 1.75% (up to 3.75% depending on who contributes) over the course of each employee’s career.

For insured plans the minimum guaranteed return until 31 December 2015 still needs to be equivalent to at least 3.25% for the employer’s contribution and 3.75% for the employee's contribution, with any shortfall being covered by the employer.

As a result of the above changes and as mentioned in the accounting policies, all defined-contribution pension plans under Belgian pension legislation are classified as defined-benefit plans for accounting purposes, due to the legal minimum return to be guaranteed by the employer, which represents a plan amendment. They are accounted for using the Projected Unit Credit method (PUC-method). For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any), hence no application of IAS 19 § 115. In addition, with the exception of Enerbel, the defined-contributions (DC) plans are not backloaded, as such these plans are valued without projection of future contributions. The Enerbel DC plan is backloaded and this plan is valued with projection of future contributions.

Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best of' plans since 2016. The main objective of these plans is to guarantee for every subscriber a minimum guaranteed return of 3.25% on the acquired reserves until retirement age.

Both employee' and employer' contributions are paid on a monthly basis for the base plans. The employee' contribution is deducted from their salary and paid to the insurer by the employer. The amount of future cash flows depends on wage growth.

DEFINED-BENEFIT PLANS

For a closed population, collective agreements in the electricity and gas industries provide ‘pension supplements’ based on the annual salary and an employee’s career within a company (partially revertible to the inheritor in case of early death of the employee).The benefits granted are linked to Elia’s operating result. There is no external pension fund or group insurance for these liabilities, which means that no reserves are constituted with third parties. The obligations are classified as a defined-benefit.

The collective agreement determines that active staff hired between 1 January 1993 and 31 December 2001 and all managerial/executive staff hired prior to 1 May 1999 will be granted the same guarantees via a defined-benefit pension scheme (Elgabel and Pensiobel – closed plans). Obligations under these defined-benefit pension plans are funded by a number of pension funds for the electricity and gas industries and by insurance companies.

As mentioned above, Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best of' plans since 2016. As this guarantee is an employer obligation, these plans represent defined-benefit plans.

Both employees' and employers' contributions are paid on a monthly basis for the base plans. The employee's contribution is deducted from the salary and paid to the insurer by the employer.

OTHER PERSONNEL OBLIGATIONS

Elia Transmission (Belgium) has also granted staff certain early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and a contribution to their energy bills, as well as other long-term benefits (seniority payments). Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

GERMANY

DEFINED CONTRIBUTION PLANS

In the case of externally financed defined contribution plans, 50Hertz Transmission (Germany)'s obligation is limited to paying the agreed contributions. For those defined contribution plans recognised in the form of direct guarantees, there are pledged congruent employer's liability insurance policies in place.

- Pension obligations for executives (agreement with staff representatives from 2003 onwards): individual contractual pension obligations based on an agreement with representatives;
- Pension obligations for executives (agreement with staff representatives from 19 August 2008 onwards): individual contractual pension obligations relating to a company pension plan with the Vattenfall Europe Group;
- Collective bargaining agreement on the company pension scheme: obligations based on the collective bargaining agreement made in relation to 50Hertz Transmission's company pension scheme, concluded on 28 November 2007;
- Direct insurance: direct insurance policies for all former employees who worked at Vereinigte Energiewerke AG (VEAG) from 1993 to 31 December 2004, with the exception of managers;
- Individual commitments: individual commitments which are financed exclusively by external pension funds (welfare fund and pension fund).

DEFINED-BENEFIT PLANS

Defined-benefit plans entitle employees to submit direct pension claims to 50Hertz Transmission. Provisions for these are recognised in the statement of financial position. If plan assets are created for the sole purpose of fulfilling pension obligations, the amount is offset against the present value of the obligation. The following defined-benefit plans exist in Germany:

- Group works agreement regarding the company pension scheme

In accordance with the group works agreement regarding 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) of the German Work Constitution Act (BetrVG) and came into effect at the Company on 1 January 2007. Participation in the scheme is voluntary. The scheme grants pension benefits to employees once they reach the statutory retirement age, once they take early retirement from statutory pension insurance, and in the event of occupational disability for death. Current pension benefits are increased by 1% p.a., so the scheme is classified as a defined-benefit plan.

- TVV Energie

This pension plan relates to direct guarantees resulting from a collective bargaining agreement concluded on 16 October 1992. It was closed to new hires on 1 January 1993. This contribution plan applies to employees who worked at Vereinigte Energiewerke AG until 30 November 2001 and whose vested benefits were allocated to Vattenfall Europe Transmission GmbH (now 50Hertz Transmission GmbH). The scheme covers pension obligations, based on years of service and remuneration level and grants retirement and disability pensions, but no pension for surviving dependants. It is not possible to index current post-employment benefits falling due for the first time after 1 January 1993.

OTHER PERSONNEL OBLIGATIONS

50Hertz Transmission also has following obligations, which are listed under 'Other personnel obligations':

- Obligations for long-service benefits;
- Obligations from German phased retirement schemes;
- Obligations for working lifetime accounts.

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

EMPLOYEE BENEFIT OBLIGATIONS AT GROUP LEVEL

The Group's net liability for employee benefit obligations is as follows:

(in € million)	Pensions		Other	
	2022	2021	2022	2021
Present value of funded defined benefit obligation	(249.6)	(298.9)	(93.3)	(100.1)
Fair value of plan assets	224.5	236.3	41.3	56.1
Net employee benefit liability	**(25.1)**	**(62.6)**	**(51.9)**	**(44.0)**

The net employee benefit liability decreased in total by €29.5 million, of which €12.9 million on Belgian level and €16.6 million on German level.

The impact is mainly explained by the increase in discount rate compared with 2021 and the lower (negative) return on plan assets.

Movement in the present value of the defined benefit obligation	Pensions		Other	
(in € million)	**2022**	**2021**	**2022**	**2021**
At the beginning of the period	**(298.9)**	**(292.3)**	**(100.1)**	**(110.8)**
Current service cost	(15.9)	(15.2)	(3.1)	(10.4)
Interest cost/income	(2.9)	(1.7)	(1.3)	(0.6)
Contributions from plan participants	(1.0)	(0.9)	0.0	0.0
Including remeasurement gains/(losses) in OCI and in Statement of profit or loss, arising from				
1) Changes in demographic assumptions	0.0	0.0	0.0	0.0
2) Changes in financial assumptions	57.3	17.7	19.9	3.7
3) Changes from experience adjustments	(15.5)	(5.3)	(0.6)	(0.3)
Past service cost	0.0	0.1	0.0	0.0
Payments from the plan	16.2	16.8	3.1	2.8
Transfers	11.1	(18.2)	(11.1)	15.5
At the end of the period	**(249.6)**	**(298.9)**	**(93.3)**	**(100.1)**

Movement in the fair value of the plan assets	Pensions		Other	
(in € million)	**2022**	**2021**	**2022**	**2021**
At the beginning of the period	**236.3**	**241.4**	**56.1**	**29.6**
Interest income	2.4	1.0	0.0	0.1
Remeasurement gains/losses in OCI arising from:				
Return of plan assets (excluding interest income on plan assets)	(35.7)	12.0	(0.3)	3.7
Contributions from employer	14.4	10.2	5.9	9.7
Contributions from plan participants	1.0	0.9	0.0	0.0
Transfers	19.4	(13.1)	(19.4)	15.8
Benefit payments	(13.3)	(16.2)	(0.9)	(2.7)
At the end of the period	**224.5**	**236.3**	**41.3**	**56.1**

Amounts recognised in comprehensive income	Pensions		Other	
(in € million)	2022	2021	2022	2021
Service cost				
Current service cost	(15.9)	(15.2)	1.8	(4.1)
Past service cost	0.0	0.1	0.0	0.0
Settlements	0.6	0.6	0.1	0.1
Net interest on the net defined-benefit liability/(asset)	**(0.6)**	**(0.7)**	**(1.2)**	**(0.5)**
Interest cost on defined-benefit obligation	(2.9)	(1.7)	(1.3)	(0.6)
Interest income on plan assets	2.4	1.0	0.0	0.1
Other	**(0.0)**	**(0.0)**	**0.0**	**0.3**
Defined-benefit costs recognised in profit or loss	**(15.9)**	**(15.1)**	**0.6**	**(4.2)**
Actuarial gains(/losses) on defined obligations arising from:				
1) Changes in demographic assumptions	0.0	0.0	0.0	0.0
2) Changes in financial assumptions	57.3	17.7	19.9	3.1
3) Changes from experience adjustments	(15.5)	(5.3)	(0.6)	(0.1)
Return on plan assets (excluding interest income on plan assets)	(35.7)	12.0	(0.3)	3.7
Remeasurements of net defined benefit (liability)/asset recognised in other comprehensive income (OCI)	**6.1**	**24.5**	**19.0**	**6.6**
Total	**(9.8)**	**9.4**	**19.6**	**2.4**

Considering the actuarial gains or losses recognised in other comprehensive income for the reimbursement rights (-€8.9 million for 2022 - see hereafter), the net impact of the remeasurement of post-employments benefit obligations amounts to +€16.2 million.

(in € million)	2022	2021
Breakdown of defined-benefit obligation by type of plan participants	**(342.9)**	**(399.0)**
Active plan participants	(272.7)	(314.9)
Terminated plan participants with def.-benefit entitlements	(21.5)	(24.8)
Retired plan participants and beneficiaries	(48.7)	(59.3)
Breakdown of defined-benefit obligation by type of benefits	**(342.9)**	**(399.0)**
Retirement and death benefits	(248.4)	(288.2)
Other post-employment benefits	(82.4)	(57.3)
Seniority payments	(12.1)	(53.6)

When determining the appropriate discount rate, the group considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

A stress test is performed annually. This test verifies that the minimum funding requirements are covered to deal with 'shocks' with probabilities of occurrence of 0.5%.

The members (mostly) contribute to the financing of the retirement benefits by paying a personal contribution.

The annual balance of the defined benefit lump sum is financed by the employer through a recurrent allowance, which is expressed as a percentage of the total payroll of the participants. This percentage is defined by the aggregate cost method and is reviewed annually. This method of financing involves smoothing future costs over the remaining period of the plan. The costs are estimated on a projected basis (taking into account salary growth and inflation). The assumptions related to salary increase, inflation, employee turnover and age term are defined on the basis of historical data from the Company. The mortality tables used are those corresponding to the observed experience within the financing vehicle and take into consideration expected changes in mortality. The group calculates the net interest on the net defined benefit liability (asset) using the same high-quality bond discount rate (see above) used to measure the defined benefit obligation (net interest approach). These assumptions are challenged on a regular basis.

Exceptional events (such as modifications made to the plan, changes in assumptions and overly short coverage terms) can lead to outstanding payments from the sponsor.

The defined benefit plans expose the Company to actuarial risks such as investment risk, interest-rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate which is determined based on high-quality corporate bonds. The difference between the actual return on assets and the interest income on plan assets is included in the remeasurements component (OCI). Currently the plan has a relatively balanced range of investments, as shown below:

(in € million)	2022	2021
Investments quoted in an active market	**72.44%**	**71.02%**
Shares - Eurozone	13.24%	13.99%
Shares - outside Eurozone	17.34%	17.98%
Government bonds - Eurozone	0.94%	1.31%
Other bonds - Eurozone	24.75%	24.85%
Other bonds - outside Eurozone	16.18%	12.89%
Unquoted investments	**27.56%**	**28.98%**
Qualifying insurance contracts	12.23%	10.91%
Property	2.21%	2.50%
Cash and cash equivalents	2.81%	2.82%
Other	10.31%	12.76%
Total (in %)	**100.00%**	**100.00%**

Due to the long-term nature of the plan liabilities, it is considered appropriate that a reasonable portion of the plan assets be invested in equity securities to leverage the return generated by the fund. In Germany, all plan assets are invested in insurance agreements.

Interest risk

A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan’s assets, of which approximately 95% is now invested in pension funds with an expected return of 3.12%.

Longevity risk

The present value of the defined benefit plan liability is calculated based on the best estimate of the life expectancy of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The prospective mortality tables from the IA/BE are used in Belgium and the 2018 Heubeck tables are uesed in Germany.

Salary risk

The present value of the defined benefit plan liability is calculated based on the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan’s liability.

ACTUARIAL ASSUMPTIONS

(in % and years)	Belgium		Germany	
	2022	2021	2022	2021
Discount rate				
- Pensions - defined benefit plans and cash balance - best off plans	3.75%	0.83%	3.59%	1.26%
- Pensions - defined contribution plans	3.77%	1.12%	-	-
- Other	3.75%	1.14%	3.59%	1.26%
Expected average salary increase (excluding inflation)	1.00%	1.00%	2.75%	2.15%
Expected inflation	2.10%	1.75%	2.50%	2.00%
Expected increase in health benefits (including inflation)	3.10%	2.75%	2.25%	2.25%
Expected increase in tariff advantages	2.10%	1.75%	-	-
Average assumed retirement age				
- Employee	63	63	65	65
- Manager	65	65	65	65
Life expectancy in years of a pensioner retiring at age 65 at closing date:*				
Life expectancy for a 65 year old male	19.9	19.9	20.7	20.5
Life expectancy for a 65 year old female	23.6	23.6	24.1	24

**Mortality tables used: IABE in Belgium, 2018 Heubeck in Germany*

(in years)	Belgium		Germany	
	2022	2021	2022	2021
Weighted average duration of the defined benefit obligation	8.0	8.5	23.4	28.7
Weighted average duration of the defined contribution plans	9.7	9.7	n.r.	n.r.
Weighted average duration of the post-employment benefits other than pensions	13.2	13.2	12.7	14.0

In Germany, the liability of the defined contribution plans is completely covered by the plan assets. Therefore, no weighted average duration is necessary and thus not calculated.

The actual return on plan assets in percentage terms for 2022 was negative, ranged between -2.6% and -18.0% (compared with a range of 2.7% to 12.0% in 2021).

Below is an overview of the expected cash outflows for the DB plans:

Future expected cash outflows	< 12 months	1-5 years	6 - 10 years
Pensions	(4.6)	(20.4)	(25.3)
Other	(0.1)	(0.3)	(0.4)
Total (in € million)	**(4.7)**	**(20.7)**	**(25.7)**

There is some degree of uncertainty linked to the above expected cash outflows which can be explained by the following factors:

- differences between assumptions and actual data can occur, e.g. retirement age and future salary increase;
- the expected cash outflows shown above are based on a closed population and therefore do not incorporate future new hires;
- future premiums are calculated based on the last known aggregate cost rate, which is reviewed on an annual basis and varies depending on the return on plan assets, the actual salary increase as opposed to the assumptions, and unexpected changes in the population.

SENSITIVITY ANALYSIS

Effect on defined benefit obligation (in € million)	Belgium Increase (+) / Decrease (-)	Germany Increase (+) / Decrease (-)
Impact on the net defined-benefit obligation of an increase in:		
Discount rate (0.5% movement)	14.4	4.6
Average salary increase - excl. inflation (0.5% movement)	(9.2)	(2.6)
Inflation (0.25% movement)	(5.5)	(0.2)
Increase of healthcare care benefits (1.0% movement)	(0.1)	n.r.
Life expectancy of pensions (1 year)	(3.3)	(0.8)

REIMBURSEMENT RIGHTS (BELGIUM)

As described in Note 6.6, a non-current asset (within other financial assets) is recognised as reimbursement rights linked to the defined benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for retired Elia employees. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

The change in reimbursement rights is presented below:

Movement in the present value of the reimbursement rights	Pensions		Other	
(in € million)	2022	2021	2022	2021
At the beginning of the period	**(19.0)**	**(22.6)**	**(27.2)**	**(31.2)**
Current service costs				
Interest cost/income	(0.1)	(0.1)	(0.3)	(0.2)
Actuarial gains(/losses) on defined obligations arising from:				
1) Changes in demographic assumptions	0.0	0.0	0.0	0.0
2) Changes in financial assumptions	3.0	0.7	8.4	2.2
3) Changes from experience adjustments	0.0	0.4	(2.4)	0.5
Payments from the plan	2.2	2.5	1.8	1.6
At the end of the period	**(14.0)**	**(19.0)**	**(19.7)**	**(27.2)**

The sum of 'Pensions' (€14.0 million) and 'Other' (€19.7 million) reimbursement rights amounted to €33.7 million in 2021 (2020: € 46.2 million), which reconciles with the reimbursement rights listed in Note 6.6.

Erreur ! Signet non défini.

Erreur ! Signet non défini.

6.15. Provisions

(in € million)	Environment	Elia Re	Dismantling Obligations	Employee benefits	Other	Total
Balance at 1 January 2021	11.5	5.4	116.3	1.9	5.6	140.7
Increase	0.3	1.0	2.1	(0.1)	1.9	5.2
Reversals	(0.4)	(2.0)	(9.6)	0.0	(0.8)	(12.9)
Utilisation	(0.1)	(0.4)	0.0	(0.1)	(0.7)	(1.2)
Discounting of provisions	(0.0)	0.0	1.4	0.0	0.0	1.4
Balance at 31 December 2021	**11.2**	**4.1**	**110.1**	**1.7**	**6.1**	**133.2**
Long-term portion	9.1	4.1	110.1	0.0	2.2	125.6
Short-term portion	2.1	0.0	0.0	1.7	3.9	7.7
Balance at 1 January 2022	11.2	4.1	110.1	1.7	6.1	133.2
Increase	1.4	2.0	57.9	1.5	1.3	64.2
Reversals	(1.0)	(2.9)	(37.1)	0.0	(1.3)	(42.4)
Utilisation	(0.3)	(0.4)	0.0	(0.1)	(0.5)	(1.2)
Discounting of provisions	(0.2)	0.0	1.1	0.0	0.0	0.9
Balance at 31 December 2022	**11.1**	**2.9**	**132.0**	**3.2**	**5.7**	**154.8**
Long-term portion	9.2	2.9	132.0	0.0	2.1	146.2
Short-term portion	2.0	0.0	0.0	3.2	3.4	8.6

The group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination. The €11.1 million provision mainly relates to the Belgian segment, with only a €1.9 million provision relating to the German segment. There were no significant movements in the environmental provisions in 2022.

More specifically for the Belgian segment, Elia has conducted soil surveys on over 200 sites in Flanders in accordance with contractual agreements and Flemish legislation. Significant soil contamination was found on a number of sites, with this being mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.). In the Brussels-Capital and Walloon Regions, Elia also carried out analyses and studies to detect contamination at a number of substations and a number of plots occupied by pylons for overhead power lines. Based on the analyses and studies it conducted, Elia has made provisions for possible future soil remediation costs in line with the relevant legislation.

Environmental provisions are recognised and measured based on an expert appraisal bearing in mind BATNEEC (Best Available Techniques Not Entailing Excessive Costs) as well as on the circumstances known at the end of the reporting period. The timing of the settlement is unclear but for the premises where utilisations occur, the underlying provision is classified as a short-term provision.

Elia Re: An amount of €2.9 million is included at year-end for Elia Re, a captive reinsurance company. €0.1 million of this is linked to claims for overhead lines, whilst €2.8 million is linked to electrical installations. The expected timing of the related cash outflow depends on the progress and duration of the respective procedures.

Dismantling provisions: As part of the Group's CAPEX programme, the Group is exposed to decommissioning obligations; most of which are related to offshore projects. These provisions take into account the effect of discounting and the expected cost of dismantling and removing the equipment from sites or from the sea. The carrying amount of the provision as at 31 December 2022 was €132.0 million. Despite a higher discount rate, the provision increased due to the reassessment of the costs (inflation and additional projects), especially in Germany where the obligation went from €89.0 million to €114.2 million. The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

Elia Group uses corporate bond rates (minimum AA rating) and sets them out to match the lifetime of the provisions in order to discount the dismantling provisions. In case the discount rate is below 0%, the rate is floored at 0%. The discount rates used in 2022 ranged between 3.79% to 3.83%, depending on the lifetime of the asset to dismantle. Should the discount rate increase by 1%, the dismantling provisions would increase by €20.4 million.

Employee benefits: See Note 6.14 for more details of these short-term employee benefits.

'**Other**' consists of various provisions for litigation to cover likely payment where legal proceedings have been instituted against the Group by a third party or where the Group is involved in legal proceedings. These estimates are based on the value of claims filed or on the estimated level of risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated proceedings.

No assets have been recognised in connection with the recovery of certain provisions.

6.16. Other non-current liabilities

(in € million)	2022	2021
Investment grants	213.9	147.2
Non-current deferred income	147.2	140.5
Derivatives	24.7	0.0
Other	1.8	1.8
Total	**387.6**	**289.5**

Of the total investment grants, €137.8 million relates to 50Hertz Transmission (Germany) and €76,2 million to Elia Transmission (Belgium). The investment grants are spread over several assets. The most significant projects are:

- In Belgium: the Princess Elisabeth energy island which will serve as an extension of the electricity grid in the North Sea. This grant has been signed in December 2022 for a total amount of €99,7 million (pre-taxes), out of which €73,1 million are reported in the Other non-current liability (post taxes);
- In Germany: SuedOstLink and Kriegers Flak Combined Grid Solution.

All are were subsidized by the European Union. The grants are released in profit and loss based on the useful lives of the assets to which they relate. The terms and conditions of the grants were monitored and met as per 31 December 2022.

Contract liabilities remained stable. They mainly relate to upfront payment for last mile connection. At the end of 2022, a liability of €112.7 million was recognised within Elia Transmission (Belgium) and a liability of €34.5 million within 50Hertz Transmission (Germany) with that respect. The income is released over the lifetime of the asset where the last mile connection relates to. As already disclosed in Note 5.1, the group has recognised €8.3 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€137.3 million), including €5.1 million from non-current contract liabilities.

The non-current derivatives are related to the long term future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses. As per 31 December 2022, these contracts have a negative fair value due to the drop in energy prices in the last months of the year.

6.17. Trade and other payables

(in € million)	2022	2021
Trade debts	1,279.0	905.3
VAT and other taxes	29.2	21.1
Remuneration and social security	46.6	40.9
Dividends payable	1.2	1.2
Levies	3,125.7	2,177.6
Other	244.7	536.0
Accrued liabilities	77.7	14.2
Total	**4,804.2**	**3,696.4**

The trade debts increased by €1,107.8 million in a context of increased activity levels and high volatility in energy prices in 2022. The significant variation is mostly explained by the levies (+€948,1 million).

The amount for levies can be split into levies related to 50Hertz Transmission (€2,959.8 million) and levies related to Elia Transmission (€165.9 million).

The levies for Elia Transmission increased compared with the previous year (€+141.3 million). The levies include federal levies, which totalled €150.0 million on 31 December 2022 (€6.2 million in 2021). Levies for the Walloon government decreased to €13.8 million, (€17.0 million in 2021). The remaining balance mainly consists of strategic reserves (€0.7 million). The significant increase in federal leview is explained by a new system implemented in 2022 which allows the group to be pre-funded for its green certificate buybacks in a 2022 context where wind production has been significantly lower than expected.

The levies for 50Hertz Transmission increased compared to previous year (€2153.0 million) due to the significant increase of the EEG balance. The 2022 levies mainly include EEG (€2,934.4 million) and §19StromNEV (€25.3 million).

The other payables mainly related to margin calls on derivatives hedging grid losses of the German segment (€235.0 million as of 31 December 2022 compared to €356.0 million last year) and other regulatory liabilities.

6.18. Financial instruments – fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy.

(in € million)	Carrying amount					Fair value			
	Designated at fair value	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Balance at 31 December 2021									
Other financial assets	**7.0**	**399.4**	**46.2**		**452.5**	**362.6**		**43.8**	**406.4**
Equity instruments at fair value through other comprehensive income		*43.8*			***43.8***			*43.8*	***43.8***
Equity instruments at fair value through income	*7.0*				***7.0***	*7.0*			***7.0***
Derivatives		*355.6*			***355.6***	*355.6*			***355.6***
Regulatory assets			46.2		***46.2***				
Trade and other receivables (Current and Non-current)			**861.8**		**861.8**				
Cash and cash equivalents			**3,049.5**		**3,049.5**				
Loans and borrowings (Current and Non-Current)				**(7,935.7)**	**(7,935.7)**	**(7,968.8)**		**(247.8)**	**(8,216.6)**
Unsecured bond issues				*(7,248.5)*	***(7,248.5)***	(7,476.8)		(247.8)	**(7,724.6)**
Unsecured financial bank loans and other loans				*(492.0)*	***(492.0)***	(492.0)			**(492.0)**
Lease liabilities				*(118.8)*	***(118.8)***				
Accrued interests				*(76.4)*	***(76.4)***				
Trade and other payables				**(3,696.4)**	**(3,696.4)**				
Total	**7.0**	**399.4**	**3,957.5**	**(11,632.0)**	**(7,268.2)**	**n.r.**	**n.r.**	**n.r.**	**n.r.**
Balance at 31 December 2022									
Other financial assets	**7.0**	**296.1**	**33.8**		**336.9**	**226.6**		**76.4**	**303.1**
Equity instruments at fair value through other comprehensive income		*76.4*			***76.4***			*76.4*	***76.4***
Equity instruments at fair value through income	*7.0*				***7.0***	*7.0*			***7.0***
Derivatives		*219.7*			***219.7***	*219.7*			***219.7***
Regulatory assets			*33.8*		***33.8***				
Trade and other receivables (Current and Non-current)			**1,367.1**		**1,367.1**				
Cash and cash equivalents			**4,151.2**		**4,151.2**				
Loans and borrowings (Current and Non-Current)				**(8,582.8)**	**(8,582.8)**	**(8,183.4)**		**(172.9)**	**(8,356.3)**
Unsecured bond issues				*(7,243.0)*	***(7,243.0)***	(7,015.7)		(172.9)	**(7,188.6)**
Unsecured financial bank loans and other loans				*(1,167.7)*	***(1,167.7)***	(1,167.7)			**(1,167.7)**
Lease liabilities				*(90.2)*	***(90.2)***				
Accrued interests				*(81.9)*	***(81.9)***				
Other non-current liabilities		**(24.7)**			**(24.7)**				
out of which, ***Derivatives***		**(24.7)**			**(24.7)**	**(24.7)**			**(24.7)**
Trade and other payables				**(4,804.2)**	**(4,804.2)**				
Total	**7.0**	**271.4**	**5,552.1**	**(13,387.0)**	**(7,556.5)**	**n.r.**	**n.r.**	**n.r.**	**n.r.**

The above tables do not include fair value information for financial assets and liabilities not measured at fair value, such as cash and cash equivalents, trade and other receivables, and trade and other payables, as their carrying amount is a reasonable approximation of fair value. We consider that the carrying amount approximates the fair value considering the financial and short-term nature.

FAIR VALUE HIERARCHY

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 and for financial instruments measured at amortised cost for which the fair value has been disclosed, 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.
- **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 these are 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. The fair value amount included under 'Other financial assets' has been determined by referring to either: (i) recent transaction prices, known by the group; for similar financial assets or (ii) valuation reports issued by third parties.

The fair value of financial assets and liabilities, other than those presented in the above table, approximates to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of other financial assets decreased by €115.6 million compared to previous year. The decrease mainly results from the fair value of the future contracts entered into by 50Hertz for the purpose of reducing the risk of fluctuations in the expected amount of grid losses (€154,4 million end of 2022 compared to €355.6 million last year). This decrease is partly offset by the positive value accounted for in Belgium in connection with the pre-hedging of probable forecast debt transactions (bonds issuance). The fair value of these derivatives amounted to €65.3 million. The fair value of the Sicav and the group's stake in EEX increased following reassessment of the fair value of EEX.

Despite a lower pricing on the market, the fair value of the bank loans and bond issues increased by €139.7 million, due to the higher nominal value (additional Green Bond in Germany).

The fair value of sicavs falls into level 1, i.e. valuation is based on the listed market price on an active market for identical instruments.

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. Credit and default risks are avoided with this form of price hedging via exchange transactions. At December 31, 2022, the Group reported derivative financial instruments in a net amount of €129.6 million. The futures contracts were concluded during the fiscal year at prices between €61 and €295 per MWh. As a result of the volatile price development on the electricity market, a differentiated picture emerged on the balance sheet date: Futures for 2023 were still contracted at advantageous hedging prices and show a positive market value (€ 154.3 million) on the balance sheet date, while the futures positions already contracted for 2024 show a negative market value (€ -24.7 million) as a result of the price decline shortly before the end of 2022. At the balance sheet date, the Group had already hedged a volume of 2.9 TWh for its expected physical requirements for grid loss energy in subsequent years.

The fair value of the bonds is €7.036.5 million (prior year: €7.724,6 million). Fair value was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy). The fair value of the registered bond is €37.2 million as of 31 December 2022 and was determined by reference to third party information, such as pricing services (classified as level 3 in the fair value hierarchy). The fair value of the private placement amounts to €133.2 million (classified as level 3 in the fair value hierarchy).

The fair value of other bank loans approximates to their carrying amounts largely due to the short-term maturities of these instruments.

Erreur ! Signet non défini.

Erreur ! Signet non défini.

6.19. Leasing

THE GROUP AS A LESSEE

The group mainly leases buildings, cars and optical fibres. It also has some rights to use (portions) of land and overhead lines. The valuation period used is based on the contractual term. Where a fixed term has not been set and an ongoing extension is subject to the contract, the relevant department has set an assumed termination date. In the event that the lease contract contains a lease extension option, the group assesses whether it is reasonably certain of exercising the option and makes its best estimate of the termination date.

The COVID-19 pandemic did not affected the contractual clauses of Elia Group's lease contracts and there were no indications leading to changes in the assessment (which was used in the previous reporting period) related to the extension of the contracts.

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 can be broken down in the table below, with the discounted lease liability for comparison. The split between current and non-current lease liabilities also provided:

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2021	**40.0**	**23.6**	**14.1**	**3.7**	**1.4**	**82.8**
Additions and remeasurements	3.4	16.7	6.1	23.4	0.0	49.6
Depreciation	(1.2)	(5.3)	(5.5)	(2.6)	(0.2)	(14.8)
Derecognition of right-of-use assets	0.0	(0.0)	(0.0)	0.0	0.0	(0.0)
As of 31 December 2021	**42.1**	**35.0**	**14.7**	**24.5**	**1.2**	**117.5**

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fiber	Other	Total
As of 1 January 2022	**42.1**	**34.9**	**14.7**	**24.5**	**1.1**	**117.5**
Additions and remeasurements	1.3	(0.1)	4.7	0.2	0.4	6.5
Depreciation	(1.3)	(6.0)	(5.6)	(0.5)	(0.1)	(13.5)
Derecognition of right-of-use assets	0.0	(0.0)	(0.1)	(22.0)	0.0	(22.1)
As of 31 December 2022	**42.2**	**28.9**	**13.7**	**2.3**	**1.5**	**88.5**

The right-of-use assets are briefly described below:

- The use of land and overhead lines constitutes a right for the group to use a well identified piece of land to build on someone's property. Only the contracts under which the group has the full right to control the use of the identified asset are in scope.
- The group leases buildings and offices in which corporate functions are performed.
- The group has car leasing contracts which are used by employees for business and private activities.
- The group leases optical fibres to transmit data. Only cables that are clearly identified are in scope.
- Other lease contracts: printer lease contracts and strategic reserves contracts. Strategic reserves are contracts where the Group has the right to control the use of a power plant to maintain a balance on the grid.

The group only has lease contracts with fixed lease payments and assesses whether it is reasonable to extend a lease contract. If so, the lease contract is valued as if the extension were exercised.

Lease liabilities

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

Maturity analysis - contractual undiscounted cash flows (in € million)	2022	2021
< 1 year	14.2	32.9
1-5 years	35.1	30.2
> 5 years	54.1	58.0
Total undiscounted lease liabilities at 31 December	**103.4**	**121.1**
Lease liabilities in the statement of financial position at 31 December	**90.2**	**118.8**
Current	13.2	35.1
Non-current	77.0	83.7

The discount rate used to discount the lease liabilities is the group's best estimate of the weighted average incremental borrowing rate. The group made use of the practical expedients, i.e. a single discount rate per group of contracts, summarised per their duration.

The group has assessed the extension options concluded in the lease contracts and considers it reasonably likely that these extension options will be executed. The Group has therefore considered the lease contract as if the extension option is exercised in the lease liability.

The group has no lease contracts with variable payments nor residual value guarantees. The group did not commit to any lease that has not yet commenced. The group has no contracts which include contingent rental payments nor include any escalation clauses or restrictions that are significant regarding the use of the asset in question.

In 2021, an optical fibre lease contract coming to maturity was prolonged and a purchase option for a value of €22.0 million was added. The purchase option came to maturity at the end of February 2022 and the group exercised the option.

Amounts recognised in profit and loss

The following amounts were recognised in profit and loss for the financial year:

(in € million)	2022	2021
Depreciation expense of right-of-use assets	13.3	14.7
Interest on lease liabilities	1.3	1.8
Expenses relating to short-term leases	0.2	0.7
Expenses relating to low-value assets	0.4	0.5
Total recognised in profit and loss	**15.1**	**17.8**

A total of €15.1 million in lease expenses was recognised in the statement of profit or loss in 2022. There were no variable lease payments included in the measurement of lease liabilities.

The total cash outflow for leases amounted to €13.3 million in 2022 (€15.4 million in 2021). This amount is included in the "Repayment of borrowings" of the cash flow statement.

THE GROUP AS A LESSOR

The group leases out optical fibres, land and buildings, which are presented as part of 'Property, plant and equipment'. Leasing is only an ancillary business. Rental income is presented under 'Other income'.

Contracts that do not relate to separately identifiable assets or under which the customer cannot directly the use of the asset or does not substantially obtain all the economic benefits associated with the use of the asset do not constitute a lease. The new lease definition led to the exclusion of some telecommunication equipment

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

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 estimate of the contractual term:

(in € million)	2022	2021
Within 1 year	13.4	12.9
1 to 2 years	12.7	12.2
2 to 3 years	15.0	12.1
3 to 4 years	12.2	12.0
4 to 5 years	16.7	11.9
More than 5 years	304.3	308.6
Total	**374.2**	**369.8**

The COVID-19 pandemic did not affected the contractual clauses of Elia Group's contracts as a lessor and there were no indicators to change the cash flows as mentioned here above.

The group recognised €15.2 million in rental income in 2022 (2021: €15.0 million).

6.20. Accruals and deferred income

(in € million)	2022	2021
Accruals and deferred income	91.4	11.4
Deferral account from settlement mechanism Belgian regulatory framework	360.6	353.5
Deferral account from settlement mechanism German regulatory framework	131.3	444.9
Total	**583.3**	**809.8**

The movements in the deferral account from the settlement mechanism are as follows:

(in € million)	Regulatory claims	Regulatory obligations	Total
Balance at 1 January 2022	92.9	(891.3)	(798.4)
Increase	787.8	(786.7)	1.1
Reversals	(5.9)	122.6	116.7
Utilisation	0.0	125.7	125.7
Other (e.g. discounting)	0.6	62.4	63.0
Balance at 31 December 2022	**875.3**	**(1,367.2)**	**(491.9)**

In the **Elia Transmission segment**, the deferral account from the settlement mechanism (€360.6 million) decreased compared with year end 2021 (€353.5 million). The decrease in the deferral account from the settlement mechanism encompasses the settlement of net surpluses from the prior tariff period (-€125.7 million), the review of the regulator on previous year's settlement mechanism (+€6.2 million) and the operating surplus generated in the current year over the budget approved by the regulator (+€130.8 million). Any operating surplus/deficit, in relation to the budget of the costs and revenues authorised by the regulator, needs to be returned to/refunded by the consumers and therefore does not form part of the revenues.

In 2022, there was an operational surplus (€ 130.8 million), reported as an additional regulatory obligation. This operating excess is primarily a result of higher tariff sales (€247.0 million) and non-controllable revenue (€396.7 million) driven by the cross-border revenue partly offset by increased non controllable costs.

In the **50Hertz Transmission segment**, the deferral accounts from the settlement mechanism (€131.3 million) is the nominal amount of €209.3 million (€447.1 million as of 31 December 2021) less an interest effect of €78.0 million (€2.2 million in 2021). The net position decreased compared to year end 2022 (€444.9 million).

The release of the deferral account is determined in the tariff setting process. The amounts on the deferral account are recognised on a yearly basis and the release depends on the source of the deferral, some are released in T+1, whilst others are released in T+2 and some are released after a longer period of time.

The future release of the deferral account from the settlement mechanism to the future tariffs is set out in the table below (situation on 31 December 2022):

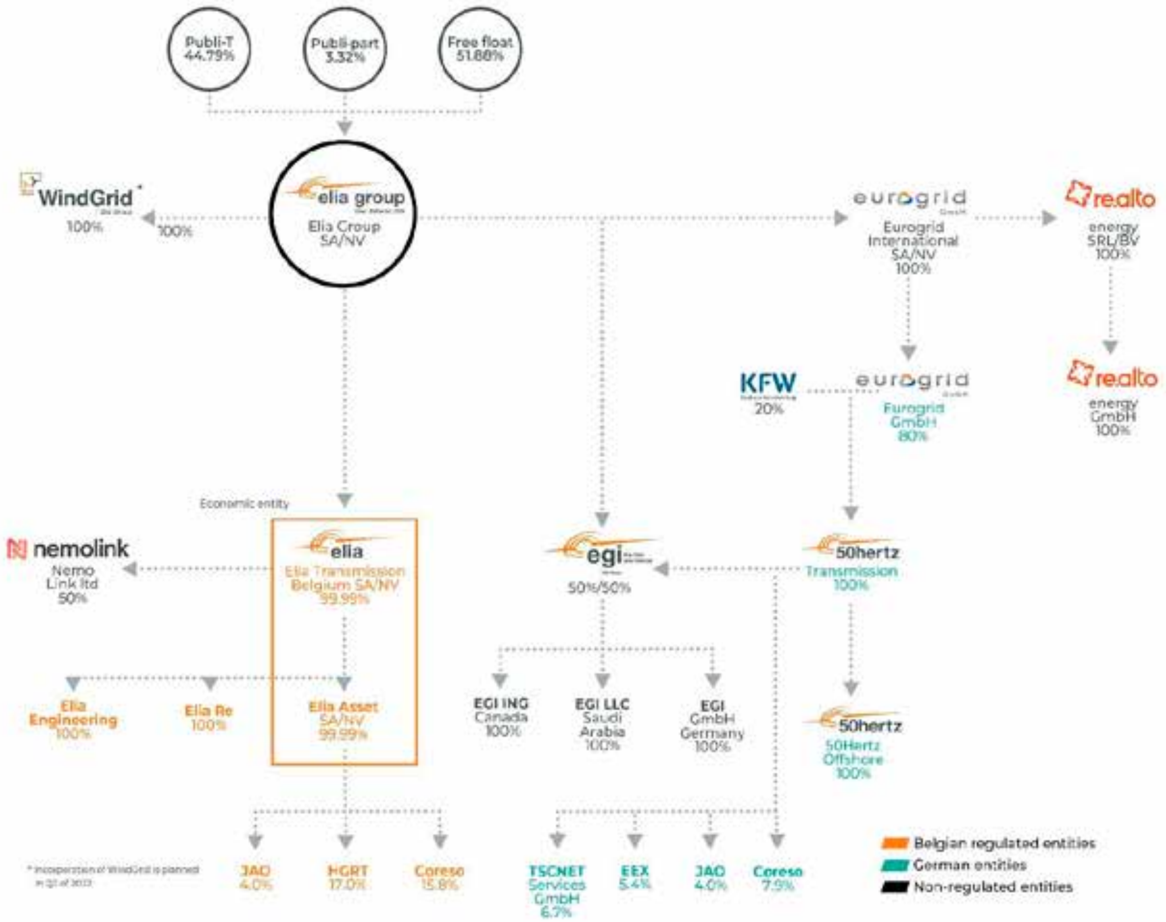
(in € million)	Belgian regulatory framework	German regulatory framework
To be refunded to the tariffs in the current regulatory period	156.7	102.6
To be refunded to the tariffs in the next regulatory period (or after)	200.8	28.6
Other regulatory transfer	3.1	0.0
Total regulatory deferral account	**360.6**	**131.3**

**Belgium: from 2020 to 2023 ; Germany: from 2019 to 2023*

The other regulatory transfer relates to a revenue from incentive regulation which is subject to uncertainty in the particular context of a significant increase of energy prices and for which the calculation method should be further assessed with the Belgian regulator.

7. Group structure

OVERVIEW OF GROUP STRUCTURE



SUBSIDIARIES

Elia Group SA/NV has direct and indirect control of the subsidiaries listed below.

Elia Grid International Pte Ltd (Singapore) ceased its operations in June 2022. A new subsidiary has been created in Canada, Elia Grid International Inc. This subsidiary will coordinate the activities of Elia Grid International in North America.

All the entities keep their accounts in euros and have the same reporting date as Elia Group SA/NV.

Name	Country of establishment	Headquarters	Stake %	
			2022	2021
Subsidiaries				
Elia Transmission Belgium SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Asset SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International SA/NV	Belgium	Bd de l'Empereur 20, 1000 Bussels	90.00	90.00
Elia Grid International GmBH	Germany	Heidestraße 2, 10557 Berlin	90.00	90.00
Elia Grid International LLC	Saudi Arabia	Al Akaria Plaza Olaya Street, Al Olaya Riyadh 11622	90.00	90.00
Elia Grid International Pte. Ltd.	Singapore	20 Collyer Quay #09-01, Singapore 049319	-	90.00
Elia Grid International Inc.	Canada	1500-850 2 ST SW, T2P0R8 Calgary	90.00	-
Eurogrid International SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Eurogrid GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Transmission GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Offshore GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
Re.Alto-Energy BV/SRL	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Re.Alto-Energy GmbH	Germany	Ratingstraße 9, 40213 Dusseldorf	100.00	100.00
WindGrid SA/NV	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	-
Investments accounted for using the equity-method – Joint Ventures				
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
Investments accounted for using the equity-method – Associates				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso SA/NV	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	22.16	22.16
Investments accounted for using IFRS9 - other shareholdings				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	7.20	7.20
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 0409 Leipzig	4.32	4.32
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	5.36	5.36
Kurt-Sanderling-Akademie des Konzerthausorchester Berlin	Germany	Gendarmenmarkt, 10117 Berlin	8.32	8.32

8. Other notes

8.1. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group aims to identify each risk and sets out strategies to control their economic impact on the Group's results.
The Risk Management Department defines the risk management strategy, monitors risk analyses and reports to management and the Audit Committee. The financial risk policy is implemented by determining appropriate policies and setting up effective control and reporting procedures. Selected derivative hedging instruments are used depending on the assessment of the risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates significantly restricts their effects on profit or loss (see the section 'Regulatory framework and tariffs'). The major impact of increased interest rates, credit risk, etc. can be settled in the tariffs, in accordance with the applicable legislation.

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 otherwise avoided. The activities of the group extend to the electricity market – in particular through selling the electricity generated from renewable energy as well as the procurement of energy to cover grid energy losses – as well as to the market for short-term deposits. In Germany, 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

Foreign currency risk

The group is not exposed to any significant currency risk, either from transactions or from exchanging foreign currencies into euro, since it has no material foreign investments or activities and less than 1% of its costs are expressed in currencies other than euros.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. As at 31 December 2022, 5 interest-rate swaps were outstanding in connection with pre-hedging of probable forecasted debt transactions. The interest rate swaps on the other loan and the loan with Publi-Part to cover a nominal debt amount of €300 million were settled in June 2020, together with the repayment of the loans.

See Note 6.13 for a summary of the outstanding loans and their respective interest rates.

CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the group in relation to lending, hedging, settlement and other financial activities. The group is exposed to credit risk from its operating activities and treasury activities. With regards to its operating activities, the group has a credit policy in place, which takes into account customer's risk profiles. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to issue bank guarantees from the counterparty for some major contracts.

At the end of the reporting period there were no significant concentrations of credit risks. The maximum credit risk is the carrying amount for each financial asset, including derivative financial instruments.

(in € million)	Note	2022	2021
Immediately claimable deposits		*7.0*	*7.0*
Reimbursement rights		*34.6*	*46.2*
Other shareholdings		*75.6*	*43.8*
Derivatives (Current and Non-current)		*219.7*	*355.6*
Other financial assets (Current and Non-current)	**(6.6)**	**336.9**	**452.5**
Non-current trade and other receivables		**95.5**	**0.5**
Trade and other receivables	**(6.9)**	**1,206.2**	**861.3**
Current tax assets	**(6.10)**	**28.6**	**10.1**
Cash and cash equivalents	**(6.11)**	**4,151.2**	**3,049.5**
Deferred charges	**(6.9)**	**25.1**	**18.1**
Total		**5,843.5**	**4,392.0**

The movement in the allowance for expected credit losses in relation to trade receivables during the year was as outlined in the table below:

(in € million)	Bad debtors	Impairment losses	Remaining balance
Balance at 1 January 2021	201.5	(201.0)	0.4
Changes during the year	(0.1)	0.2	0.1
Balance at 31 December 2021	**201.4**	**(200.8)**	**0.5**
Balance at 1 January 2022	201.4	(200.8)	0.5
Changes during the year	0.8	(0.8)	0.0
Balance at 31 December 2022	**202.2**	**(201.7)**	**0.5**

Almost all bad debtors are related to outstanding receivables linked to the regulatory levies in Germany. If a debtor goes bankrupt, 50Hertz Transmission is compensated by the regulator for the loss incurred.

The group believes that the unimpaired amounts overdue by more than 30 days are still collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including customers' underlying credit ratings, when available. The credit quality of trade and other receivables is assessed based on a credit policy.

IFRS 9 requires the group to impair financial assets based on a forward-looking expected credit loss (ECL) approach.

As of 2022, the group applies an individualized approach for trade receivables, for which the Group has set rules for defining the stage of the concerned asset for Expected Credit Loss (ECL) calculations.

- **stage 1** covers financial assets that have not deteriorated significantly since initial recognition. The ECL for stage 1 is calculated on a 12-month basis,
- **stage 2** covers financial assets for which the credit risk has significantly increased. The ECL for stage 2 is calculated on a lifetime basis. The decision to move an asset from stage 1 to stage 2 is based on certain criteria such as:
    - a significant downgrade in the creditworthiness of a counterparty and/or its parent company and/or its guarantor (if any),
    - significant adverse changes in the regulatory environment,
    - changes in political or country-related risks, and
    - any other aspect the Group may consider relevant.

Regarding financial assets that are more than 30 days past due, the move to stage 2 is not systematically applied as long as the Group has reasonable and supporting information that demonstrates that, even if payments become more than 30 days past due, this does not represent a significant increase in the credit risk since initial recognition.

- **stage 3** covers assets for which default has already been observed, such as:
    - when there is evidence of failure in credit support from a parent company to its subsidiary (in this case the subsidiary is the Group's counterparty at risk),
    - when a Group entity has initiated legal proceedings against the counterparty for non-payment.

Regarding financial assets that are more than 90 days past due, the presumption can be rebutted if the Group has reasonable and supportable information that demonstrates that even if payments become more than 90 days past due, this does not indicate counterparty default.

The ECL formula applicable in stages 1 and 2 is ECL = EAD x PD x LGD, where:

- for 12-month ECL, Exposure At Default (EAD) equals the carrying amount of the financial asset, to which the relevant Probability of Default (PD) and the Loss Given Default (LGD) are applied;
- for lifetime ECL, the calculation method consists in identifying changes in exposure for each year, especially the expected timing and amount of the contractual repayments, and then applying to each repayment the relevant PD and the LGD, and discounting the figures obtained. ECL is then the sum of the discounted figures; and
- probability of default is the likelihood of default over a particular time horizon (in stage 1, this time horizon is 12 months after the reporting period; in stage 2 this time horizon is the entire lifetime of the financial asset). This information is based on external data from a well-known rating agency. The PD depends on the time horizon and of the rating of the counterparty.

The Group uses external ratings if they are available; or an internal rating for major counterparties with no external rating.

Elia Group did not see any changes in payment behaviour, nor an increase in bad debtors as a consequence of the crisis in 2021 (COVID-19) nor in 2022 (energy crisis) and it does not expect any major impact related to the pandemic to arise in the coming years.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. The total outstanding amount of trade receivables covered by a bank guarantee totals €97.1 million. The loss given default is multiplied by the outstanding trade receivables.

This approach is deemed more relevant than the portfolio approach to provide a better assessment of the risk, especially in the current context of volatile market conditions. The impact of this new approach is not significant. Furthermore, any losses would be recoverable through the tariffs.

The model is applied to the trade receivables, all other financial assets being not assessed at risk of impairment considering their nature (regulatory assets, amounts recoverable through future tariffs in compliance with the regulatory frameworks), risk profile (reliable counterparty being for the levies the Belgian/German state) or measurement method (at fair value). More details are provided in the different notes.

LIQUIDITY RISK

Liquidity risk is the risk that the group may be unable to meet its financial obligations. The group limits this risk by constantly monitoring cash flows and ensuring that there are always sufficient credit-line facilities available.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, confirmed and unconfirmed credit facilities, commercial paper programmes, etc. For medium- to long-term funding, the group uses bonds. The maturity profile of the debt portfolio is spread over several years. The Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

Bond issuances realised over the last years and loan contracts signed with EIB and other banks prove that the group has access to different sources of funding.

(in € million)	Face value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**11,546.5**	**11,513.3**	**(12,352.6)**	**(3,878.3)**	**(25.6)**	**(897.5)**	**(2,128.6)**	**(5,422.6)**
Unsecured bond issues	7,281.7	7,248.5	(8,124.1)	(103.6)	(23.6)	(877.1)	(1,820.6)	(5,299.2)
Unsecured financial bank loans and interest accruals	568.4	568.4	(532.1)	(78.4)	(2.0)	(20.4)	(308.0)	(123.4)
Trade and other payables	3,696.4	3,696.4	(3,696.4)	(3,696.4)	0.0	0.0	0.0	0.0
Total at 31 December 2021	**11,546.5**	**11,513.3**	**(12,352.6)**	**(3,878.3)**	**(25.6)**	**(897.5)**	**(2,128.6)**	**(5,422.6)**

(in € million)	Face value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**13,327.1**	**13,296.7**	**(14,979.8)**	**(4,925.7)**	**(800.5)**	**(659.5)**	**(1,923.7)**	**(6,670.4)**
Unsecured bond issues	7,273.3	7,243.0	(8,972.9)	(103.5)	(798.2)	(639.3)	(1,620.9)	(5,811.0)
Unsecured financial bank loans and interest accruals	1,249.6	1,249.6	(1,202.7)	(18.1)	(2.3)	(20.2)	(302.8)	(859.4)
Trade and other payables	4,804.2	4,804.2	(4,804.2)	(4,804.2)	0.0	0.0	0.0	0.0
Total at 31 December 2022	**13,327.1**	**13,296.7**	**(14,979.8)**	**(4,925.7)**	**(800.5)**	**(659.5)**	**(1,923.7)**	**(6,670.4)**

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

(in € million)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Sustainable Revolving Credit Facility	10/12/2025	650.0	Euribor + 0.325%	0.0	650.0
Confirmed credit line	2/26/2025	750.0	Euribor + 0,275%	0.0	750.0
Confirmed credit line	12/14/2026	150.0	Euribor + 0,275%	150.0	0.0
Straight Loan EGI	unlimited	2.5	Euribor + 0.75%	0.0	2.5
Confirmed credit line	unlimited	35.0	Eurribor + 0.2%	0.0	35.0
Confirmed credit line	unlimited	150.0	av. 1M-Euribor +0.275%	0.0	150.0
Total		**1,737.5**		**150.0**	**1,587.5**

Since 2020, the group has had several lines available to guarantee the financing of its activities and to cushion possible variations in levies (even if we can observe a surplus for the last 2 years) or derivatives. Indeed, the high volume of futures contracts contracted by 50Hertz Transmission (Germany) 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.

HEDGING ACTIVITIES AND DERIVATIVES

The group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk.

All financial derivatives entered into by the Group relate to an underlying transaction or forecast exposure, depending on the expected impact on the statement of profit or loss, and if the IFRS 9 criteria are met, the group decides on a case-by-case basis whether hedge accounting will be applied.

Derivatives not designated as hedging instruments

The group had no derivatives which were not designated as hedging instruments.

Derivatives designated as hedging instruments

In 2018, the group hedged the interest rate risk linked to the acquisition of a 20% stake in 50Hertz Transmission (Germany) for which a bridge loan was initially put in place. To cover the potential exposure to interest rate risk, the group entered into a pre-hedge interest rate swap agreement in June 2018 to lock in market interest rates at the moment of the issuance of the €300 million senior bond. The group applied hedge accounting as the derivative transaction met the requirements under IFRS 9. Upon the settlement of the transaction in September 2018, the portion of the gain or loss on the derivative was recognised within hedging reserves and had an impact of €5.7million.

These hedging reserves are recycled into profit and loss over the lifetime of the underlying hedged instrument, i.e. the senior bond with 10-year maturity. In 2022, an amount of €0.6 million was recycled into profit and loss.

The group recognises derivatives to hedge the price for the future procurement of the physical requirement for grid losses that is expected in subsequent periods and is covered in each case by short-term procurement transactions on the spot market. These derivatives are measured at fair value in OCI with no effect on profit or loss as part of cash flow hedge accounting; they serve as price hedging of the physical demand for electrical energy to cover grid losses (underlying transaction). Due to the availability and liquidity of futures trading, the hedging period for intended price hedging covers a period of up to two years from the balance sheet date. In this context, the Group pursues a conservative hedging strategy oriented towards the regulatory framework and the ability to roll over the electricity procurement costs incurred, which enables timely and predictable price hedging.

The critical term match method measures effectiveness. If the valuation-relevant parameters of the hedged item and hedging instrument match, it is assumed that an effective hedging relationship exists and that changes in value from both items offset each other. The group strives for full price hedging of the expected volume of grid loss energy (hedge ratio 1:1).

In 2022, the group also entered into Interest Rate Swaps contracts as pre-hedge for probable forecast debt transactions. The purpose of those instruments was to fix the rate at which the group will borrow in the context of future bond issues planned in 2023. This was performed through 5 forward contracts.

CAPITAL RISK MANAGEMENT

The purpose of the group's capital-structure management is to ensure that the debt and equity ratios related to its regulated activities are as closely aligned as possible with the recommended level set by the relevant regulatory frameworks.

The Company's dividend guidelines involve optimising dividend payments while bearing in mind that self-financing capacity is needed to carry out its legal mission as transmission system operator, finance future CAPEX projects and, more generally, implement the group’s strategy.

The Company offers its employees the opportunity to subscribe to capital increases that are exclusively reserved for them.

SUSTAINABILITY

Sustainability lies at the heart of Elia’s strategy through its ActNow programme, which sets out the long-term sustainability objectives of the group. These are guided by the UN Sustainable Development Goals (SDGs) and have been translated into KPIs which are reported to the market and grouped under the following five dimensions: Climate Action; Environment and Circular Economy; Health and Safety; Diversity, Equity and Inclusion; and Governance, Ethics and Compliance.

Furthermore, as a driver of the energy transition, Elia Group is committed to ensuring that its activities are strongly aligned with the EU Taxonomy, a classification system for sustainable economic activities. Elia Group therefore published in 2021 a white paper which outlines the company’s eligibility and alignment with the EU Taxonomy. The paper includes the methodology used for the assessment, highlights the group’s implementation of sustainable tools and practices, and reinforces its commitment to operating its businesses in a sustainable way. In 2022, the group also set up an annual meeting which will address the embedding of sustainability into decision-making processes such as budget planning, strategic planning, and operational processes. Both ETB and 50Hertz appointed compliance coordinators.

We refer to our Integrated Report and our Sustainability Report for further information.

8.2. Commitments and contingencies

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2022, the group had a commitment of €3,883.9 million (€2,068.4 million in 2021) relating to purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2022, the group had a commitment of €347.9 million (€263.5 million in 2021) relating to purchase contracts for general expenses, maintenance and repair costs.

Having received approval from the Walloon government and from the CREG, on 22 June 2015 Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates with a total value of €275 million. Solar Chest's mission is to buy, hold and sell Walloon green certificates for periods of five, six and seven years. In accordance with legislation, Solar Chest conducted several auctions.

Since June 2015, Elia has been obliged to buy back from Solar Chest the green certificates that the latter could not sell on the market in due time. At the auction it organized in February 2022, Solar Chest sold all the green certificates it still held at that time to the market. In September 2022, Solar Chest's activities were terminated and it was dissolved. The aforementioned obligation to buy back the certificates from Elia has therefore not been applied in any concrete case and is no longer applicable.

In September 2017, Elia sold 2.8 million green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) leading to a net cash inflow of €181.2 million. This was a result of the Decree of 29 June 2017 amending the Decree of 12 April 2011 relating to the organisation of the regional electricity market and the Decree of 5 March 2008 relating to the creation of the Walloon Agency for Air and Climate. The green certificates transferred by Elia can be gradually resold by the AwAC from 2022 onwards, taking into account the market conditions that exist for green certificates at that time. The legislation also envisages the green certificates being held by the AwAC for a period of up to nine years, after which Elia is required to buy back any unsold certificates. These repurchase commitments will have no impact on Elia's financial performance, as the cost and expense for the repurchase will be fully recovered through the tariffs for levies. The legislation was supplemented in 2021 by new provisions that allow the Government to decide, after consultation with the LTSO, on the gradual resale to Elia of certain quantities of green certificates held by AwAC.
In November 2018, Elia sold another €0.7 million in green certificates to the Walloon Region (i.e. the AwAC) which resulted in a net cash inflow of €43.3 million. As with the transaction in September 2017, Elia might be required to buy back some of the certificates sold from 2023 onwards. Any repurchase will be covered through the tariffs for levies. There were no transactions for sale of green certificates to the AwAC in 2019, 2020, 2021 or 2022. Considering (i) the state of the Walloon green certificate market and (ii) the amounts actually available following the application of the surcharge in 2022, the Walloon Government has decided to ask Elia to buy back certificates held by AwAC for an amount of €45.5 million.

In Germany, offshore expenses between 50Hertz and TenneT TSO arising from the horizontal settlement has given rise to financial obligations for 50Hertz in future periods. The total amount of these future cumulative amounts comes to €0.3 million (prior year: €3.9 million) and will be reflected in 50Hertz's network user charge calculations over the coming years following the corresponding billing by TenneT TSO.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Group is Publi-T and this remained unchanged from 2021. Other than the yearly dividend payment, no transactions occurred with the core shareholder in 2022.

The shareholder structure of the group can be found in Note 7.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia's Board of Directors and Elia's Management Committee, both of which have a significant influence across the entire Elia Group.

At 50Hertz Transmission (Germany), key management personnel include Eurogrid International SA/NV's Board of Directors, who are responsible for monitoring the activities of 50Hertz Transmission (Germany). Key management personnel also include the Board of Management of 50Hertz Transmission and the Supervisory Board, which was established in the German segment.

The members of Elia's Board of Directors are not employees of the group. The remuneration for their mandate is detailed in the Corporate Governance Statement, which forms part of this Annual Report (see the remuneration report).The members of Eurogrid International SA/NV's Board of Directors are not remunerated.

The other members of key management personnel are hired as employees. The components of their remuneration are detailed below (i.e. excluding the directors who are not employees).

The names of the key management staff are included in the Corporate Governance report.

Key management personnel did not receive stock options, special loans or other advances from the group throughout the year.

(in € million)	2022	2021
Short-term employee benefits	**4.0**	**2.5**
Basic remuneration	2.6	1.7
Variable remuneration	1.4	0.8
Long-term employee benefits	**0.6**	**0.5**
Post-employment benefits	**0.6**	**0.4**
Other variable remuneration	**0.3**	**0.2**
Total gross remuneration	**5.5**	**3.5**
Number of persons (in units)	7	5
Average gross remuneration per person	0.7	0.7
Number of shares (in units) held as at 31 December 2022	**8,548**	**7,849**

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

Transactions between the Company and subsidiaries that are related parties were eliminated during consolidation and therefore are not recognised in this note.

Transactions with joint ventures and associates (as defined in Note 7.1.) were not eliminated, so details of these transactions are shown below:

(in € million)	2022	2021
Transactions with joint ventures and associates	**(4.0)**	**(4.5)**
Sales of goods	1.6	0.1
Purchases of goods	(5.6)	(4.6)
Outstanding balances with joint ventures and associates	**(0.4)**	**(0.9)**
Trade debtors	(0.4)	(0.7)
Trade debts	0.0	(0.2)

In 2021 and 2022, entities of the Elia Group had transactions with Nemo Link Ltd. and Coreso SA/NV. The sale of goods relates to corporate services (SLAs) rendered by Elia to Nemo Link Ltd and Coreso SA/NV. Nemo Link Ltd. also rents a building (Herdersbrug) from Elia Asset SA/NV (see also Note 6.18). Purchases of goods mostly relates to services rendered by Coreso SA/NV to the group.

TRANSACTIONS WITH SHAREHOLDERS

There were no transactions with shareholders in 2022, except for the dividend payment.

TRANSACTIONS WITH RELATED PARTIES

Elia's Management Committee also assessed whether transactions occurred with entities in which they or members of the Board of Directors exercise a significant influence (e.g. positions as CEO, CFO, vice-chair of the Management Committee, etc.).

There were some significant transactions in 2022 in which the key management personnel of the group has a significant influence. All these transactions took place in the normal course of Elia's business activities. The total value of realised sales was €0.5 million and related to regulated sales contracts with prices that had been predefined by the regulator. The total value of expenses amounted to €0.3 million. As at 31 December 2022, there were no outstanding trade-receivable positions nor outstanding trade-debt positions with related parties.

8.4. Subsequent events

No significant events that would result in the financial statements being adjusted occurred after the closing of the financial statements as of 31 December 2022.

Elia Group SA/NV ("Elia Group") has successfully placed €500 million hybrid securities to be admitted to trading on the Luxembourg Stock Exchange's Euro MTF market and to be listed on the Official List of the Luxembourg Stock Exchange.

8.5. Miscellaneous

Impact of the United Kingdom leaving the European Union

On 30 December 2020, the European Union and the UK signed a Trade and Cooperation Agreement that outlines the terms of future cooperation between both parties after 1 January 2021 (the official date on which the UK left the EU). According to this agreement, the UK left the Internal Energy Market (IEM).

Two years after Brexit, no impacts on the business of Nemo Link Ltd. had been felt; Nemo Link remained in operation as before. The profitability of the investment was also largely unaffected due to the cap and floor mechanism (see Note 9.3), which provides certainty regarding the company's cash flows over a 25-year time period. There are no import duties on the transport of electricity.

Other than the risk identified above, Brexit had a very limited effect on the consolidated financial statements.

The impact of the war in Ukraine

Given the nature and location of its operations and the fact that Elia Group does not currently have activities in Russia nor in Ukraine or with Russian companies, Elia Group does not observe a direct impact of the Ukrainian conflict on its business. However, there is a strong push at the European level to become less dependent from Russian gas and fossil fuels. Accordingly, the Group observes a willingness among the authorities in Belgium and Germany to accelerate the energy transition and the related investment plans.

8.6. Services provided by the auditors

The General Meeting of Shareholders appointed as joint auditors BDO Bedrijfsrevisoren BV (represented by Mr. Felix Fank) and EY Bedrijfsrevisoren BV (represented by Mr. Paul Eelen) for the audit of the consolidated financial statements of Elia Group SA/NV and Elia Transmission Belgium SA/NV and the audit of the statutory financial statements of Elia Group SA/NV, Elia Transmission Belgium SA/NV, Elia Asset SA/NV, Elia Engineering SA/NV, Elia Grid International SA/NV, Eurogrid International SA/NV, Windgrid SA/NV and Re.Alto BV/SRL. BDO Bedrijfsrevisoren BV and EY Bedrijfsrevisoren BV are also the statutory auditors of Coreso SA/NV.

50Hertz Transmission (Germany) appointed BDO AG Wirtschaftsprüfungsgesellschaft for the audit of the consolidated financial statements of Eurogrid GmbH and the statutory financial statements of Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Elia Grid International GmbH.

The following table sets out the fees of the joint auditors and their associates in connection with services delivered with respect to the financial year 2022:

in €	Belgium	Germany	Total
Statutory audit and review of consolidated and parent company financial statements	397,721	359,360	757,081
Non-audit services, of which:	559,784	101,185	660,969
Services related to legal and regulatory requirements	*134,075*	*40,840*	*174,915*
Other audit services	*356,550*	*60,345*	*416,895*
Tax services	*69,159*		*69,159*
Total	**957,505**	**460,545**	**1,418,050**

9. REGULATORY FRAMEWORK AND TARIFFS

9.1. Regulatory framework in Belgium

9.1.1. Federal legislation

The Electricity Act, which forms the general basis, lays down the core principles of the regulatory framework governing Elia’s activities as a transmission system operator in Belgium.

This Act was heavily amended on 8 January 2012 by the transposition at federal level of the third package of European directives. These changes ensure that the Electricity Act:

- sets out the unbundling of transmission operations from generation, distribution and supply activities;
- sets out in greater detail the rules for operating and accessing the transmission system;
- redefines the transmission system operator's legal mission, mainly by expanding it to the offshore areas over which Belgium has jurisdiction; and
- strengthens the role of the regulatory authority, particularly with regards to the determination of the transmission tariffs.

A number of royal decrees provide more details relating to the regulatory framework that applies to the transmission system operator, particularly the Royal Decree on the Federal Grid Code. Similarly, the decisions passed by the CREG supplement these provisions to form the regulatory framework within which Elia operates at federal level.

9.1.2. Regional legislation

Belgium's three regions are primarily responsible for the local transmission of electricity through grids with a voltage of 70 kV or less across their respective territories. Whilst the regional regulators are in charge of all non-tariff aspects of local transmission-system regulation, the setting and monitoring of tariffs falls under federal jurisdiction.

The Flemish Region, the Brussels-Capital Region and the Walloon Region have also transposed into their legislative frameworks the provisions of the third European package that applies to them. The regional decrees have been supplemented by various other rules and regulations relating to matters such as public service obligations, renewable energy and authorisation procedures for suppliers.

9.1.3. Regulatory agencies

As required by EU law, the Belgian electricity market is monitored and controlled by independent regulators.

FEDERAL REGULATOR

CREG is the federal regulator, and its powers with regard to Elia include:

- approving the standardised terms in the three main contracts used by the company at federal level: the connection contract, the access contract and the ARP contract;
- approving the capacity allocation system at the borders between Belgium and neighbouring countries;
- approving the appointment of the independent members of the Board of Directors;
- determining the tariff methodology to be observed by the system operator when calculating the various tariffs which apply to grid users;
- certifying that the system operator actually owns the infrastructure it operates and that it meets the regulatory requirements for independence from generators and suppliers.

REGIONAL REGULATORS

The operation of electricity networks with voltages of 70 kV or less falls under the jurisdiction of the regional regulators. Each of these may require any operator (including Elia if it operates such networks) to abide by any specific provision of the regional electricity rules on pain of administrative fines or other sanctions. However, the regional regulators do not have the power to set tariffs for electricity transmission systems, as tariff setting falls under the exclusive remit of the CREG for these networks

9.1.4. Tariff setting

A new tariff methodology came into force in early 2020. This methodology is again applicable for a period of four years (2020-2023).

TARIFF REGULATIONS

On 28 June 2018, the CREG issued a decision which set the tariff methodology for the electricity transmission system (including the offshore system) and the electricity networks which have transmission functions during the regulatory period 2020-2023 (Decision (Z)1109/10). This methodology is the general framework in accordance with which transmission tariffs are set for these four years. Elia has prepared its tariff proposal for the regulatory period commencing on 1 January 2020 based on the methodology described below. This proposal was approved by the CREG on 7 November 2019 (Decision (B)658E/62).

TARIFF REGULATIONS APPLYING IN BELGIUM

As the operator of networks which have transmission functions (covering the transmission system and the local and regional transmission networks in Belgium), Elia generates most of its income from the regulated tariffs charged for use of these networks (tariff income), which are approved in advance by the CREG. Since 1 January 2008, the prevailing tariff regulation mechanisms have provided for approved tariffs that were set for four-year periods, barring specific circumstances.

The tariff mechanism is based on amounts recognised in accordance with Belgian accounting regulations (BE GAAP). The tariffs are based on budgeted costs minus a number of sources of non-tariff income. These costs are then divided based on an estimate of the volumes of electricity taken off the grid and, in the case of some costs, based on estimated volumes of electricity injected into the grid, in accordance with the terms of the tariff methodology drawn up by the CREG.

The costs taken into account include the forecast value of the authorised remuneration of the invested capital, an estimate of the amounts allocated to Elia in the form of performance incentives and the predicted values of various cost categories. These costs are subdivided into three groups: controllable costs, for which Elia is offered a financial incentive to improve its efficiency levels; non-controllable costs, over which Elia has no influence and for which deviations from the budget are completely allocated to the calculation of future tariffs; and influenceable costs, to which a hybrid rule applies (see the information provided below with regard to controllable and non-controllable costs and income and influenceable costs).

FAIR REMUNERATION

Fair remuneration is the return on capital invested in the grid based on the Capital Asset Pricing Model (**CAPM**). It is based on the average annual value of the regulated asset base (RAB), which is calculated annually, taking into account new investments, divestments, depreciations and changes in working capital.

Since 1 January 2020, the formula has changed compared to the previous tariff methodology with regard to the level of leverage and the OLO interest rate for risk free investment: (i) the regulatory leverage has been increased from 33%. to 40%., and (ii) the OLO has been set at 2.4%. for the period 2020-2023, instead of taking the average of the year, each year. In the event of a major change in the Belgian macro-economic situation and/or in its market circumstances, the CREG and Elia can agree on a modification of the fixed OLO rate.

The formula for the calculation of fair remuneration is as follows:

A: [S (if less than or equal to 40%) x average RAB x [(1 + α) x [(OLO (n) + (β x risk premium)]]]
plus
B: [(S (if above 40%) – 40%) x average RAB x (OLO (n) + 70 base points)]

Where:

- OLO (n) has been fixed at 2.4% and is no longer the average rate of Belgian ten-year linear bonds for the year in question (subject to modification agreed between CREG and the Issuer as set out above);
- RAB (n) = RAB (n-1) + investments (n) - depreciation (n) - divestments (n) - decommissioning (n) +/- change in working capital need;
- S = the consolidated average capital and reserves/average RAB, in accordance with Belgian GAAP;
- Alpha (α) = the illiquidity premium set at 10%;
- Beta (β) = calculated over a historical three-year period, taking into account available information on the Issuer's share price in this period, compared with the Bel20 index over the same period. The value of the beta cannot be lower than 0.53;
- Risk premium remains at 3.5%;
- In respect of A: The rate of remuneration (in %) as set by the CREG for year n is equal to the sum of the risk-free rate, i.e. the average rate of Belgian ten-year linear bonds for the year in question (OLO (n)) and a premium for market risk for shares, weighted using the applicable beta factor. Tariff regulation sets the risk premium at 3.5%. The CREG encourages the Elia to keep its actual capital and reserves as close as possible to 40%., this ratio being used to calculate a reference value of capital and reserves;
- In respect of B: If the Elia's actual capital and reserves are higher than the reference capital and reserves, the surplus amount is balanced out with a reduced rate of remuneration calculated using the following formula: [(OLO (n) + 70 base points)];
- Assets related to the MOG are linked to the RABMOG, for which a premium remuneration is applicable in addition to the above. This is based on the following formula: [S (less than or equal to 40%) x average RABMOG x 1.4%].

Non-controllable costs and revenues

The category of costs and revenues that are outside Elia's direct control are not subject to incentive mechanisms offered by the CREG, and are an integral part of the costs and revenues used to determine the tariffs. The tariffs are set based on forecast values for these costs and revenues, and the difference from the actual values is allocated ex post to the tariff calculation for the subsequent period.

The most important non-controllable costs consist of the following items: depreciation of tangible fixed assets, ancillary services (except for the reservation costs of ancillary services excluding black start, which qualify as influence-able costs), costs related to line relocation imposed by a public authority, and taxes, partially compensated by revenues from non-tariff activities (e.g. cross border congestion revenues). In this new tariff period, certain exceptional costs specific to offshore assets (e.g. the MOG) have been added to the list of non-controllable costs. This also includes financial charges/revenues for which the principle of financial embedded debt has been confirmed. As a consequence, all actual and reasonable finance costs related to debt financing are included in the tariffs.

Controllable costs and revenues

The costs and revenues over which Elia has direct control are subject to an incentive regulation mechanism, meaning that they are subject to a sharing rule of productivity and efficiency improvement which may occur during the regulatory period. The sharing factor is 50%. Therefore, Elia is encouraged to control a defined category of its costs and revenue. Any savings with respect to the allowed (adjusted) budget positively impacts the net profit of the Elia by 50% of the amount (before tax) and, accordingly, any overspending negatively affects its profit. There have been no changes compared with the previous tariff methodology, except for certain non-recurrent but controllable costs specific to offshore assets (e.g. the MOG) that can be added to the cost allowance for a given regulatory period.

Influenceable costs

The reservation costs for ancillary services, except for black start, and costs of energy to compensate for grid losses are qualified as influenceable costs, meaning that efficiency gains create a positive incentive, insofar as they are not caused by a certain list of external factors. 20% of the difference in expenses between Y-1 and Y constitutes a profit (pre-tax) for the Elia, with a cap of +€6 million. For each of the two categories of influenceable costs (power reserves and grid losses), the incentive cannot be less than €0.

Other incentives
The tariff predefined by the regulator includes, besides the fair remuneration, all the incentives listed below. If Elia does not perform in line with the targets for these incentives, as set by the regulator, the amount of the incentive allocated to Elia will decrease. The impact is reflected in the deferred revenues which will generate future tariff decreases, see the description of the settlement mechanism below (all amounts are pre-tax).

- *Market integration:* This incentive consists of three elements under the previous regulatory framework: (i) increase of import capacity, (ii) increase in market welfare due to market coupling and (iii) financial participations. Only the incentive on financial participations remains. The incentive on market welfare is no longer offered, whereas the one on import capacity has been replaced by an incentive with a similar objective (increase of cross-border commercial exchange capacity) but with a fairly different measurement method. Additionally, a new incentive has been created concerning the timely commissioning of investment projects contributing to market integration. These incentives can contribute positively to the Elia's profit (from €0 to €16 million for cross-border capacity, from €0 to €7 million for timely commissioning). The profit (dividends and capital gains) resulting from financial participations in other companies which the CREG has accepted as being part of the RAB, is allocated as follows: 40% is allocated to future tariff reductions and 60% is allocated to Elia's profit).

- *Investment programme:* This incentive is broadened and is defined as follows: (i) if the average interruption time (AIT) reaches a target predefined by the CREG, Elia's net profit (pre-tax) could be impacted positively with a maximum of €4.8 million, (ii) should the availability of the MOG align with the level set by the CREG, the incentive can contribute to the Elia's profit from €0 to €2.53 million and (iii) Elia could benefit from €0 to €2 million if the predefined portfolio of maintained and redeployed investments is realised in time and on budget.

- *Innovation and grants:* The content and the remuneration of this incentive has changed and covers (i) the realisation of innovative projects which could contribute to the Elia's remuneration for €0 to €3.7 million (pre-tax) and (ii) the subsidies granted for innovative projects which could impact the Elia's profit with a maximum of €0 to €1 million.

- *Quality of customer related services:* This incentive is broadened and is related to three incentives: (i) the level of client satisfaction related to the establishment of new grid connections which can generate a profit for Elia of €0 to €1.35 million, (ii) the level of client satisfaction for the full client base which would contribute between €0 and €2.53 million to Elia's profit and (iii) the quality of the data that Elia publishes on a regular basis, which can generate remuneration for Elia of €0 to €5 million.

- *Enhancement of balance system:* This incentive is similar to the discretionary incentive under the previous regulatory framework, through which Elia is rewarded for implementing certain projects related to system balancing as defined by the CREG. This incentive can generate remuneration between €0 and €2.5 million (pre-tax).

Regulatory framework for the Modular Offshore Grid

The CREG has amended the 2016-2019 tariff methodology to create specific rules applicable to investment in the MOG. A formal consultation took place in the first weeks of 2018 between the CREG and the issuer, and the CREG took a decision on 6 December 2018 about the new parameters to be introduced in the tariff methodology. The main features of said parameters were (i) a specific risk premium to be applied to this investment (resulting in an additional net return of 1.4%); (ii) a special depreciation rate applicable to MOG assets; (iii) certain costs specific to the MOG to bear another qualification compared with the costs for onshore activities; (iv) the cost level defined based on the characteristics of the MOG assets; and (v) dedicated incentives linked to the availability of the offshore assets. For the tariff period 2020-2023, the regulatory framework for the MOG has been included in the tariff methodology, based on the features described above, except for the risk premium, which has been applied since 1 January 2020 on a target equity/debt ratio of 40/60.

Regulatory deferral account: deviations from budgeted values

Over the course of a year, the actual volumes of electricity transmitted may differ from the volumes which are forcasted. If the transmitted volumes are higher (or lower) than those forecast, the deviation is booked to an accrual account during the year in which it occurs. These deviations from budgeted values (a regulatory debt or a regulatory receivable) are accumulated and will be taken into account when the tariffs are set for the subsequent tariff period. Regardless of deviations between the forecast parameters for tariff-setting (fair remuneration, non-controllable elements, controllable elements, influenceable costs, incentive components, cost and revenue allocation between regulated and non-regulated activities) and the actual incurred costs or revenues related to these parameters, the CREG takes the final decision each year as to whether the incurred costs/revenue can reasonably be borne by the tariffs. This decision may result in the rejection of incurred elements. In the event that any incurred elements are rejected, the relevant amount will not be taken into account when the tariffs are set for the next period. Although Elia can ask for a judicial review of any such decision, if this judicial review were to be unsuccessful, a rejection may well have an overall negative impact on Elia's financials.

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2020-2023 features a mechanism enabling Elia to develop activities outside the Belgian regulated perimeter and whose costs are not covered by grid tariffs in Belgium. This methodology establishes a mechanism to ensure that Elia's financial participation in other companies not considered part of the RAB by the CREG (e.g. stakes in regulated or non-regulated activities outside Belgium) has a neutral impact on Belgian grid users.

Public service obligations

In its role as a TSO, Elia is subject to various public service obligations imposed by the government and/or by regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as the promotion of renewable energy, green certificates, strategic reserves, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by the TSO with respect to these obligations are fully covered by the tariff 'levies' as approved by the regulator. The amounts outstanding are reported as levies (see Note 6.10 for other receivables and Note 6.15 for other payables).

9.2. Regulatory framework in Germany

9.2.1. Relevant legislation

The German legal framework is laid down in various pieces of legislation. The key law is the German Energy Act (*Energiewirtschaftsgesetz,* EnWG), which defines the overall legal framework for the gas and electricity supply industry in Germany. The EnWG is complemented by a number of additional laws, ordinances and regulatory decisions, which provide detailed rules regarding the current system of incentive regulation, accounting methods and grid access arrangements, including:

- the Ordinance on Electricity Network Tariffs (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung,* StromNEV)), which establishes, among other things, the principles and methods for the grid-tariff calculations and other obligations applying to system operators;

- the Ordinance on Electricity Network Access (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzzugangsverordnung,* StromNZV), which, among other things, sets out further details about how to grant access to the transmission systems (and other types of networks) by way of establishing the balancing groups, the scheduling of electricity deliveries, control energy and other general obligations, e.g. congestion management (*Engpassmanagement*), publication obligations, metering, minimum requirements for various types of contracts and the duty of certain system operators to manage the balancing amount system for renewable energy;

- the Ordinance on Incentive Regulation (*Verordnung über die Anreizregulierung der Energieversorgungsnetze (Anreizregulierungsverordnung,* ARegV)), which sets out the basic rules for incentive regulation for TSOs and other system operators (as outlined in more detail below). It also describes in general terms how to benchmark efficiency, which costs are included in the efficiency benchmarking, how to determine inefficiency and how this translates into yearly targets for efficiency growth.

9.2.2. Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the *Bundesnetzagentur* (BNetzA, or Federal Network Agency) in Bonn for grids to which over 100,000 grid users are directly or indirectly connected; and the specific regulatory authorities in the various federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, among other things, in charge of ensuring non-discriminatory third-party access to grids and monitoring the grid-use tariffs levied by the TSOs. 50Hertz Transmission and 50Hertz Offshore are subject to the authority of the Federal Network Agency.

Erreur ! Signet non défini.

9.2.3. Tariff setting in Germany

The current regulation mechanism is established in Germany by the ARegV. Under the ARegV, grid tariffs are defined to generate a pre-defined 'revenue cap' as determined by the Federal Network Agency for each TSO and for each regulatory period. The revenue cap is essentially based on the costs of a base year, and is fixed for the entire regulatory period, except when it is adjusted to account for specific cases provided for in the ARegV. System operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, with the third regulatory period starting on 1st January 2019 and ending on 31st December 2023 and the fourth starting on 1st January 2024 and ending 31st December 2028. Tariffs are public and cannot be the subject of negotiations with customers. Only certain customers (under certain set circumstances laid down in the relevant legislation) are allowed to agree to individual tariffs under Article 19 of the StromNEV (for example, in the case of sole use of a grid asset). The Federal Network Agency has to approve such individual tariffs.

For the purposes of the revenue cap, the costs incurred by a system operator fall into two categories as follows:

- Permanently non-influenceable costs (PNIC): These costs are fully integrated into the 'revenue cap' and are fully recovered through the grid tariffs, albeit some of them with a two-year time lag.
  - One cost position amongst the PNIC refers to investment measures, meaning costs resulting from new investments in onshore grid infrastructure (new onshore investments will be refinanced from the fourth regulatory period onward via the requested capital cost adjustment). The investment measures include return on equity, imputed trade tax, cost of debt, depreciation and operational costs (currently at a fixed rate of 0.8% of the capitalised investment costs of the respective onshore investments or 0.2 % for assets under construction within projects approved as of 2019). The cost of debt related to investment measures is reflected in the interest rate based on acquired debt for the TSO activity. Since 2012, the costs associated with these investment measures have been based on forecast values. The differences between the forecast values and the actual values are reflected in the settlement mechanism deferral account.
  - In addition, PNIC include costs relating to ancillary services, grid losses and redispatch costs, as well as European initiatives and costs from congestion management. These costs and income are included in the revenue cap based on a procedural regulation mechanism set by the Federal Network Agency in accordance with Article 11(2) of the ARegV. The regulation process for costs relating to ancillary services, congestion management and grid losses gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms. Moreover, costs resulting from European projects of common interest (PCI) to which Germany is contributing can be included as PNIC, albeit with a two-year time lag.
- Temporarily non-influenceable costs (TNIC) and influenceable costs (IC): These costs include return on equity, depreciation, cost of debt, imputed trade tax and other operational expenses. They are subject to an incentive mechanism set by the Federal Network Agency, which features an efficiency factor (only applicable to IC), a productivity improvement factor and an inflation factor (applicable to both TNIC and IC) over a five-year period. In addition, the current incentive mechanism provides for the use of a quality factor, but the criteria and implementation mechanism for this factor for TSOs are yet to be defined by the Federal Network Agency. The various defined factors give the TSOs the medium-term objective of eliminating what are deemed inefficient costs. As regards the cost of debt, the permitted cost of debt related to influenceable costs needs to be shown to be marketable.

As for the return on equity, the relevant laws and regulations set out the provisions relating to the permitted return on equity, which is included in the TNIC/IC for assets belonging to the regulated asset base and the PNIC for assets approved in investment measures. In 2021, the BNetzA determined the return on equity applicable to the fourth and coming regulatory period (2024-2028); the values were significantly down from the third regulatory period, namely to 3.51% (instead of 5.12% in the third period) for investments made before

2006 and 5.07% (instead of 6.91% in the third period) for investments made since 2006. The return on equity is calculated before corporate tax and after imputed trade tax.

Separately from the revenue cap, 50Hertz is compensated for costs incurred in connection with its renewable energy obligations, including EEG and CHP/KWKG obligations, offshore liabilities and its obligations from the electricity price brake. To this end, various surcharges (levies) have been implemented that are subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

The capital cost adjustment model will be used for TSOs in the fourth regulatory period. In order to avoid distortion effects in the cost base, a transitional arrangement will come into effect. It includes an extensive grandfathering of existing investment measures during the fourth regulatory period, the elimination and an extensive repayment of the clawback for expired investment measures, as well as a transitional base for replacement investments in the period of incentive regulation (2007 to the end of 2021).

As of 31st December 2022, 50Hertz had received 95 approvals for an investment volume of approximately € 15.0 billion for the 119 active applications for approval of investment measures submitted since 2008.

TARIFFS

Grid access tariffs of the German TSOs for 2023 have been calculated on the combined revenue caps taking into account a subsidy of €12.84 billion (50Hertz share approx. €1.1 billion). The subsidy pursuant to § 24b EnWG was introduced as part of the Electricity Price Damping Act (Strompreisbremsegesetz - StromPBG) to stabilise the tariffs at the level of 2022 and is financed from the skimming profits pursuant to the StromPBG. As a transitional measure, funds from the EEG – former federal grants to stabilize the EEG – and additional federal funds from the Economy Stabilization Fund (Wirtschaftsstabilisierungsfonds – WSF) can be used for interim financing. If this interim financing is also insufficient, the transmission system operators are entitled to adjust their network charges once during the year in the calendar year 2023. Due to the subsidy, the tariffs only increased by 2.6% compared to 2022. The main reason for the increase in the revenue cap was the drastic increase of prices on the energy markets and the resulting costs for especially redispatch, the procurement of grid losses and balancing power.

9.3. Regulatory framework for the Nemo Link interconnector

The key features of the NemoLink Ltd. regulatory framework can be summarised as follows:

- A specific regulatory framework is applicable to the Nemo Link interconnector since the date of operation. The framework is part of the new tariff methodology issued on 18 December 2014, updated on 5 March 2020 (Cap & Floor final levels), by the CREG. The cap and floor regime is a revenue-based regime with a term of 25 years. The national regulators in the UK and Belgium (OFGEM and the CREG respectively) determined the levels of the cap and floor ex-ante and these remain largely fixed (in real term) for the duration of the regime. Consequently, investors will have certainty about the regulatory framework throughout the lifetime of the interconnector.
- The cap and floor regime is applicable since 30 January 2019. Every five years, the regulators will assess the cumulative interconnector revenues (net of any market-related costs) over the period against the cumulative cap and floor levels to determine whether the cap or floor is triggered. If a revenue rises above the cap, it will be returned to the TSO in the UK (National Electricity Transmission System Operator or 'NETSO') and to the TSO in Belgium on a 50/50 basis. The TSOs will then reduce the grid charges for grid users in their respective countries. If revenue falls below the floor, then the interconnector owners will be compensated by the TSOs. The TSOs will, in turn, recover the costs through grid charges. National Grid performs the NETSO role in the UK and the Issuer, the Belgian TSO, in Belgium.
- Each five-year period is considered separately. Cap and floor adjustments in one period will not affect adjustments for future periods, and total revenue earned in one period is not taken into account in future periods.
- The high-level tariff design is as follows:

Regime length	25 years
Cap and floor levels	Levels are set at the start of the regime and remain fixed in real terms for 25 years from the start of operation. Based on applying mechanistic parameters to cost-efficiency: a cost of debt benchmark was applied to costs to set the floor, and an equity return benchmark was applied to set the cap.
Assessment period (assessing whether interconnector revenues are above/below the cap/floor)	Every five years, with within-period adjustments if needed and justified by the operator. Within-period adjustments will let operators recover revenue during the assessment period if revenue is below the floor (or above the cap), but will still be subject to true-up at the end of the five-year assessment period.
Mechanism	If revenue is between the cap and floor at the end of the 5-year period, no adjustment is required. Revenue above the cap is returned to end customers and any shortfall in revenue below the floor requires payment from grid users (via grid charges).

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

BDO Bedrijfsrevisoren BV
The Corporate Village
Da Vincilaan 9 – Box E.6
Elsinore Building
B-1930 Zaventem

EY Bedrijfsrevisoren BV
De Kleetlaan 2
B-1831 Diegem

Joint auditors' report to the general meeting of Elia Group NV/SA for the year ended 31 December 2022

As required by law, we report to you as joint statutory auditors of Elia Group NV/SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2022 and the notes (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as joint statutory auditors by the shareholders meeting of 19 May 2020, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and on recommendation of the workers' council. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2022. The audit of the Consolidated Financial Statements of the Group was performed during respectively 21 consecutive years for EY Bedrijfsrevisoren BV and 3 consecutive years for BDO Bedrijfsrevisoren BV.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia Group NV/SA, which consists of the consolidated statement of the financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2022 and the notes, which show a consolidated balance sheet total of € 20,594.3 million and of which the consolidated income statement shows a profit for the period of € 408.2 million.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2022, as well as its consolidated results and its consolidated cash flows for the period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA's") applicable in Belgium. In addition, we have applied the ISA's approved by the International Auditing and Assurance Standards Board ("IAASB") that apply at the current year-end date and have not yet been approved at national level. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report. We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Calculation of net result

Description

As described in the notes 3.3.17. 'Regulatory deferral accounts', 6.20 'Accruals and deferred income', 9.1.4 'Tariff Setting' and 9.2.3 'Tarif Setting in Germany' of the Consolidated Financial Statements, the net result of the Belgian and the German segments is determined by applying calculation methods set by the Belgian federal regulator, the Commission for Electricity and Gas Regulation (the "CREG") and the German federal regulator, the Federal Network Agency (the "BNetzA") (together the "Tariff Mechanisms").

Those tariff mechanisms are based on calculation methods that are complex and require the use of parameters (the Beta of Elia's share, return on equity, ...), accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditure ("CAPEX"), subsidies received) and external operating data (such as hourly import capacity, consumer and producer surpluses).

Both Tariff Mechanisms make a distinction between income and expenses based on the control that the Group has over the expenses and income. The first type are the non-controllable elements for which deviations are fully passed on to future tariffs. The second type are the controllable elements that the Group can control, and for which under-and overspending is (partly) attributable to the shareholders.

Therefore, the calculation methods of the Group's net result are complex and require judgement from management, more particularly related to the use of correct accounting data, operating data, and parameters imposed by the regulator. The use of incorrect accounting and operating data, and deviations in used assumptions, can have a material impact on the Group's net result.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls relating to the calculation of the net result, including those related to (i) the completeness and accuracy of the underlying data used in the calculation and (ii) management review controls;
- Evaluating the adequate and consistent classification of income and expenses by nature (controllable and non-controllable) as described in the Tariff Mechanisms;
- Performing independent mathematical recalculations of the regulated results based on underlying internal documentation and external information, and taking into account the formulas as described in the Tariff Mechanisms;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG and the BNetzA;
- Assessing the adequacy of notes 3.3.17, 6.20, 9.1.4 and 9.2.3 of the Consolidated Financial Statements.

Capitalization of property, plant and equipment

Description

Given the current evolution in the electricity environment towards green energy production, the Group has very significant investment projects ongoing to connect these new productions sites on the Group's network. The timely and on-budget progress of these investment projects is one of the key performance goals for management as set by the Board of Directors. The progress of these network projects is equally a key performance indicator for investors as a key driver of their return on investment is the maintenance and expansion of the network. It is also an important quantitative and qualitative measure for the regulators. This is further explained and evidenced in Note 6.1 'PPE' and in Note 4 'Segment reporting' of the Consolidated Financial Statements.

These assets are classified as Property, Plant and Equipment ("PP&E"), with a total capital expenditure of € 1,492.6 million in 2022 and a net book value of € 11,844.7 million as at 31 December 2022 or 57,5% of total balance sheet.

The accounting policies describe that all maintenance expenses are considered to be operating expenses ("OPEX") and all new project or replacement investments are considered capital expenditure "CAPEX". As network projects can include both maintenance and investments, the classification as either OPEX or CAPEX requires judgement from management. Given this judgement, the importance of the amount of PP&E on the total balance sheet, and its relevance to the users of the financial statements as well as the prominence in the Group's communication in press releases and in investor presentations on the progress on new projects, this matter is considered a key audit matter.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls, including management review controls, over (i) the appropriate authorization of capitalization, (ii) the compliance of capitalization criteria used with the accounting policies and (iii) the correct classification of expenditure as CAPEX or OPEX;
- Assessing relevant IT application controls with the support of our IT specialists;
- Performing substantive analytical procedures on CAPEX and OPEX by comparing current year figures with the budgeted figures as approved by

the regulator at the level of asset classes and projects;

- Testing a selection of additions to PP&E, including those under construction, and assessing whether the expenditure met the criteria for capitalization under IFRS as adopted by the European Union and the Group's accounting policies and whether the CAPEX were allocated to the correct projects, including the assessment of management judgement in case of a project including both maintenance and investments;
- Assessing the adequacy of note 4 and 6.1 of the Consolidated Financial Statements.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium as well as internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered to be 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.

In performing our audit, we comply with the legal, regulatory and normative framework that applies to the audit of the Consolidated Financial Statements in Belgium. However, a statutory audit does not provide assurance about the future viability of the Company and the Group, nor about the efficiency or effectiveness with which the board of directors has taken or will undertake the Company's and the Group's business operations. Our responsibilities with regards to the going concern assumption used by the board of directors are described below.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional scepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;

- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee within the Board of Directors 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 provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee within the Board of Directors, 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 report, unless the law or regulations prohibit this.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for Group entities.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report and other information included in the annual report.

Responsibilities of the joint auditors

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, based on specific work performed on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements for the same financial year and has been prepared in accordance with article 3:32 of the Code of companies and associations.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported.

The non-financial information required by article 3:32 §2 of the Code of companies and associations is included in the chapter Sustainability reporting of the annual report. The Group has prepared this non-financial information based on the Global Reporting Initiative Standards ("GRI"). In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the Global Reporting Initiative Standards mentioned in the board of directors' annual report on the consolidated financial statements.

Independence matters

We, and our respective networks, have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and we have remained independent of the Company and the Group during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 3:65 of the Code of companies and associations have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

European single electronic format ("ESEF")

In accordance with the standard on the audit of the conformity of the financial statements with the European single electronic format (hereinafter "ESEF"), we have carried out the audit of the compliance of the ESEF format with the regulatory technical standards set by the European Delegated Regulation No 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter 'the digital consolidated financial statements') included in the annual financial report available on the portal of the FSMA (https://www.fsma.be/eng/data-portal).

It is our responsibility to obtain sufficient and appropriate supporting evidence to conclude that the format and markup language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on the work performed by us, we conclude that the format and tagging of information in the digital consolidated financial statements included in the annual financial report available on the portal of the FSMA (https://www.fsma.be/eng/data-portal) of Elia Group NV/SA per 31 December 2022 are, in all material respects, in accordance with the ESEF requirements under the Delegated Regulation.

Other communication

This report is consistent with our additional report to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 13 April 2023

The joint statutory auditors

EY Bedrijfsrevisoren BV
represented by

Paul Eelen*
Partner
*Acting on behalf of a BV

BDO Bedrijfsrevisoren BV
represented by

Felix Fank*
Partner
*Acting on behalf of a BV

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia Group SA/NV, drawn up in accordance with Belgian accounting standards, are provided hereafter in abbreviated form.

Pursuant to Belgian company legislation, the full financial statements, the annual report and the joint auditors' report are filed with the National Bank of Belgium.

These documents will also be published on the Elia website and can be obtained upon request from Elia Group SA/NV, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors issued an unqualified opinion.

Statement of financial position after distribution of profits

ASSETS (in € million)	2022	2021
FIXED ASSETS	**3,825.2**	**3,318.1**
Financial fixed assets	3,825.2	3,318.1
Affiliated companies	3,825.2	3,318.1
Participating interests	3,825.2	3,318.1
Other financial assets	0.0	0.0
CURRENT ASSETS	**161.0**	**47.1**
Inventories and contracts in progress	3.2	3.1
Contracts in progress	3.2	3.1
Amounts receivable within one year	5.4	2.2
Trade debtors	5.4	1.7
Other amounts receivable	0.0	0.5
Own shares	1.8	0.8
Cash at bank and in hand	147.3	37.2
Deferred charges and accrued income	3.3	3.8
TOTAL ASSETS	**3,986.2**	**3,365.2**

EQUITY AND LIABILITIES (in € million)	2022	2021
CAPITAL AND RESERVES	**2,834.5**	**2,235.5**
Capital	1,833.6	1,714.2
Issued capital	1,833.6	1,714.2
Share premium account	738.6	262.9
Reserves	183.4	176.2
Legal reserve	180.3	173.0
Repurchase own shares	1.8	0.8
Untaxed reserve	0.1	1.6
Available reserves	1.2	0.7
Profit carried forward	78.8	82.2
LIABILITIES	**1,151.6**	**1,129.7**
Amounts payable after one year	298.9	998.7
Financial debts	298.9	998.7
Subordinated debentures	0.0	700.0
Unsubordinated debentures	298.9	298.7
Amounts payable within one year	849.7	128.0
Current portion of amounts payable after one year	700.0	0.0
Trade debts	3.0	2.0
Suppliers	3.0	2.0
Advances received on contracts in progress	3.6	3.6
Amounts payable regarding taxes, remuneration and social security costs	1.4	0.7
Taxes	0.6	0.0
Remuneration and social security	0.8	0.7
Other amounts payable	141.7	121.7
Accrued charges and deferred income	3.0	3.0
TOTAL EQUITY AND LIABILITIES	**3,986.2**	**3,365.2**

Statement of profit or loss

(in € million)	2022	2021
OPERATING INCOME	**8.8**	**1.0**
Increase/(decrease) in inventories of finished goods, works and contracts in progress	0.1	0.0
Other operating income	8.7	1.0
OPERATING CHARGES	**(12.6)**	**(6.4)**
Services and other goods	(10.0)	(5.0)
Remuneration, social security costs and pensions	(1.9)	(1.4)
Other operating charges	(0.8)	0.0
OPERATING PROFIT	**(3.8)**	**(5.4)**
Financial income	**180.6**	**102.9**
Income from financial fixed assets	180.0	102.8
Income from current assets	0.6	0.0
Non-recurring financial income	0.0	0.1
Financial charges	**(32.5)**	**(25.1)**
Debt charges	(27.8)	(24.5)
Other financial charges	(4.8)	(0.6)
PROFIT FOR THE PERIOD BEFORE TAXES	**144.2**	**72.4**
Income taxes	0.0	0.0
PROFIT FOR THE PERIOD	**144.2**	**72.4**
Transfer to untaxed reserves	1.5	0.0
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	**145.7**	**72.4**

Financial terms or Alternative Performance Measures

The Annual Report contains certain financial performance measures that are not defined by IFRS and are used by management to assess the **financial and operational performance of the Group**. The main alternative performance measures used by the Group are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in this document.

The following APM's appearing in the Annual Report are explained in this appendix:

- Adjusted items
- Adjusted EBIT
- Adjusted net profit
- Capex (Capital Expenditures)
- EBIT
- EBITDA
- Equity attributable to the owners of the company
- Free cash flow
- Net finance costs
- Net financial debt
- Regulatory Asset Base (RAB)
- Return on Equity (adj) (%)

Adjusted items

Adjusted items are those items that are considered by management not to relate to items in the ordinary course of activities of the Group. They are presented separately, as they are important for users to understand the consolidated financial statements of the performance of the Group and this compared to the returns defined in the regulatory frameworks applicable to the Group and its subsidiaries. Adjusted items relate to:

- Income and expenses resulting from a single material transaction not linked to current business activities (e.g. change in control in a subsidiary);
- Changes to the measurement of contingent considerations in the context of business combinations;
- Restructuring costs linked to the corporate reorganisation of the Group (i.e. reorganisation project to isolate and ring-fence the regulated activities of Elia in Belgium from the non-regulated activities and regulated activities outside Belgium).

Adjusted EBIT

Adjusted EBIT is defined as EBIT excluding the adjusted items.
EBIT (Earnings Before Interest and Taxes) = adjusted result from operating activities, which is used to compare the operational performance of the Group over the years.

The adjusted EBIT is calculated as total revenue less costs of raw materials, consumables and goods for resale, services and other goods, personnel expenses and pensions, depreciations, amortisations and impairments, changes in provisions and other operating expense, plus the share of equity accounted investees – net and plus or minus adjusted items.

Adjusted net profit

Adjusted net profit is defined as net profit excluding the adjusted items.The adjusted net profit is used to compare the performance of the Group over the years.

CAPEX (Capital Expenditures)

CAPEX (Capital Expenditures) = Acquisitions property, plant and equipment and intangible assets minus proceeds from the sale of such items. Capital expenditures, or CAPEX, are investments realised by the Group to acquire, upgrade, and maintain physical assets (such as property, buildings, an industrial plant, technology, or equipment) and intangible assets. CAPEX is an important metric for the Group as it affects its Regulated Asset Base (RAB) that serves as basis for its regulatory remuneration.

EBIT

EBIT (Earnings Before Interest and Taxes) = result from operating activities, which is used for the operational performance of the Group. The EBIT is calculated as total revenue less costs of raw materials, consumables and goods for resale, services and other goods, personnel expenses and pensions, depreciations, amortisations and impairments, changes in provision and other operating expense, plus the share of equity accounted investees.

(in € million) – period ended 31 December	2022				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	259.6	314.1	(13.6)	(0.3)	559.8
Share of profit of equity accounted investees (net of tax)	2.4	0.0	37.1	0.0	39.5
EBIT	**262.0**	**314.1**	**23.6**	**(0.3)**	**599.4**

(in € million) – period ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.70
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0.0	49.4
EBIT	**227.1**	**272.9**	**40.3**	**(0.2)**	**540.1**

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisations) = results from operating activities plus depreciations, amortisation and impairment plus changes in provisions plus share of profit of equity accounted investees. EBITDA is used as a measure for the operational performance of the Group, thereby extracting the effect of depreciations, amortisation and changes in provisions of the Group. EBITDA excludes the cost of capital investments like property, plant, and equipment.

(in € million) – period ended 31 December	2022				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	259.6	314.1	(13.6)	(0.3)	559.8
Add:					
Depreciation, amortisation and impairment	215.5	297.6	0.7	0.0	513.7
Changes in provisions	(1.1)	(0.2)	0.0	0.0	(1.3)
Share of profit of equity accounted investees (net of tax)	2.4	0.0	37.1	0	39.51
EBITDA	**476.4**	**611.5**	**24.3**	**(0.3)**	**1,111.8**

(in € million) – period ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Results from operating activities	224.8	272.9	(6.8)	(0.2)	490.7
Add:					
Depreciation, amortisation and impairment	206.8	260.3	0.5	0.0	467.5
Changes in provisions	(1.7)	0.9	0.0	0.0	(0.7)
Share of profit of equity accounted investees (net of tax)	2.3	0.0	47.1	0.0	49.4
EBITDA	**432.2**	**534.0**	**40.8**	**(0.2)**	**1,006.9**

Free cash flow

Free cash flow = Cash flows from operating activities minus cash flows from investment activities. Free cash flow provides an indication of the cash flows generated by the Group.

(in € million) – period ended 31 December	2022				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Net cash from operating activities	670.1	764.1	(3.0)	0.0	1,431.2
Deduct:					
Net cash used in investing activities	416.0	1,123.3	253.9	(338.8)	1,454.4
Free cash flow	**254.1**	**(359.2)**	**(257.0)**	**338.8**	**(23.2)**

(in € million) – period ended 31 December	2021				
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
Net cash from operating activities	262.3	3,720.7	(29.8)	0.0	3,953.1
Deduct:					
Net cash used in investing activities	379.9	831.4	(153.3)	0.0	1,057.9
Free cash flow	**(117.6)**	**2,889.4**	**123.6**	**0.0**	**2,895.2**

Net finance costs

Represents 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 (including lease liability 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.

(in € million)	31 December 2022				31 December 2021			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group Total	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group Total
Non-current liabilities:								
Loans and borrowings	3,408.2	3,834.4	473.0	7,715.6	3,421.9	3,838.6	481.3	7,741.7
Add:								
Current Liabilities:								
Loans and borrowings	65.2	789.2	12.8	867.2	147.6	33.5	12.9	194.0
Deduct:								
Current Assets:								
Cash and cash equivalents	557.2	3,368.3	225.7	4,151.2	128.5	2,857.2	63.8	3,049.4
Net financial debt	**2,916.2**	**1,255.3**	**260.1**	**4,431.6**	**3,441.0**	**1,014.9**	**430.4**	**4,886.3**
EEG surplus (levies)		2,936.0		2,936.0		2,110.0		2,110.0
EEG deficit (levies)								
Net financial debt, exl. EEG position	**2,916.2**	**4,191.3**	**260.1**	**7,367.6**	**3,441.0**	**3,124.8**	**430.4**	**6,996.3**

Regulated Asset Base (RAB)

The regulated asset base (RAB) is a regulatory concept and an important driver to determine the return on the invested capital in the TSO through regulatory schemes. The RAB is determined as follows: RAB_i (initial RAB determined by the regulator at a certain point in time) which evolves with new investments, depreciations, divestments and changes in working capital on a yearly basis using the local gaap accounting principles applicable in the regulatory schemes. In Belgium, when setting the initial RAB, a certain amount of revaluation value (i.e. goodwill) was taken into account, which evolves from year to year based on divestments and/or depreciations.

Return on Equity (adj.) (%)

Return on Equity (RoE adj.) = Net profit attributable to ordinary shareholders divided by equity attributable to ordinary shareholders. The return on equity is adjusted to exclude the accounting impact of hybrid securities in IFRS (i.e. exclude the hybrid security from equity and consider the interest costs as part of comprehensive income). The RoE adj. provides an indication of the ability of the Group to generate profits relative to its invested equity.

(in € million) – period ended 31 December	2022	2021
Profit for the period	408.2	328.3
Deduct:		
Profit attributable to holders of hybrid securities	19.2	19.2
Profit attributable to non-controlling interests	47.2	33.1
Profit attributable to equity holders of ordinary shares (A)	**341.8**	**276.0**
Divided by:		
Equity attributable to ordinary shares	4,618.3	3,850.6
Deduct:		
Hedging reserve in equity related to future grid losses	72.7	199.9
Adjusted equity attributable to ordinary shares (B)	**4,545.6**	**3,650.7**
Return on Equity (adj.) (%) = (A) / (B)	**7.52%**	**7.56%**

elia group