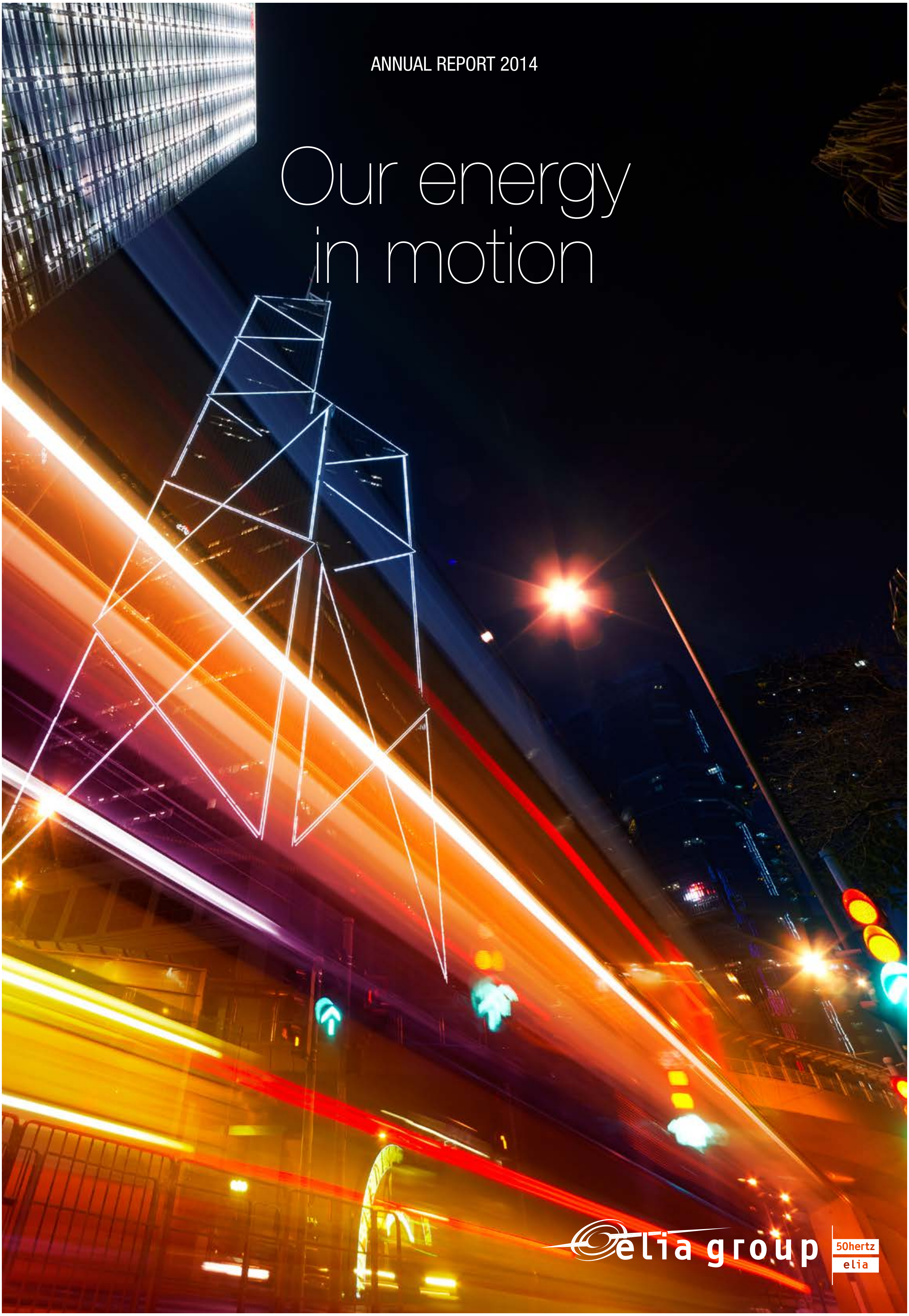
ANNUAL REPORT 2014

Our energy in motion

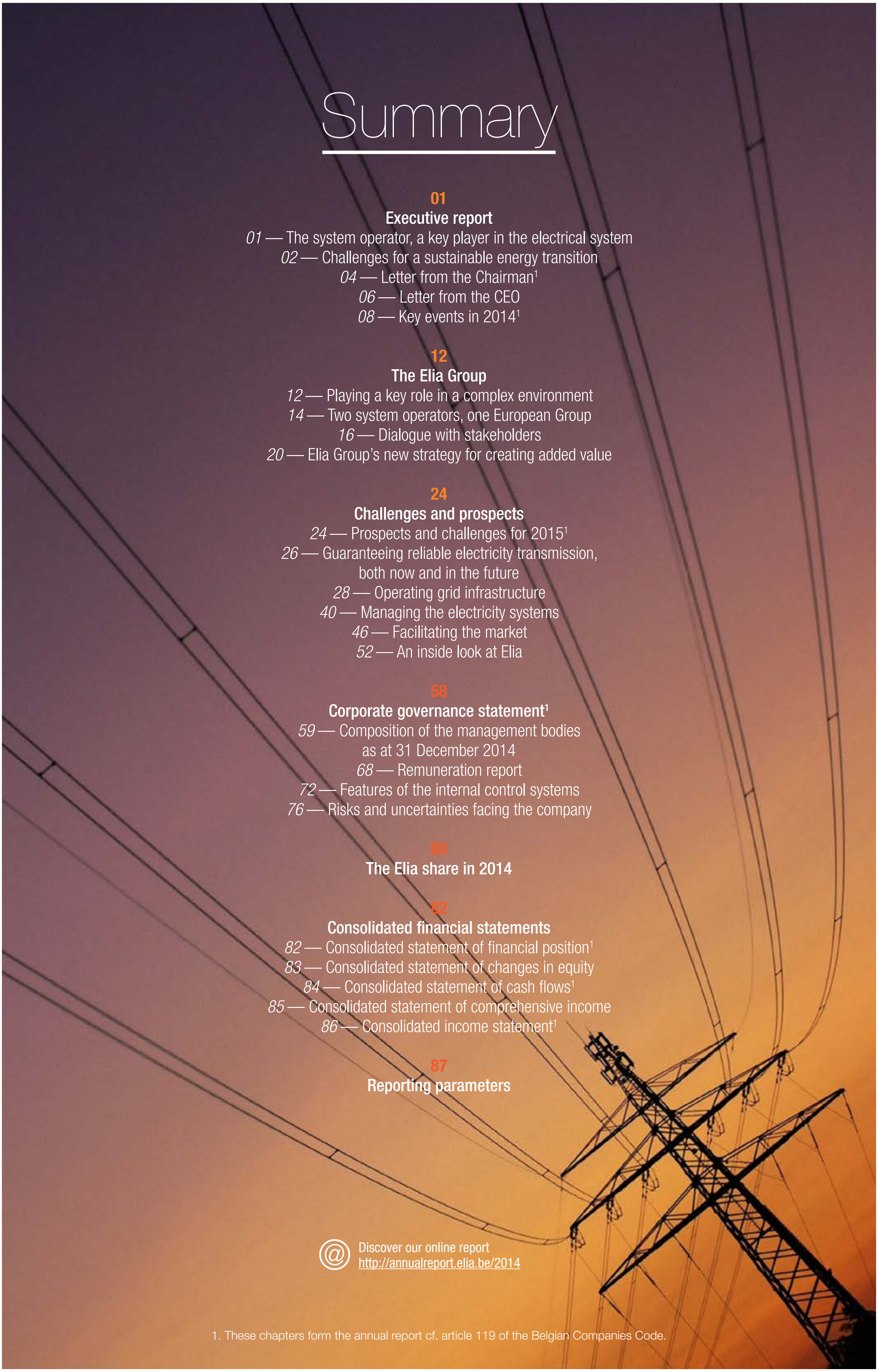


elia group

50hertz

elia

Summary



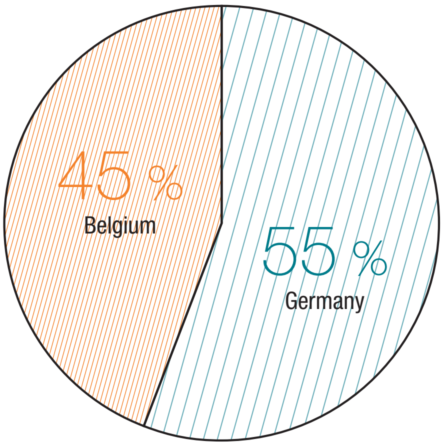
Discover our online report
http://annualreport.elia.be/2014

1. These chapters form the annual report cf. article 119 of the Belgian Companies Code.

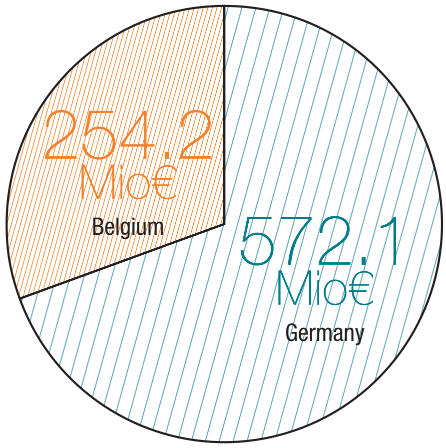
The Elia Group in 2014

In figures

DE/BE contribution to IFRS results



Investments

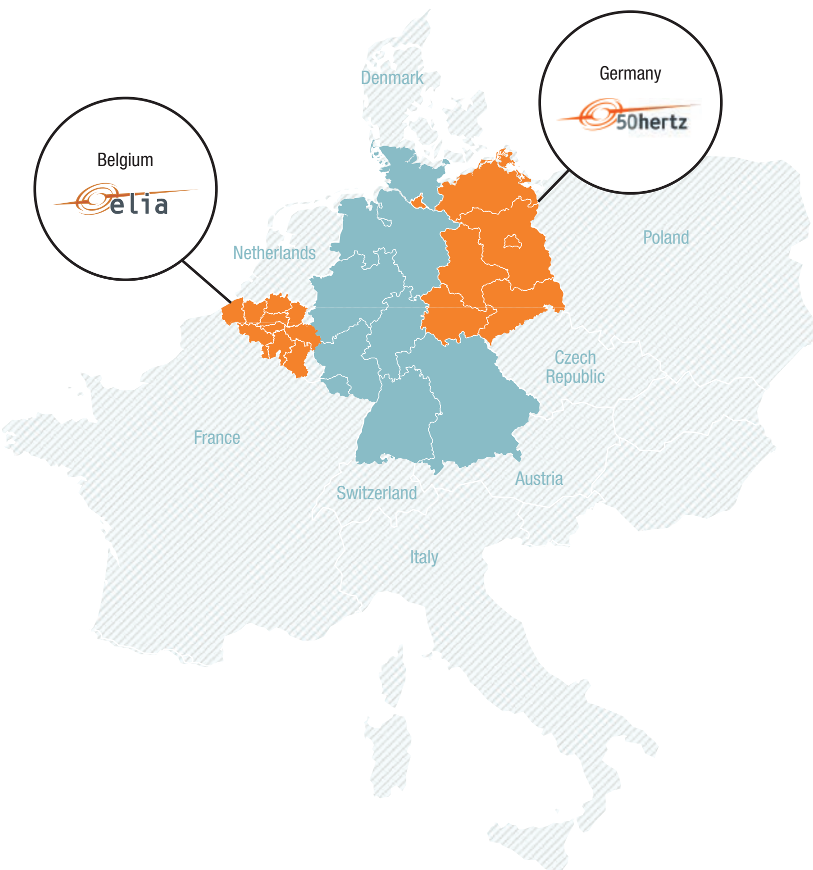


172.6 MIO€
net profit

1.54 €/share
dividend

4.0 %
dividend yield
(closing price 2014)

2,539.2 MIO€
net debt



In data

30,000,000
residents covered

143,000 km²
covered

800
experienced engineers
and technicians

30,000 MW
installed capacity
of renewable energy

18,000 km
high-voltage lines in Belgium
and in Germany

2,000
employees

6
interconnections

22
nationalities

Source : www.eliagroup.eu/en/about-the-elia-group

Key figures

(in millions EUR)	2014[6]	2013	2012	2011	2010[5]
Consolidated results					
Total revenues and other income	838.9	1,389.5	1,306.6	1,278.4	1,037.5
EBITDA[1]	409.6	486.9	455.5	448.9	687.9
REBITDA[2]	409.6	486.9	455.5	448.9	409.4
Operating profit (REBIT[3])	296.8	345.4	305.4	308.0	281.9
Operating profit (EBIT[4])	296.8	345.4	305.4	308.0	560.4
Net finance costs	(100.6)	(108.5)	(134.8)	(128.6)	(123.2)
Income tax expenses	(23.8)	(61.5)	(16.2)	(43.3)	(34.0)
Profit attributable to the Owners of the Company	172.6	175.8	155.0	137.5	401.7
Basic earnings per share, incl. non-recurring elements (EUR)	2.84	2.90	2.57	2.28	7.36
Basic earnings per share, excl. non-recurring items (EUR)	2.84	2.90	2.57	2.28	2.28
Dividend per share (EUR)	1.54	1.54	1.47	1.47	1.40
Consolidated statement of financial position					
Total assets	5,697.0	6,532.2	6,187.0	5,843.8	5,904.0
Equity, attributable to the Owners of the Company	2,285.1	2,209.1	2,108.5	2,046.9	2,007.2
Net financial debt	2,539.2	2,733.8	2,910.8	2,532.9	2,551.4
Equity per share (EUR)	37.6	36.5	34.9	33.9	36.8
Number of shares (end of period)	60,738,264	60,568,229	60,555,809	60,355,217	60,355,217

1. EBITDA = EBIT + depreciation / amortization + changes in provisions
2. REBITDA = recurring EBITDA (excluding one-off items)
3. REBIT = recurring EBIT (excluding one-off items)
4. EBIT= Results from operating activities + Share of profit of equity-accounted investees, net of tax
5. The results of 50Hertz Transmission, consolidated at Eurogrid International level for the period from June to December 2010, were included in the consolidated Elia Group IFRS figures as at 31 December 2010 (60% proportionate consolidation). The first five months were booked as shareholders' equity (opening balance), thereby benefitting Elia shareholders.
6. As of 2014, the companies previously consolidated proportionately are now accounted for using the equity method.

The system operator, a key player in the electrical system

Our vision

The Elia Group is made up of two transmission system operators – Elia System Operator in Belgium and 50Hertz in northern and eastern Germany – plus Elia Grid International, which offers consulting and engineering services worldwide. The Group aims to play an active, decisive role in the European energy market. This report provides an overview of what our employees have been doing in 2014 in their ongoing efforts to meet the needs of our customers, expand our expertise and develop new initiatives.

Europe's energy landscape has undergone radical changes in the last ten years. These changes happened faster and were more dramatic than any seen over the fifty years before. They are fundamental in nature and reach beyond national borders – in fact, they are taking place throughout Europe. This transition is reflected in the planned nuclear shutdown, the growing share of renewables in the energy mix, the increasing presence of decentralised players on the energy landscape and the ageing of existing generation units.

If they are to keep up with the energy transition, system operators must be extremely flexible in their management of the electricity system so as to guarantee a reliable power supply at all times.

This new situation has a financial impact too, through its effects on the maintenance, extension and development of the transmission system. At the same time, system operators are being urged to keep system costs at an acceptable level as they work to make the energy revolution possible.

“We lead the way in the energy revolution by developing the diversified, sustainable and reliable power systems, spanning land and sea, with new possibilities.

Challenges for a sustainable energy transition

Our challenges and activities

Security of supply is rooted in reliable grid management

Our private and professional lives are increasingly dependent on electricity. It has become so simple for us to flick a switch that we have forgotten how complicated it is to manage the grid. Grid management requires a perfect balance, in real time, between the supply of electricity and the demand for electricity. Power cannot be stored on a large scale and the Elia Group does not generate its own electricity, yet it must ensure that generation and consumption are balanced at all times. To do this, the Group must cooperate extensively with producers, other system operators and consumers themselves. Elia and 50Hertz are working together to develop new mechanisms and solutions to allow greater flexibility, both nationally and internationally.

OUR ACTIVITIES

operating the electricity grid

facilitating the market

operating infrastructure

Grid development is vital for the integration of renewables

Another key factor in the energy revolution is the fast-growing share of renewables in the energy mix. Renewable energies have a whole host of new characteristics that must be managed if they are to be incorporated safely into the system's operation:

— Intermittent, weather-dependent generation;
— For offshore wind power: the wind farms are a long way from the consumption sites;
— For solar power, biomass and combined heat and power: generation is usually decentralised and the marginal cost (price) of activating generation facilities puts these energy forms in a very good position in the merit order[1].

In view of this, the Elia Group must adjust its grid and the operation of its system to cope with power generation from a variety of stakeholders, sources and profiles.
The rapid development of the renewable energy sector has brought about a deep-seated change in the electricity industry's business model and has significantly affected the community as a whole.

1. The merit order is a way of ordering all the different sources of energy, especially electrical generation, on the basis of increasing production, from the lowest price to the highest.

“

Elia Group does not generate its own electricity, yet it must ensure that generation and consumption are balanced at all times.

The development of the single European electricity market is supported by the grid

The single European electricity market must foster competitiveness, guarantee security of supply and contribute to ensuring that our economy is sustainable. It must benefit both those who have activities in the sector and society as a whole. The Elia Group contributes to defining European and national market rules with a view to achieving these aims.

Letter from the Chairman

In June 2014, I had the great honour of succeeding Luc Van Nevel as Chairman of the Board of Directors of the Elia Group. I wish to thank Luc very much for his 12 years at the helm of Elia, during which time he steered it through the critical phase of becoming a listed company and of building the Elia Group with the successful acquisition of 50Hertz.

2014 has been a year of advancements for the Elia Group, marked by major investment programmes in Germany and Belgium, the continued ascent of Elia's stock price and the creation of Elia Grid International.

The European Energy Union is moving forward towards fully integrated electricity grid and power markets incorporating ever-increasing volumes of renewable generation, and the Elia Group will need to continue to anticipate and respond to the challenges of this transition to a secure, affordable and low-carbon electricity system.

This European energy transition is presenting the Elia Group with extraordinary opportunities for organic growth through the required reinforcements to the grid's backbone and the construction of on- and offshore interconnectors and electricity highways in both Belgium and Germany. Hence, our top priority is, as before, to benefit from this exceptional organic growth opportunity created by European energy, climate change and infrastructure policies.

All of these infrastructure projects will require a considerable increase in capital investments by Elia and 50Hertz, amounting to several billion euros between now and 2020 and the same again up to 2025. Consequently, it will be even more essential for the regulatory frameworks to be able to provide the appropriate returns to attract the necessary funding from the capital markets, so as to enable these significant investments.

In addition to Elia's organic growth objective, we will carry on with our second strategic target of value chain expansion by strengthening our system operation, integration and asset management responsibilities. To name but one example, 50Hertz's German grid area integrates the world's highest proportion of wind power. The Elia Group also continues to be a market facilitator and integrator of European electricity markets, actively shaping the North-West and Central-European power exchanges.

Another illustration of our efforts in value chain expansion is the creation of Elia Grid International (EGI). This recent 50/50 joint venture between Elia and 50Hertz offers engineering design, procurement and construction management services to electricity transmission and distribution projects abroad. EGI allows the Elia Group to build up international knowhow in a competitive environment and turn our engineering expertise to good account internationally, where significant grid infrastructure developments are taking place.

Miriam Maes
Chairman of the
Elia Group Board

In recent years, a number of M&A transactions have occurred with European infrastructure utilities at high to very high multiples, despite pending national regulatory reviews which will start to reflect lower capital costs. Against this backdrop, the Elia Group will continue to monitor attractive international growth opportunities – be they projects, partnerships or companies – based on an industrial rationale of creating a borderless European electricity system and capitalising on the Elia Group's prominent experience in on- and offshore interconnectors and integration of renewables.

Following the departure of Jacques Vandermeiren as Elia's CEO in early 2015, the Board of Directors appointed François Cornélis as acting CEO. Francois's impressive track record and longstanding experience in the energy sector is ensuring the continuity of the Elia Group's operations and strategy.

In the meantime, the search for a permanent Elia Group CEO is progressing and the Board is focusing its efforts on identifying the right candidate for the role.

I am convinced that the Elia Group is well positioned to tackle the challenges facing the energy market, thanks to the Group's greatest asset: its professional and committed people, who work so hard to ensure a successful transition to a secure, low-carbon and affordable electricity system.

On behalf of the Board, I would like to thank the Elia Group Executive Committee and all Elia employees for their dedication and high standards of work.

I personally would like to thank my fellow Board members for their great personal support and dedication to their role as directors. Finally, I want to thank all of our shareholders, the regulators and the policymakers for their loyalty to our company. I trust that Elia can count on their continued support.

Miriam Maes
Chairman of the Elia Group Board

Letter from the CEO

In February, I took on the fascinating task of providing continuity at the head of the Elia Group over the coming months. I have had the privilege to discover a Group that operates at the heart of the electricity system both in Belgium and Germany and that aims to actively play a leading role in the current energy transition.

In 2014, Elia's staff once more ensured that over 30 million consumers received a high-quality electricity supply day and night, both in summer and in winter. Yet the challenges facing the energy sector are fuelling plenty of debates: the rising share of renewables; the planned nuclear phase-out; the closure of gas-fired power plants; and the establishment of the single European market.

Over the past year, Elia and 50Hertz achieved excellent results in terms of grid reliability and security of supply, but also in terms of financial performance. Net profit for 2014 remained stable at €174.1 million – with 50Hertz's contribution once more accounting for 55% – which will allow us to propose a stable dividend of €1.54 per share at the Annual General Meeting.

In Belgium, a net sum of €254.2 million was invested, mainly in upgrading (or replacing) high-voltage substations, laying new high-voltage cables or upgrading existing cables, and integrating renewables. In Germany, most investments were linked to the integration of renewables, both onshore and offshore. 50Hertz Transmission invested €572.1 million in 2014, the most it has ever invested in a single year.

In the years ahead, we will continue our investment drive, thanks to the progress we made in 2014 on the major projects Stevin and Nemo Link. For 2015, our focus will lie on the further preparation of key infrastructure projects like Brabo, to increase cross-border capacity with the Netherlands, ALEGRO, to connect Belgium with the German grid, and the Belgian Offshore Grid. In Germany, we will focus on building new transmission lines to Bavaria and connecting new wind farms in the Baltic Sea.

Both TSOs have shown great flexibility in the management of their electricity systems. In Belgium, one-third of the country's generation capacity was unavailable at the start of the winter due to the unexpected shutdown of three nuclear power plants. Elia initiated a broad dialogue with all parties concerned and took all possible measures to manage the situation. We contracted a strategic reserve of 845 MW for winter 2014-2015 and launched a call for tender for an additional volume for next winter.

Through its involvement in two European areas, the Elia Group has continued its role as an active driver of market integration in North-Western and Central-Eastern Europe.

To strengthen the Group's international activities, a new business unit was created: Elia Grid International, a full subsidiary of Elia and 50Hertz. Backed by two system operators

François Cornelis
CEO *ad interim*

with a proven international track record, EGI delivers innovative system solutions for third parties. EGI has already contracted an order book for an amount of €40 million and aims to double this amount in the next 5 years.

Sadly, we were faced with two fatal accidents in 2014, which claimed the lives of an Elia employee and an external service provider. These tragic events remind us how difficult it is to eliminate risks altogether, every day, in a company that employs over 500 staff in the field. Nevertheless, the health and safety of our employees and our external partners will remain our top priority in 2015 and in the years to come. Elia is continuing to strive towards its target of zero accidents.

I am proud to have been selected to take on this unusual and challenging role at the Elia Group. I have found an excellent team of dedicated and talented people at both Elia and 50Hertz and it will be my sole ambition to help them prepare for the future in the best possible way.

To achieve this, I shall continue to apply the main principles which I have followed throughout my career and which I believe will help the Elia Group to thrive. We will focus, empower, simplify and innovate in 2015 and together, we will achieve our goals.

The commitment of Elia's employees, day in and day out, is key to our Group's success and I would like to thank each and every one of them wholeheartedly for their dedication and hard work.

I am convinced that 2015 will be another successful year for the Elia Group and I look forward to the months ahead.

Yours sincerely,

François Cornélis[1]
CEO and President of the Management Committee *ad interim*

1. Permanent Representative of Monticello SPRL

Focus on Elia Belgium

Key events in 2014

The events mentioned below illustrate the Elia Group's desire to be a key player in the energy transition. These actions, projects and initiatives have made a real contribution to the development of the grid, the construction of the single European market and the integration of renewables.

SHARP INCREASE IN IMPORTS

Imports increased substantially: net imports amounted to 17.6 TWh in 2014, a rise of some 82.6% from 2013. This can be ascribed to the shutdown of various nuclear reactors in March and August.
(see p.43)

OFF
& we stay
ON

INVOLVEMENT IN THE WWW.OFFON.BE CAMPAIGN

When three nuclear reactors suddenly became unavailable just before the onset of winter 2014-2015, the chance became greater that there might not be enough electricity to meet demand at certain times of the day, especially if Europe experienced an extended period of cold weather. The authorities, the national crisis centre, Elia and the distribution system operators informed the public of the situation and on 3 November, the regional and federal energy ministers launched the OFF ON website to encourage citizens to reduce their energy consumption. At the request of the authorities, Elia prepared an outage plan in collaboration with the distribution system operators to ensure readiness. (see p. 45)

BUILDING UP A STRATEGIC RESERVE

Under the Electricity Act, Elia is now responsible for performing risk assessments regarding security of supply and, if necessary, concluding contracts for the strategic reserve volumes determined by the Minister for Energy. The strategic reserve may be formed by activating generation units whose owners plan to close them or shut them down for an extended period, or by managing demand flexibly. The reserve may only be activated if Belgium's electricity consumption cannot be covered by the market. The volume of the strategic reserve available to Elia for winter 2014-2015 was 845 MW (745 MW from generation and 100 MW from demand management). (see p. 44)

THE CONTINUITY OF SUPPLY REMAINED AT AN EXTREMELY HIGH LEVEL IN 2014

The AIT (Average Interruption Time) was 3 minutes 38 seconds, which is equivalent to an average availability of 99.999%. (see p.42)

NEW TARIFF METHODOLOGY FOR THE NEXT REGULATORY PERIOD 2016-2019

Throughout 2014, CREG (the federal authority for the regulation of Belgium's electricity and gas markets) worked to develop a new tariff methodology to be applied in the next regulatory period, 2016-2019. This tariff methodology is the result of a dialogue between CREG and Elia. In September, CREG organised a public consultation on the draft methodology agreed with Elia. After factoring in the comments received from various stakeholders, CREG adopted the final version of the new tariff methodology in late 2014. Elia is to submit a tariff proposal for 2016-2019 in June 2015, in line with the regulatory framework established by the tariff methodology.

MILESTONES FOR MAJOR INVESTMENT PROJECTS

Construction work can now begin on the **Stevin** project to build a new high-voltage connection between Zeebrugge and Zomergem, as all the necessary permits have been received (both planning permission and the environmental permit) and the various appeals that were delaying implementation have been withdrawn.

Elia has received its first environmental permit for the **Belgian Offshore Grid** (BOG) and is continuing discussions with the wind farms in order to determine the route for the sea-based electrical connection that will transmit the power generated by the offshore wind farms to the land-based transmission system, and in order to agree a schedule and financing arrangements.

CREG and its British counterpart Ofgem, in consultation with Elia and National Grid, have set out a special new regulatory model (known as 'cap and floor') to govern the operating conditions for the **Nemo** project (the first direct-current connection between Belgium and Great Britain). Furthermore, Elia has already been granted the cable-laying permit and environmental permit for the work – these are the offshore permits it needs to build submarine electricity cables.

Various stages have been completed in the procedure to revise the sector plan for the **ALEGrO** project, which is to be the first direct-current interconnector between Belgium and Germany: the content of the environmental impact assessment (EIA) was adopted by the Walloon government on 15 May, the EIR was submitted to the Regional Spatial Planning Commission (CRAT) and received a favourable opinion, and the decree provisionally adopting the plan was published in the Belgian Official Gazette on 28 January 2015. Public consultations will be held in the relevant municipalities in 2015. (see p.38-39)

GREAT PLACE TO WORK® Best Workplaces 2014 Belgium

ELIA RECOGNISED AS A GREAT PLACE TO WORK® BY VLERICK BUSINESS SCHOOL AND INSTITUTE BELGIUM

The study's method is considered to be both objective and thorough, and is based on two key stages: an internal evaluation by employees (trust index score) and the Great Place to Work Cultural Audit (audit score). Just 10 companies are awarded the label each year. Though Elia was taking part for the very first time, it managed to finish in eighth place in its category. Winning this label is a resounding confirmation that our workplace is a leading environment for excellence and quality.

986
Male employees

222
Female employees

More information on: www.elia.be

Focus on 50Hertz in Germany

Key events in 2014

SAFETY EXERCISE

An international safety exercise was carried out by electricity transmission system operators CEPS (Czech Republic) and 50Hertz in September, a unique event for Europe. The exercise - code name DRILL - took place near the border with Germany, and offered some 200 German and Czech experts the opportunity to test the cooperation in practice, including not only the TSO but also authorities, police, army and fire brigades.

PIONEERING COLLABORATION WITH DSOS

50Hertz and the distribution system operators in its grid area agreed on a 10-point programme for the future development of ancillary services (ASs). They want to develop joint solutions that will meet the requirements of the ever-changing system. This collaboration, the first of its kind in Germany, focuses on ancillary services, which system operators use to guarantee the stability of the power supply system.

50HERTZ CONCLUDES MAJOR CONTRACT

On 20 May, 50Hertz concluded a €730 million contract with Italian cable manufacturer Prysmian for the production of cables and their placement in the Baltic Sea. This is the biggest contract in 50Hertz's history. In the future, it will be possible for several offshore wind farms to connect to this cluster, which is located around 40 km north-east of the island of Rügen.

At the end of the year, the second connection, Baltic 2, was almost complete.

691
Male employees

202
Female employees

SUSTAINABLE URBAN DEVELOPMENT IN BERLIN'S EUROPACITY: 'NETZQUARTIER'

An official ceremony was held to mark the laying of the first stone of 50Hertz's new headquarters in Berlin. It was attended by urban development senator and mayor of Berlin Michael Müller and economic affairs senator Cornelia Yzer. This new building will provide 50Hertz's employees with a future-oriented work environment.

PRESTIGIOUS INDUSTRY AWARD

50Hertz won the prestigious Global Energy Award in the Industry Leadership category. The awards are given out each year by Platts, the global information service for the energy, petrochemicals, metal and agricultural sectors.

TECHNICAL INNOVATION

The new 380 kV line between Bärwalde and Schmölln has been inaugurated. This 46-km overhead line is a real technical innovation for 50Hertz: it marks the first time that the company has been able to reinforce and fully renovate a connection between two substations without disconnecting the existing line at any point during the works.

AGREEMENT CONCLUDED WITH POLISH TSO

On 12 March, 50Hertz and Polish TSO PSE signed an agreement for the coordination and construction of phase-shifting transformers at the German-Polish border with a view to boosting the system's security and creating additional cross-border capacity for the electricity market.

50HERTZ NAMED BEST EMPLOYER IN THE SECTOR

The magazine Focus named 50Hertz Germany's best employer in the sector. Focus determined its rankings in cooperation with Xing, which asked almost 20,000 employees how satisfied they were with their employers. More than 2,000 companies with 500+ employees were evaluated for the study.

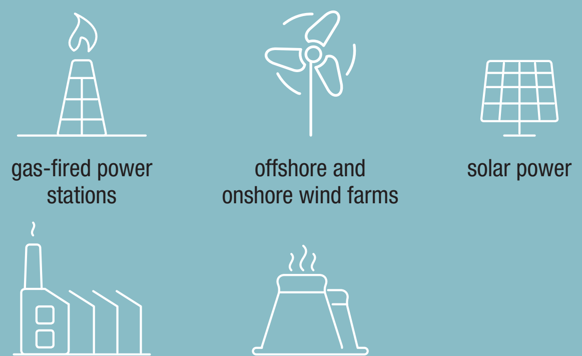
More information on:
www.50hertz.com

Playing a key role in a complex environment

importation

generation

The energy transition is the result of the nuclear phase-out, the ageing of existing generation units, and the growing share of electricity from renewables and decentralised sources.



Supplier
The supplier buys power within the country or beyond its borders.

transmission

The transmission system operator must constantly maintain the balance between power generation and power consumption.

3 ACTIVITIES

OPERATING INFRASTRUCTURE

OPERATING THE ELECTRICITY GRID

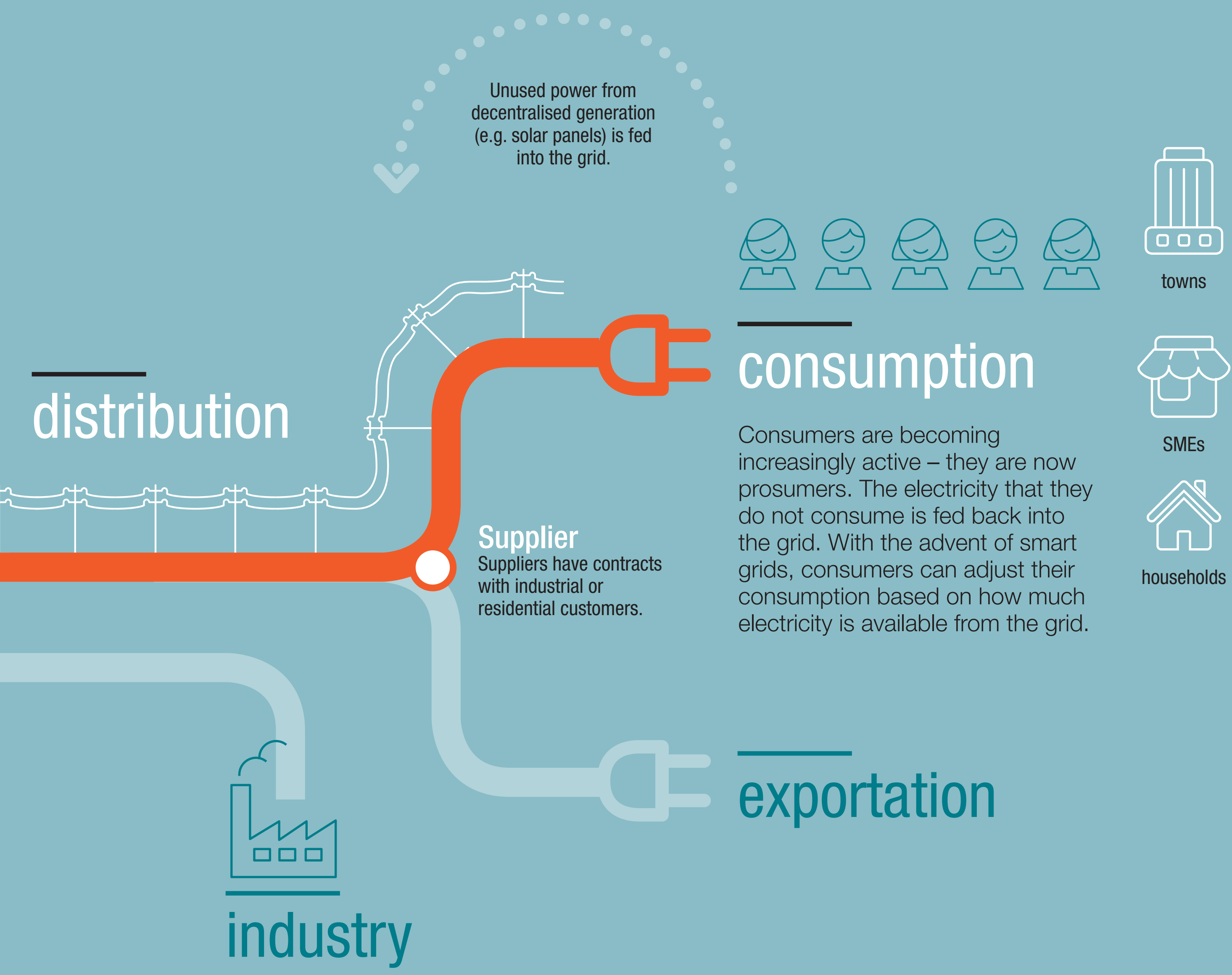
FACILITATING THE MARKET

3 CHALLENGES

SECURITY OF SUPPLY
rooted in reliable grid management.

EUROPEAN ELECTRICITY MARKET
supported by the grid.

RENEWABLES INTEGRATION
requires grid development.



Two system operators, one European Group

Our profile

Every day, in both Belgium and Germany, the Elia Group's employees draw on their passion for the business to guarantee a reliable, high-quality power supply for the community.

— Elia in Belgium and 50Hertz in Germany

As an electricity transmission system operator, the Elia Group performs three main, interlinked tasks:

1. Maintain, operate and develop the infrastructure;
2. Manage the electricity system and keep the grid balanced;
3. Act as an electricity market facilitator.

One Group, two poles

The Elia Group is structured around two 'poles' – namely, its two transmission system operators.

- **Elia, the Belgian transmission system operator**, holds licences for its 380 kV to 150 kV national grid and for its 70 kV to 30 kV grids in Belgium's three regions.
- **50Hertz, one of Germany's four transmission system operators** (active in the north and east of the country), is held jointly by Elia (60%) and Industry Funds Management (40%).

Elia System Operator is listed on the Brussels stock exchange (with a free float of 45.18%) and its reference shareholder is Publi-T, a municipal holding company.

@ To find out more about the Group's management bodies, see: www.elia.be/en/about-elia/corporate-governance/management-bodies

@ To find out more about the legal framework: www.elia.be/en/about-elia/legal-framework

@ To find out more about the share : www.eliagroup.eu/en/investor-relations/Share-information/Shareholder-structure

— EGI, an international driver for the Elia Group

The Elia Group has strengthened its international ambitions with the creation of Elia Grid International (EGI). EGI is a subsidiary of both Elia System Operator in Belgium and 50Hertz Transmission in Germany, allowing it to make full use of the know-how of these two major transmission system operators and benefit from a solid reputation and extensive expertise.

EGI is exploring project development and investment opportunities in electrical systems worldwide with its range of third-party consulting and engineering services. EGI's prospective activities and partnerships with non-European parties help the Group too, as they enable it to form a clearer picture of new market models and international trends.

EGI has activities in the Middle East, which is a gateway to Africa and all the potential offered by that continent in view of its energy needs. Alongside its consultancy business, EGI develops EPC[1] projects with partners outside Europe. In 2015, a set of projects will be launched in Germany.

1. Engineering, Procurement & Construction

"With the backing of two European transmission system operators, EGI's flexibility and reliability are beyond dispute. Everything EGI does is based on experiences gained from these very transmission systems. This inspires confidence."

Markus Berger

SAMI IN SAUDI ARABIA

A key project for EGI in the Middle East

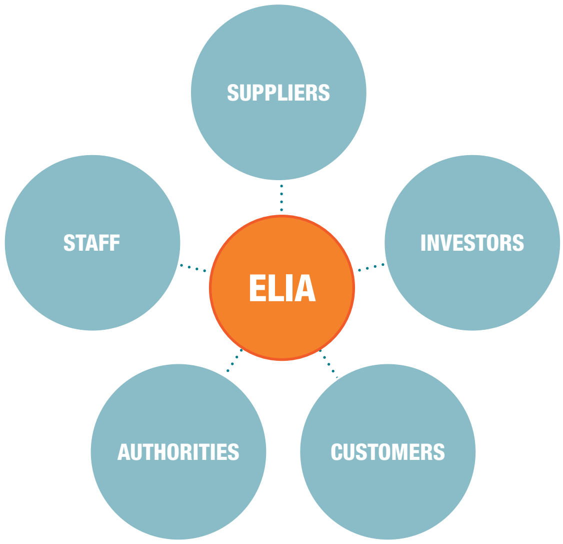
EGI has concluded a major agreement with Saudi Electricity Company (SEC) to boost the efficiency of the subsidiary of Saudi transmission system operator National Grid SA. The SAMI (Strategic Asset Management Implementation) plan has seen a complete shake-up of all the roles and responsibilities within the company. This consultancy project, which is due to last two years, will include training, the introduction of new working methods, structural changes within the organisation and more, and has become a reference project for EGI at international level.

Dialogue with stakeholders

Our commitments

An infrastructure which criss-crosses the territory must be managed in close collaboration with all the stakeholders. The Elia Group plays an essential role in the wellbeing of the community, as well as the economic performance of companies and the success of their business activities.

Elia and its stakeholders



— Suppliers or service providers

In Belgium, the Procurement Department covers almost all of the purchases that Elia needs to make. It is a strategic activity, especially in view of Elia's investment programme for the coming years.

Elia has set up a programme for assessing the extent to which technical specifications meet current needs, with the aim of aligning technical criteria to the inherent requirements of the project and making savings without compromising on quality.

In 2015, the Procurement Department continued to concentrate on achieving a better technical and economic balance in other purchase categories.

In Germany, the sharp increase in investments by all TSOs brings with it risks for the coming years in terms of material availability and suppliers' availability to provide services. 50Hertz has determined which equipment and services it will require and has identified potential bottlenecks, which will probably begin to set in from 2016 for electrotechnical services, transformers, disconnectors and circuit breakers. By way of preparation, 50Hertz will preselect new suppliers, encourage early ordering and ask suppliers to keep stocks of equipment.

— Investors

The Elia Group maintains a transparent dialogue and communication with financial analysts and current and potential investors, both to comment on the company's results, strategy and decisions and to understand the financial market's concerns and find out its views. With that in mind, more than ten days of roadshows were organised for over 100 institutional investors in Europe's main financial centres. Outside of these events, investors and analysts had the opportunity to speak to members of the Elia Group's management team in person or by video conference.

ELIA AT THE HEART OF THE NETWORK

The Group is actively involved in various professional associations

Voluntary initiative by the world's 16 biggest system operators, who cover 70% of electricity demand and supply energy to 3.4 billion people on six continents – www.go15.org

ENTSO-E, the European Network of Transmission System Operators for Electricity – www.entsoe.eu

Elia and 50Hertz are active members of the European association of system operators.

European Association for Storage of Energy – www.ease-storage.eu

As the full owner of and sole lender to 50Hertz, Eurogrid GmbH must provide a reliable and stable long-term relationship with financial analysts and ratings agencies, as well as with current and potential financial backers.

— Customers

Elia holds regular meetings with its customers. Two information sessions were organised on 6 and 13 June, targeting different customer groups. The main point of contact for customers is the Users' Group. This discussion group guarantees that there is constant dialogue between Elia and its customers and partners. It is organised into several working groups: Belgian Grid, European Market Design, System Operation, the Strategic Reserve Implementation Task Force and the Balancing Task Force. If necessary, opinions on problems linked to the grid code may be passed on to the relevant minister.

Every member of the Users' Group represents a stakeholder in the Belgian electricity market. On 11 December 2014, the new federation of aggregators (Belgian Demand Response Aggregators) officially joined the Users' Group.

@ More about the Users' Group on www.elia.be/en/users-group

BESTGRID

Lengthy waits for permits often delay the execution of development projects. In the aim of enhancing projects' acceptability and facilitating the permit process, RGI[1] has launched a new initiative, BESTGRID, based on using new collaborative methods with local stakeholders. Pilot projects have been identified in Belgium, Germany and the UK and the system operators are working closely with local NGOs to come up with new approaches and working methods.

Elia collaborated with IEW (Inter-Environnement Wallonie) to define an action plan for the stakeholders affected by the project to lay an underground high-voltage cable between the substations at Braine-l'Alleud and Waterloo. However, new forecast data from the distribution system operator indicated that a number of large, one-off connection requests had been cancelled. Since there is no longer an urgent need for the link, which is now slated for construction some time before 2020, Elia will not be making the planned investment and will not apply for a planning permission in the timeframe shown by the original schedule. Nevertheless, Elia will continue its new approach and will work with IEW on other projects in 2015. Building on its experience with IEW, Elia has undertaken a similar initiative with BBL (Bond Beter Leefmilieu) to evaluate how Elia manages dialogue with stakeholders during the permit procedure for the Stevin project. The results of the study are expected in 2015.

1. Renewables Grid Initiative

As winter approached, Elia launched a number of initiatives to optimise grid management and ensure security of supply. They were all presented and discussed within the Users' Group.

50Hertz provides services to a diverse customer base. In 2014, 50Hertz strengthened its cooperation with the distribution system operators that have direct connections to its grid by signing a 10-point manifesto in favour of closer cooperation on ancillary services. A series of workshops was held to clarify rules and responsibilities relating to grid services, improve online data exchange and encourage better management of decentralised generation units, most of which are renewable.

— Authorities, local residents, contractors and NGOs

In Belgium, Elia takes care to inform the relevant administrative bodies and authorities and the people living near its facilities about what it is doing (be it investment projects, maintenance works or emergency interventions). Elia organises meetings with local residents to explain its infrastructure development projects. In 2015, a map showing all of Elia's ongoing grid development projects will be put online to give residents a better overview of what is going on, in terms of current permit procedures and the schedules for worksites in their local area. Elia also pays special attention to any works performed near its infrastructure and equipment, with a view to keeping people safe and guaranteeing the security of its grid.

In Germany, public participation processes have been developed to involve stakeholders in the planning and approval stages of projects, so as to support the continuation of grid development projects falling within the scope of the Grid Expansion Acceleration Act (NABEG). These processes aim to help establish a constructive dialogue. As the first German electricity system operator to launch and constructively pursue this stakeholder

50HERTZ INFO ROUND

This mobile office toured the region of Brandenburg, following the potential route of the new 380 kV connection between Bertikow and Pasewalk. The residents of 11 towns and villages had the chance to put their questions to 50Hertz's experts and share their suggestions. Some of them took part in EMF measurements underneath the existing 220 kV line. This project is part of the BESTGRID programme.

ELIA stakeholders'day

2ND STAKEHOLDERS' DAY ATTENDED BY OVER 300 GUESTS

The Stakeholders' Day has become a keenly anticipated event for market players, be they industrial customers, distribution system operators, traders, producers, public authorities or NGOs. Over the course of the day, Elia's major topics are presented and discussion panels featuring external speakers address grid-related issues and the overall operation of the system.

I am convinced of the need for better integration of European, national and regional energy policies. At national level, Belgium needs an interfederal energy pact with a view to making vital investments in energy generation, transformation or transmission.

Marie-Christine Marghem
Minister of Energy,
Environment and Sustainable Development

involvement process, using an approach endorsed and supported by the German regulator (Bundesnetzagentur), 50Hertz has created opportunities for dialogue with the relevant parties at every stage of its grid expansion projects. These projects were supervised over a period of more than two years. Over this time, various communication initiatives (such as an information fair, a mobile help centre and workshops) proved to be extremely useful ways of establishing dialogue.

European Commission highlights best practices developed by the Elia Group for acceptance of infrastructure projects

In a study conducted for the European Commission (Study regarding infrastructure development: European strategy for raising public acceptance), the consultancy Roland Berger examined the strategies developed by European transmission system operators to increase the public acceptance of infrastructure projects and highlighted initiatives taken by 50Hertz and Elia in this regard. The best practices mentioned in the report included the information sessions and doorstep visits organised by 50Hertz for people living near its facilities, the BESTGRID project in which the Group is involved and the quality of the information (in particular, the grid load data) provided on the Elia and 50Hertz websites.

— Staff

A wide range of actions have been taken – see "An inside look at Elia", page 52-57.

See our online PDF for more information about our social relations.

www.renewables-grid.eu

Elia Group's new strategy for creating added value

Our strategy

The driving force behind the energy transition primarily comes from the threat of climate change, which is no longer viewed as a purely environmental problem but is instead considered a source of societal disruption in social, economic and political terms.

However, this radical change is also an opportunity for development and value creation for those companies that manage to align their strategy to the new situation.

In 2014, Elia Group's new Strategy & Innovation Department laid the foundations for a strategy based on this observation, geared towards creating added value.

The Elia Group aims to play a key role in the joint creation of the energy system of the future. This capacity to participate in and contribute to the system is vital for Elia's long-term success. After all, societal and financial value creation go hand in hand, since the company's financial success is intrinsically linked to the way it handles societal issues. Elia's strategy aims to take the Group's role beyond the traditional role of a transmission system operator, towards that of a stakeholder in the energy transition. Accordingly, Elia is endeavouring to develop products and services that aid the energy transition to a low-emission economy and act as a source of financial success.

"The Elia Group aims to play a key role in the joint creation of the energy system of the future.

If we are to handle the increasing complexity of electricity system operation and have the flexibility we need to integrate the growing share of renewables, we need to develop agile new solutions.

> Our innovation approach will be rolled out in 2015, both at local level (Elia and 50Hertz) and at Group level.

— Innovation – a key factor of the Group's strategy

The Elia Group is getting fully behind innovation and has identified four pillars in this regard:

- **Innovation processes** to guarantee that innovative ideas from experts and internal partners become innovative projects;
- **Project portfolio management** to ensure appropriate governance for authorising and monitoring projects.
- Fostering of an **innovation culture** within the Elia Group to enable everyone in the Group to prepare for the transition towards an increasingly competitive, complex environment.
- **Efficient management of our collaborations and partnerships** to build on the Group's relations with other (distribution and transmission) system operators and manufacturers, but also with emerging new stakeholders and companies in the energy world. Internal networking is also a key factor in stimulating innovation and encouraging knowledge-sharing.

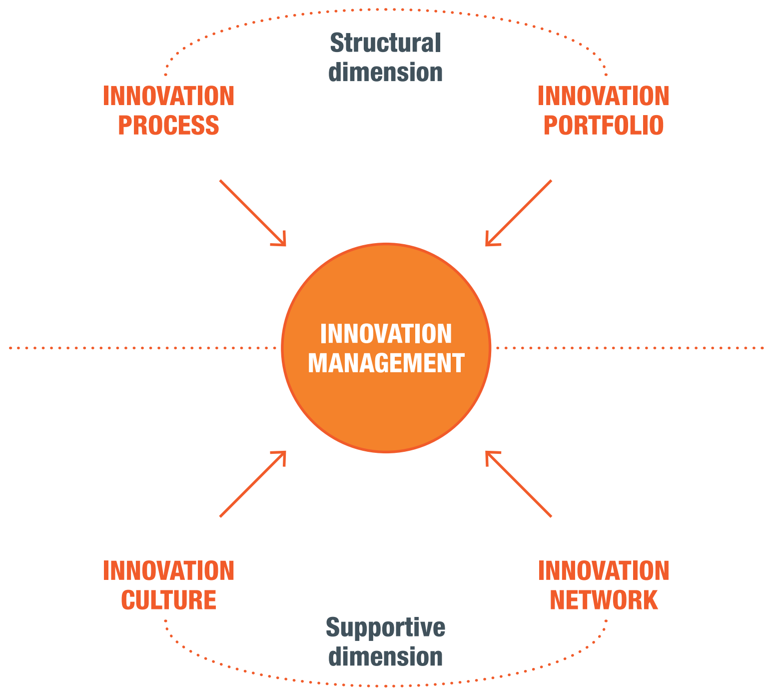
— Participation in projects that will enable us to address future energy challenges

The transmission of energy – from the place where it is generated to the place where it will be consumed – is a real challenge in view of the rise in decentralised electricity generation. New grid planning, maintenance and operating methods for onshore and offshore wind farms will have to be developed with greater consideration for the local environment in order to facilitate public acceptance of projects and thus simplify the permit process.

Best paths

Comprising five demonstration projects, Best Paths aims to demonstrate the benefits of new technologies (direct-current and alternating-current) using innovative approaches to integration. 50Hertz is in charge of the iRock.eu (Innovative Repowering of Corridors) demonstration focusing on the installation and use of technologies to improve the efficiency of overhead alternating-current lines. In connection with this demonstration, Elia is responsible for one of the pilot projects and is contributing actively to the exploration of HVDC VSC[1] interoperable multi-terminal control systems.

Innovation as the core of our strategy



1. High Voltage Direct Current - Voltage Source Converter

CompactLine

This project sets out to increase public acceptance levels and speed up the permit process for new infrastructure projects. It will do so by developing an innovative new routing approach for 380 kV lines, with lower pylons and a narrower corridor under the lines. 50Hertz is heavily involved in this project and is set to begin testing on a 2-km stretch of line in Saxony-Anhalt.

E-HIGHWAY 2050

The goal of this project is to develop methods and tools for planning the future European Highway System (EHS). Elia is heading up efforts to establish a governance model for the EHS, covering the regulatory, governmental and financial aspects, as well as issues linked to permits and financing. This year, the project's results included scenarios for 2050, an approach for modelling a pan-European grid, a technology review for 2030 to 2050, and a cost-benefit analysis method for assessing the roll-out of pan-European transmission infrastructure. The project is scheduled to run until late 2015.

Decentralised energy sources as a new wellspring of flexibility for our system.

ECOGRID.eu

Elia is actively involved in this project, which consists of demonstrating a new real-time market balancing concept, as well as the efficient operation of a distribution grid with a significant share of renewables. Elia is directing the study on analysing the Ecogrid.eu concept's replication in other European countries, including Belgium. The project's findings are expected in late 2015.

R2 Down Wind (see p.43)

This Elia-led project aims to show that wind farms can contribute to the secondary reserve (Down: decrease in consumption).

Storage technologies could be a resource for ancillary service provision and congestion management in a system where the share of renewable energies continues to rise.

eStorage

Elia is a stakeholder in this project, which sets out to demonstrate the technical and economic feasibility of variable-speed pumped-storage systems and new market mechanisms to enable their rapid deployment throughout Europe.

SDL-BATT

This project, in which 50Hertz is involved, aims to highlight the ancillary services that are most appropriate for economic involvement of battery storage systems in the following timeframes: now, 2020 and 2050. It will also examine the extent to which battery storage could contribute to maintaining system stability, particularly by providing a primary reserve. The project will also incorporate a demonstration.

More information on:
- www.e-highway2050.eu
- www.eu-ecogrid.net
- http://estorage-project.eu/

Prospects and challenges for 2015

Prospects 2015

The Elia Group aims to meet the challenges of the future by implementing a series of initiatives targeting grid management, market integration, new business development and the acquisition of new expertise.

— Target: zero accidents

Now more than ever, safety at work is an absolute, non-negotiable priority for us. The two fatal accidents that occurred in 2014 reminded us that knowledge from training, risk assessments and exchanges of best practices can be precarious in an industrial environment like ours. Elia's long-standing safety policy is and shall remain our top priority and forms an integral part of our efforts to change our culture. (see p.56-57)

— Review of the tariff methodology in view of the upcoming tariff period in Belgium

The current regulatory period, 2012-2015, is drawing to a close. Elia will need to submit a new tariff proposal for 2016-2019. It will have to do so in line with the brand-new tariff methodology that CREG established in dialogue with Elia. CREG will examine the proposal in the second half of 2015. If necessary, Elia may then adjust its proposal to take account of CREG's comments. The process will result in the definition of the tariffs that will apply to our customers from 1 January 2016 to 31 December 2019.

77.1 Twh

load on the Elia grid

— Maintaining a reliable power supply on the grids: a daily challenge

The energy landscape is undergoing a radical change, with more and more energy trades at European level and a major expansion of power generated from renewable sources. The variability of renewable energy sources requires greater flexibility of generating facilities and the introduction of tools allowing system operators to perform their role in managing a real-time balance between supply and demand. The planned closure of certain power stations in Belgium and in other European countries, combined with delays in projects to build new conventional power stations, have made this role all the more difficult. Against this backdrop, the Elia Group is particularly vigilant about performing its mission whilst taking into account the roles and responsibilities of all market players and the authorities.

— Optimising infrastructure availability

Maximum infrastructure availability is a growing concern. Elia has set out to develop new monitoring and maintenance planning methods that are conditioned to the specific situation of the relevant grid component.

— Operational excellence

Each day, almost 60 interventions are carried out to maintain or repair infrastructure or commission new facilities. Elia works in a highly complex technical environment, which requires constant vigilance. Quality in work preparation and coordination is essential, and must be coupled with a high level of expertise. Every day requires the same standard of care and professionalism from our teams in the field.

— Integration of the European electricity market

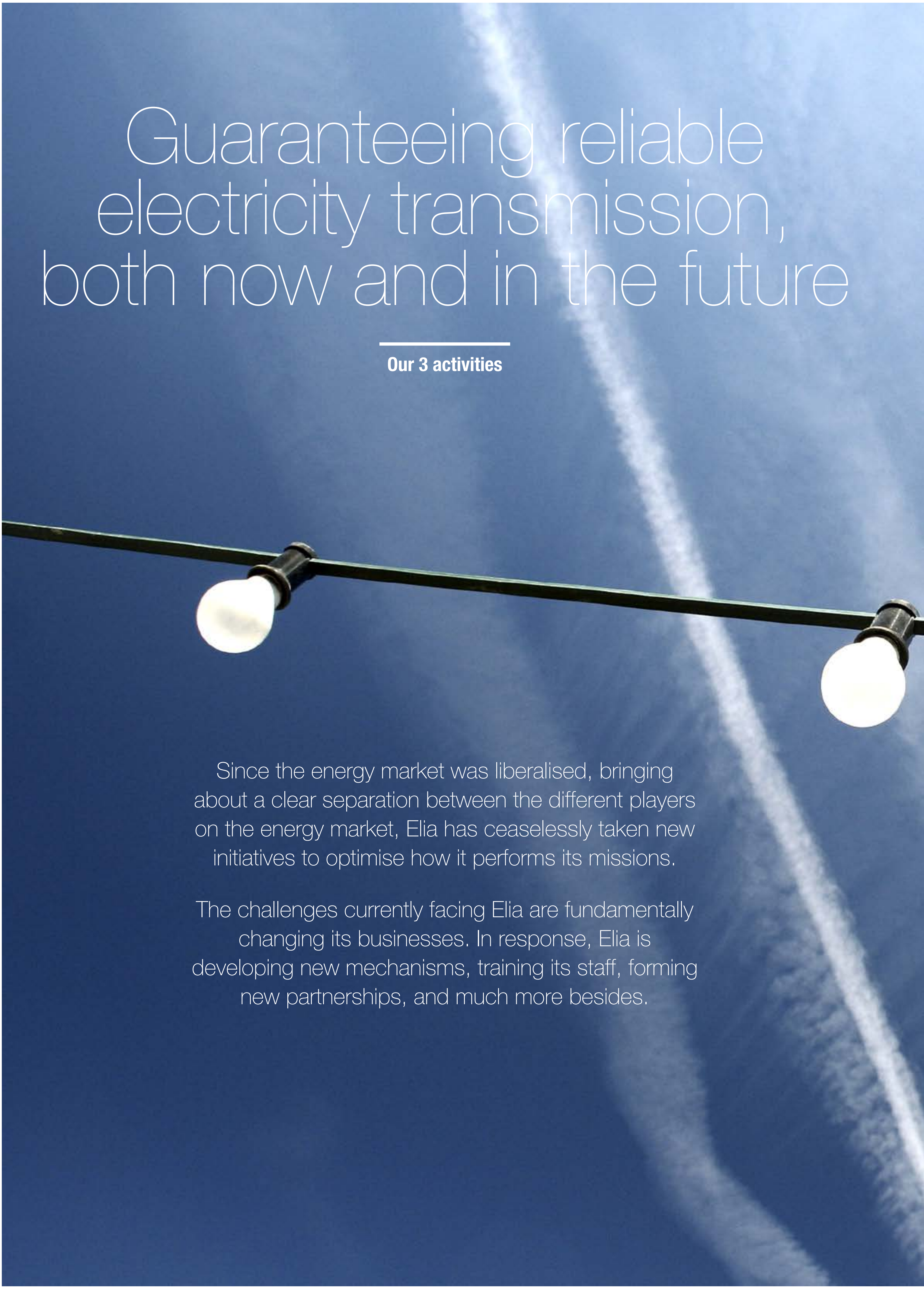
The Elia Group aims to keep up the leading role that it has played hitherto in the creation of a fully-fledged Europe-wide electricity market. The Group's staff are actively involved in deploying the flow-based mechanism within the Central-West Europe regional market, implementing intraday coupling within the NWE zone and defining the European grid codes that are essential for the smooth operation of the single market.

— Access to a diverse and secure energy mix

Giving consumers in Belgium and Germany access to a broad and diverse energy mix contributes to the smooth functioning of a competitive market – and therefore to business competitiveness and a better deal for consumers – and also to security of supply. To this end, the Elia Group is hard at work on a raft of major projects: connecting wind farms, both onshore and offshore in the North and Baltic Seas, new interconnectors between Belgium and the UK or Belgium and Germany, increasing commercial capacity at Belgium's borders, developing interconnectors with Poland and strengthening north-south and east-west routes within Germany.

— Continued grid development: permits

The Elia Group must make major investments in infrastructure with a view to fulfilling its mission, especially when it comes to developing the necessary infrastructure and connecting users to its grids at their request. Timely completion of these investments for the benefit of the community depends on obtaining the necessary construction permits. Establishing a sustainable framework for issuing such permits while respecting the obligations of democratic consultation is a major challenge for the authorities. The Elia Group, both in Belgium and Germany, is actively engaged in this issue with associations of system operators and environmental conservation groups.

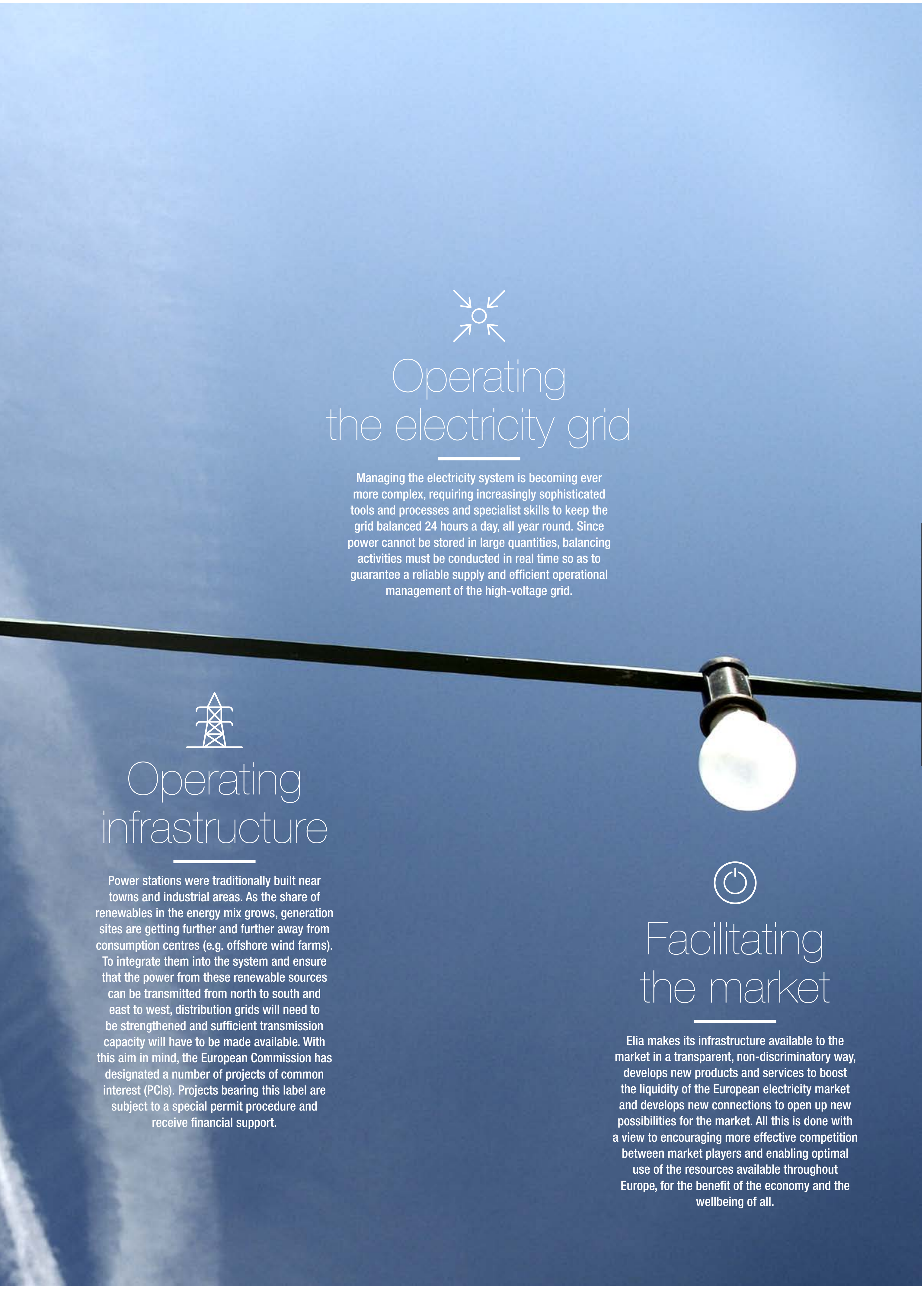


Guaranteeing reliable electricity transmission, both now and in the future

Our 3 activities

Since the energy market was liberalised, bringing about a clear separation between the different players on the energy market, Elia has ceaselessly taken new initiatives to optimise how it performs its missions.

The challenges currently facing Elia are fundamentally changing its businesses. In response, Elia is developing new mechanisms, training its staff, forming new partnerships, and much more besides.



Operating the electricity grid

Managing the electricity system is becoming ever more complex, requiring increasingly sophisticated tools and processes and specialist skills to keep the grid balanced 24 hours a day, all year round. Since power cannot be stored in large quantities, balancing activities must be conducted in real time so as to guarantee a reliable supply and efficient operational management of the high-voltage grid.

Operating infrastructure

Power stations were traditionally built near towns and industrial areas. As the share of renewables in the energy mix grows, generation sites are getting further and further away from consumption centres (e.g. offshore wind farms). To integrate them into the system and ensure that the power from these renewable sources can be transmitted from north to south and east to west, distribution grids will need to be strengthened and sufficient transmission capacity will have to be made available. With this aim in mind, the European Commission has designated a number of projects of common interest (PCIs). Projects bearing this label are subject to a special permit procedure and receive financial support.

Facilitating the market

Elia makes its infrastructure available to the market in a transparent, non-discriminatory way, develops new products and services to boost the liquidity of the European electricity market and develops new connections to open up new possibilities for the market. All this is done with a view to encouraging more effective competition between market players and enabling optimal use of the resources available throughout Europe, for the benefit of the economy and the wellbeing of all.

Operating grid infrastructure

Maintain, update and develop our infrastructures

— Operational excellence

We maintain and develop **high-voltage equipment and infrastructure: lines, cables, transformers, and so on.**

We are moving towards condition-based maintenance of our infrastructure: this means that we perform maintenance work and repairs in line with the age of the equipment, its environment and the significance of its use (past, present and future) so that we can concentrate our efforts on the infrastructure that most needs our attention.

The transmission grid is a **key factor in the energy transition we are currently experiencing**. As such, infrastructure projects have the following objectives:

— complying with standards and legislation on safety and the environment;

— improving security of supply;

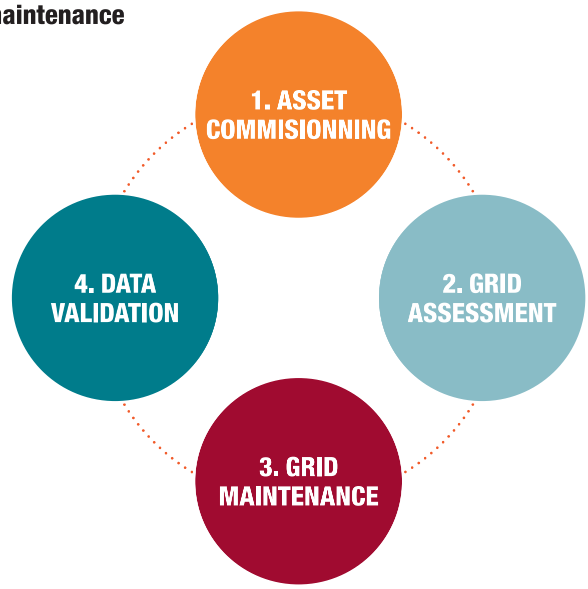
— reducing the risk of imbalance between available generation and consumption needs;

— enabling the transmission of renewable energy;

— upgrading import and export capacity;

— opening up the electricity market to more competition, with a positive impact on electricity prices, this benefiting companies and the community.

Optimize maintenance



Ensuring optimal maintenance, tailored to tomorrow's needs:

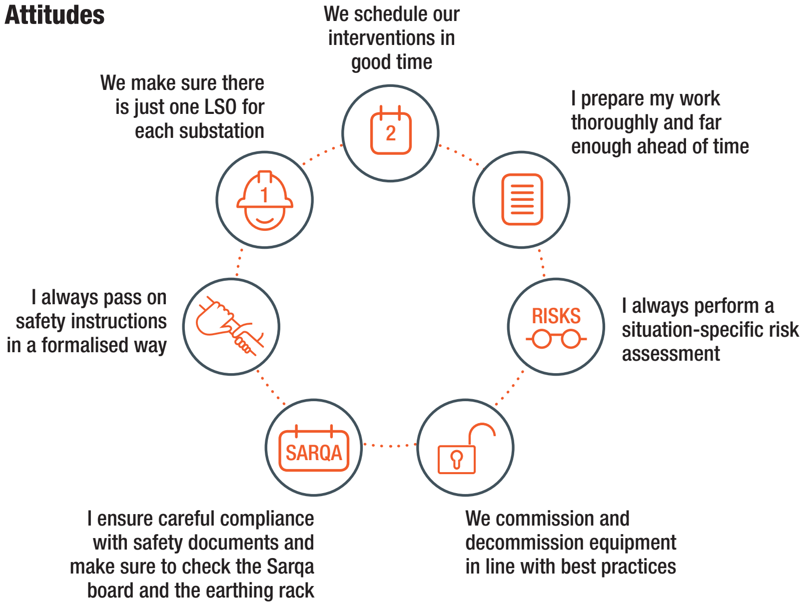
Elia is focusing on the following four areas with a view to achieving this aim:

1. **Asset commissioning:** This refers to the process of testing the functionality of an electrical component to make sure it meets its design objective and complies with specifications. It is a real challenge for Elia's maintenance teams. New components must be incorporated into the grid using a harmonised method, so as to enable optimal infrastructure management in the future.
2. **Grid assesment:** The way we monitor our infrastructure is crucial for determining the state of the grid. The data that we gather during inspections help us to schedule projects and maintenance and replacement work. Assessing the quality of equipment and infrastructure plays a vital role in preserving the grid's integrity.
3. **Grid maintenance:** Maintenance allows us to make sure that our equipment is working properly. Operational efficiency and the quality of the electricity supply are key concerns for us as we schedule and perform maintenance activities.
4. **Data validation:** The quality of the data we enter in our computer system is very important. This is a new activity for Elia and we have developed a new tool to handle it, as we need to have reliable data if we are to make the right decisions.

“Operational excellence” is the key phrase that expresses what we strive for every day within each of our teams: to perform professional, high-quality maintenance whilst ensuring safety at all times.

Frédéric Dunon

7 Golden Safety Attitudes



7 GOLDEN SAFETY ATTITUDES

Elia has continued its efforts to systematically improve attitudes towards safety. In 2014, we launched our awareness-raising campaign Seven Golden Safety Attitudes, which emphasises the importance of good planning and preparation for work, sound risk assessment, appropriate safety rules and a formalised handover procedure. These seven rules must become second nature for every work assignment we perform, day in, day out.

In 2014, efforts in connection with the management of our infrastructure led us to inspect over **10,000 primary systems** (substation components, such as busbars, isolators and transformers) and almost **3,200 secondary systems** (the components that perform functions such as protection, supply backup and control) throughout the country.

In 2014, our teams in the field performed some **23,000 interventions** on our facilities and our primary and secondary systems. That comes to over **60 interventions a day** for the purposes of preventive maintenance, routine inspection or statutory inspection.

Preventive maintenance interventions accounted for over **50,000** man-hours, while statutory inspections accounted for over **40,000** man-hours.

400
field staff

23,000
interventions a year, or 60 a day

— What are the challenges we face each day?

1. Guaranteeing a high level of safety, an absolute priority in our day-to-day maintenance tasks.
2. “Let there be light!” – Ensuring that the grid is reliable in the short and long term.
3. Having a flexible organisation that is capable of overcoming the challenges presented by the changing energy landscape and integrating new methods and technologies.
4. Monitoring costs in a constantly changing environment, with ageing infrastructure that needs to be maintained or replaced.

— What actions have we taken?

Safety as a guiding principle

Each and every one of us must be concerned with creating an environment that is conducive to safety. Elia has set itself a target: zero accidents. All accidents can – and must – be avoided. See also “An inside look”at Elia, p 54-55.

Above all else, safety depends on having the right behaviour and the right attitude in a specific work situation. Elia’s approach to safety is rooted in the intrinsic characteristics of our facilities, the technical skills of our teams and our partners, and our constant vigilance – at all levels – with regard to any and all safety-related considerations.

"Go For Zero" programme

We have developed a six-area programme to support us in our continued efforts for excellence in operational safety.

See our online PDF for more information about this programme.

Elia's constant search for quality

At Elia, we are continuously striving to improve how we manage our infrastructure, from the choices made in our investment policy to the operation and maintenance of equipment, right up until the equipment is decommissioned. The selection of priority areas for PAS 55 certification is helping us to better structure our efforts.

PAS 55 is an international standard for optimisation and excellence in management of critical equipment. Compliance with the PAS 55 standard will enable us to be recognised as a Leading Professional Asset Manager.

2,852 KM
of underground cables

5,560 KM
of overhead lines

As a stakeholder in the operation of electricity infrastructure, it is vitally important for Elia to meet this international standard. The PAS 55 process also supports the Group's aim of being an internationally-recognised player and serving as a reference in terms of its skills and expertise in grid management.

Implementing the Asset Control Concept (ACC)

The Asset Control Concept enables us to monitor our infrastructure and equipment closely so that we can take action at the right time. Thanks to the constant evolution of digital technologies, more and more information is available these days. ACC aims to collect and analyse these data to put us in a better position to forecast the risk of incidents and keep a close eye on all our critical equipment and infrastructure.

> Rather than carrying out more maintenance interventions, we are going to make our maintenance interventions more targeted.
>
> **Walter Geelen**

Flexible working methods

Our constantly changing environment requires us to be more flexible in the organisation of our work. Power station closures, the nuclear power phase-out and the growing share of renewables in the energy mix are putting our maintenance schedule under a new kind of pressure. As such, we need to find a new way to plan power outages for maintenance purposes.

A programme tailored to the development of our infrastructure

Elia's most important resources are our people and their expertise. The age pyramid and the transfer of knowledge to younger staff is a major challenge for the coming years. Succession programmes and training paths have been developed by the People and Technical Skills group with a view to guaranteeing continuity of knowledge. This new initiative aims to both build on the skills that our staff already have and ensure that everyone acquires these skills. It should also enable us to face up to the demands of managing the grid of the future. All of our employees are to be stakeholders in their own development.

Following two years of research, nine critical skills were identified. This resulted in the creation of various development pathways, which were launched in 2014 and will be finalised in 2015. The purpose of these pathways is to implement continuous training and apply the new tools that have been developed (e.g. e-learning, forums, preparation of training modules).

99.99 %

Average supply availability
(AIT: 3 min 38 sec)
See p.42

Every employee is responsible for his or her own development, and is encouraged to report specific skill needs. These reports are taken into consideration by management and centralised in the internal training centre.

Elia wants to create a skill development culture by offering continuous training that will have a real impact on activities in the field.

Better integration of our infrastructure into the local environment

Elia also acts on its responsibility by making efforts to boost the acceptability of its infrastructure to the community as a whole, and especially to those living near the infrastructure. Obtaining a genuine consensus is a critical condition for the continuity of our public service mission.

The NIMBY effect

Relations with citizens are characterised by a profound paradox. Citizens realise that investments must be made to exploit new forms of energy, but they are not always prepared to take on the consequences the investments needed for infrastructure, especially if they are planned in the immediate vicinity of their homes.

13 %

renewables in Belgium by 2020

215

measurements taken in the field at the request of local residents

This is known as the NIMBY (Not In My Back Yard) syndrome, and it creates tension between the legitimate right of citizens to take part as individuals and the need to incur fresh investments on behalf of the interests of the society of tomorrow.

Elia constantly endeavours to improve people's perception of our projects so that we can implement them smoothly and integrate them seamlessly into the local environment. Consultation and dialogue with the relevant stakeholders are key factors in this respect, and we have conducted internal awareness-raising exercises and set up new processes to take account of this.

Works near Elia facilities

Elia pays special attention to any works performed near its infrastructure and equipment, with a view to keeping people safe and guaranteeing the security of its grid. Our specialised team always seeks the best solution for all parties concerned.

Questions about electrical and magnetic fields

The magnetic fields given off by the electricity grid have a very low frequency (50 Hz), much lower than those produced by mobile phones or microwaves, for instance. The intensity of these fields declines rapidly as the distance from the source increases. Elia is aware of local residents' concerns and questions about their health, so it keeps the public informed and supports scientific research in the area. Elia has concluded a cooperation agreement with various research centres and universities that are part of the Belgian BioElectroMagnetic Group (BBEMG), guaranteeing them complete independence. Furthermore, Elia has access to the findings of international research in the field through the Electric Power Research Institute (EPRI) in the United States.

In a spirit of complete transparency, Elia carries out measurements at the request of local residents and answers their questions. Almost 215 measurements were performed in the field in 2014, and several hundred questions were answered.

More information on:
- www.elia.be/en/safety-and-environment/environmental-compliance/electric-and-magnetic-fields
- www.bbemg.be

In late 2014, Elia published a new brochure targeting anyone who wishes to know more about electromagnetic fields and high-voltage connections.

It aims to:

- provide clear information and explanations about the electrical and magnetic fields linked to high-voltage connections;
- answer the many questions raised by stakeholders.

Development of the corridors under high-voltage lines

The European LIFE+Elia project was launched in September 2011, is subsidised by the European Commission and the Walloon Region and is being run in collaboration with RTE (France). It aims to create ecological corridors beneath high-voltage lines in forested areas. Plenty of work has been done on the project so far: the operational departments are now using new ways of managing the spaces underneath high-voltage lines – for instance, they are creating pastures and forest-edge environments, planting orchards and sharing management of these spaces with local stakeholders.

In October 2014, officials from the European Commission and the Walloon Region visited five sites where the LIFE project has been implemented. They discussed the initial effects with Elia and RTE employees and considered both how the project could continue without subsidies, and how this innovative new approach and the activities derived from it could be shared with other European system operators.

> “Elia aims to improve people’s perception of our projects by improving their integration into the local environment.

Risks for birds

Some high-voltage lines are practically invisible to flying birds, especially in foggy conditions or at dusk or night. Large numbers of birds collide with high-voltage lines in Belgium each year. Elia commissioned Aves (the ornithological arm of Natagora), Natuurpunt, Vogelbescherming Vlaanderen and the Flemish Institute for Nature and Forest Research (INBO) to map the 'danger zones'. On the basis of this study, Elia will develop a policy to organise how its grid is marked in a bid to significantly reduce the number of birds colliding with lines.

A project was conducted in Oudenaarde to eliminate collisions altogether, with immediate results: daily checks have revealed that now, almost no birds collide with the conductors on the high-voltage line.

Soil studies and decontamination

Since Elia was established, soil studies have been conducted at over 200 sites across Flanders, in accordance with Flemish soil legislation. The significant soil pollution observed at some sites had already been observed in the past and was the result of earlier or nearby industrial activities (such as gas plants, blast furnaces and chemical sites). In 2014, €500,000 was spent on research, follow-up and implementation linked to decontamination work in Flanders.

Soil legislation was adopted in the Brussels-Capital and Walloon Regions after Elia was established. Elia anticipated this legislation by carrying out soil pollution assessments at all of its sites. Based on these, it ring-fenced the future costs of potential decontamination projects. In 2014, a total of €900,000 was spent on various studies and decontamination activities with a view to managing the risk of soil pollution in Wallonia and Brussels.

SF_6

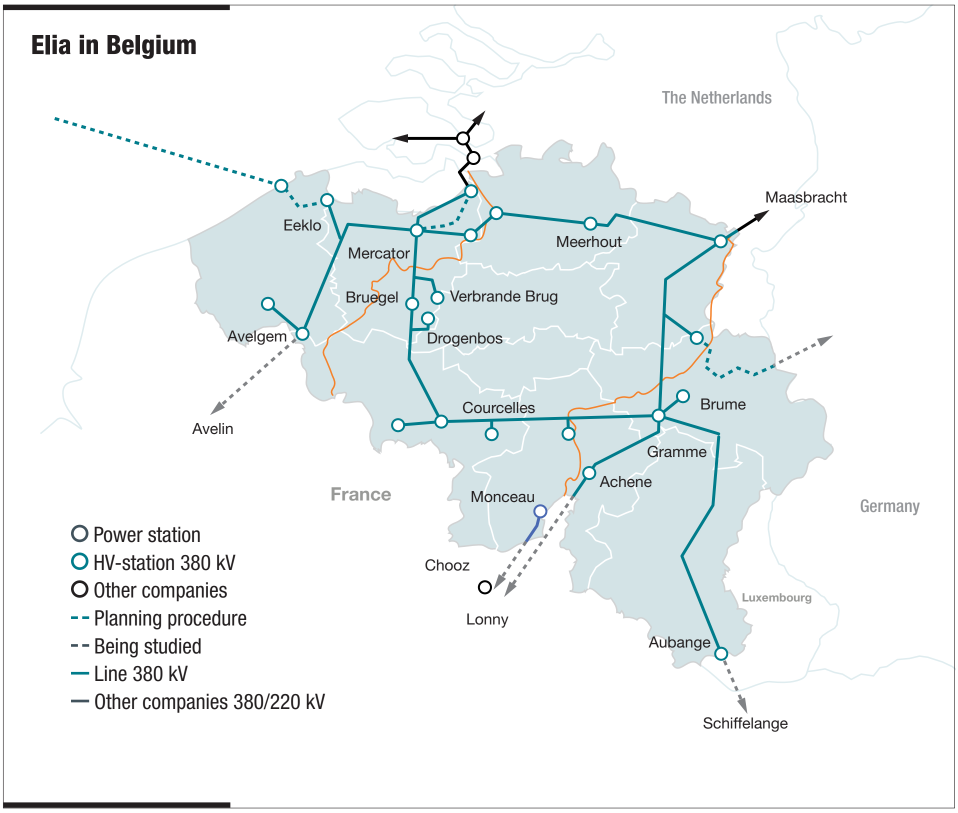
SF_6 has been used as an electrical insulator for high- and very-high-voltage equipment for over 30 years. Gas Insulated Switchgear (GIS) is used in densely populated areas because it is more compact than traditional switchgear which uses air as an insulator. Elia generally uses vacuum-circuit breaking chambers as an alternative to SF_6 in medium-voltage facilities; however, this alternative is not available for high- and very-high-voltage equipment.

Elia has drawn up investment and maintenance policies to limit the risk of SF_6 leaks. To this end, manufacturers must guarantee a very stringent maximum percentage of SF_6 loss throughout the lifetime of equipment. The volume of SF_6 gas installed on the Elia grid (36 kV to 380 kV) is 60 tonnes. Consumption of SF_6 gas (as a replacement and as a top-up in the event of a leak) is tracked closely using a system that monitors each bottle of SF6. The SF_6 leak rate for all Elia facilities was 0.72%.

over 200
soil studies carried out in Flanders since Elia was founded

€ 1,400,000
spent on studies and work in Belgium

More information on:
- www.elia.be/en/safety-and-environment/Project-Life-Elia
- www.life-elia.eu
- www.elia.be/~/media/files/News/etudeoiseaux.pdf



— What is our investment policy for the future?

Generated electricity must be available wherever it is consumed, which is why the power grid investment policy is so essential. The policy must both ensure continuity of supply for current customers and anticipate future needs in order to build safe, reliable sustainable grids for transmitting the electricity of tomorrow.

Our investment portfolio for electricity infrastructure is broken down into three key areas:

1. **Renewals**: these are a consequence of the investments undertaken in previous decades and the persistence of some or all of the grid's established needs.
2. **Redeployment**: this aims to address new needs, be it decentralised generation or changes in conventional generation sites and consumption sites.
3. **European integration**: investments in this area seek to continue the integration of electricity markets, contribute to the integration of renewables at European level and enhance Belgium's import and export opportunities.

Elia examined around 30 connection requests from industrial customers, generators and renewable energy promoters in 2014.

Capital expenditure in 2014 totalled €254.2 million, and is set to increase significantly in the coming years.

@ More information on:

- https://www.entsoe.eu/publications/system-development-reports/tyndp/Pages/default.aspx
- www.elia.be/en/grid-data/grid-development/investment-plan
- www.elia.be/en/projects/grid-projects

The European context

ENTSO-E, the European association of transmission system operators, is responsible for issuing a ten-year European development plan every two years (TYNDP – the Ten-Year Network Development Plan). A new version of this plan was published in late October 2014. It identifies around one hundred development needs, for a total value of €150 million. Uncertainty about developments between now and 2030 is addressed by four different scenarios, each of which confirms certain development needs. Although the TYNDP is just an indicative plan, it is an important source for the Belgian Federal Development Plan as it includes the main areas for development on Belgium's interconnected grid.

In Belgium

Every four years, Elia must draw up a Belgian Federal Development Plan for the transmission grid (380 kV to 110 kV), covering a ten-year period. An initial draft of the new Federal Plan for 2015-2025 was prepared in late 2014, with final adoption by the Minister for Energy set to take place in late 2015.

Elia must also prepare grid investment plans subject to regional legislation, and submit these to the regional authorities for approval. These are:

1. the Investment and Adaptation Plans for the Flemish Region;
2. the Investment and Adaptation Plans for Brussels-Capital Region; and
3. the Investment and Adaptation Plans for the Walloon Region.

30

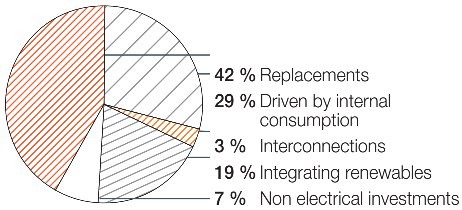
Elia examined around 30 connection requests from industrial customers, generators and renewable energy promoters in 2014

Connection requests for decentralized generation on the distribution grid

	2014	2013	2012	2011
Number of requests	**170**	142	128	90
Total capacity (MW)	**900**	1,110	1,170	811
% conventional connection	**71 %**	82 %	84 %	95 %

While there have been a lot of requests to connect decentralised generation facilities – mainly to the distribution grid – the total capacity from these connection requests is shrinking. A database has been created for connection requests relating to generation units with a capacity greater than 400 kW. The total capacity from all the requests is 3,991 MW. At the same time, demand for conventional connections is falling.

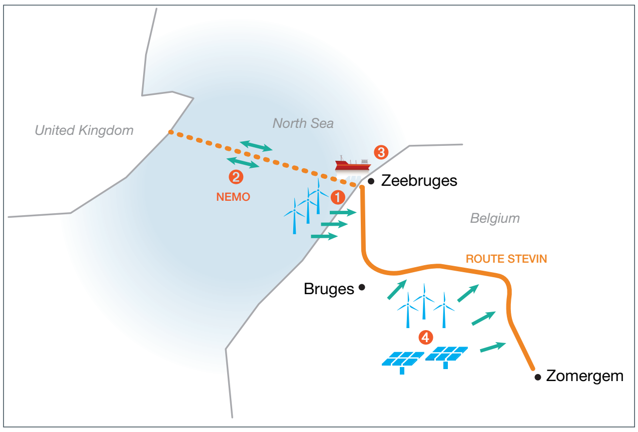
Investments in 2014
€ 252.4 Mio



In addition to all our large-scale projects, Elia's teams completed 22 major interventions on our infrastructure in 2014. The main reasons for these interventions were as follows: placing Ampacimon measuring tools on interconnectors, moving or laying cables, repairing pylons, connecting customers, rebuilding lines, and much more besides. A project can take a day, a week, a month or even two years to complete. (see p.43)

Projects in Belgium

Purposes and challenges



1 CONNECTING OFFSHORE WIND FARMS: THE STEVIN PROJECT[1]

The project aims to upgrade the electricity grid between Zomergem and Zeebrugge. It consists of three main components:

— the laying of a double 380 kV high-voltage line between Zomergem and Zeebrugge, some of it overhead and some of it underground;
— the construction of a new high-voltage substation in Zeebrugge, which will convert electricity from 380 kV to other voltage levels ;
— the construction of two new transition stations in Bruges and Damme where there is the transition from underground to overhead cables.

Elia has concluded agreements with the various individuals and local authorities who had lodged appeals against the Regional Land-Use Plan (GRUP). Planning permission and environmental permits have already been granted for the three high-voltage substations.

2 OFFSHORE GRID IN THE NORTH SEA: BELGIAN OFFSHORE GRID (BOG)[1]

Elia wants to develop an offshore 'power socket'. Dialogue is currently underway with the operators of the future wind farms to identify the best solution for this shared connection.

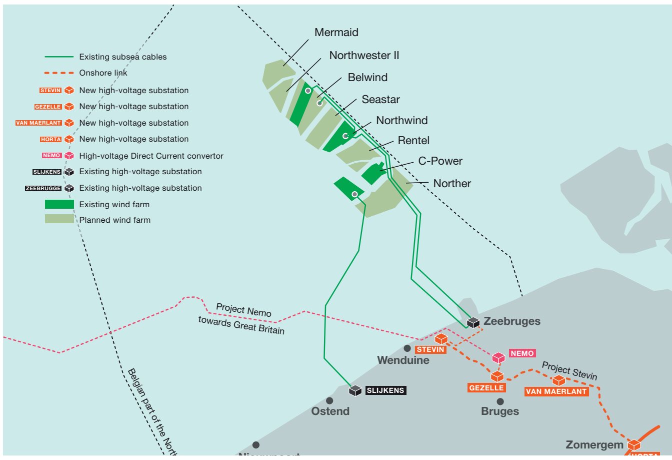
A shared connection is ideal in both technical and economic terms. Whichever solution is chosen, it will be linked by direct-current cables to an international platform. The platform will open up access to other types of energy, such as hydropower from Scandinavia. This new grid in the North Sea will mean Belgian consumers can be supplied with green energy even when there is no wind.

1. PCI (Project of Common Interest)

> The Commission has granted these projects PCI[1] (Project of Common Interest) status under the new European Energy Infrastructure Package.

3 INTERCONNECTION WITH GREAT BRITAIN: THE NEMO PROJECT[1]

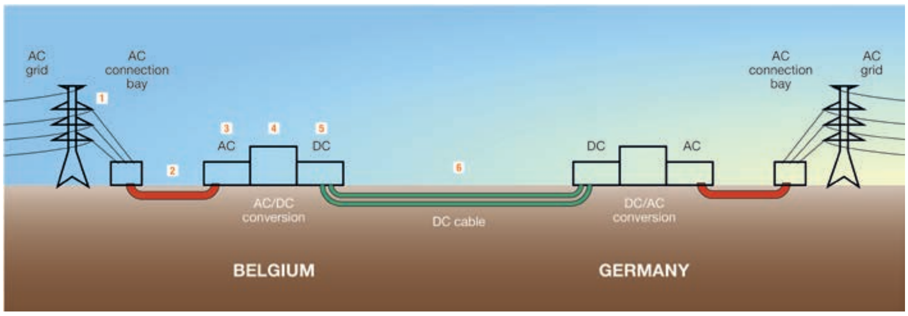
The Nemo Link® interconnector will consist of subsea and underground cables between Belgium and the United Kingdom, which will allow electricity to flow in either direction between the two countries. The cables will be connected to a converter station and an electricity substation on both sides of the North Sea.



4 CONSOLIDATION OF THE GRID AROUND THE PORT OF ANTWERP AND INTERCONNECTION WITH THE NETHERLANDS: BRABO PROJECT

There are two main parts to this project. On the right bank of the Scheldt, a new 380 kV connection is to be built between the Zandvliet and Lillo substations, crossing the river at Liefkenshoek. On the left bank, the existing 150 kV line between Liefkenshoek and the Mercator high-voltage substation will be modernised and upgraded to a 380 kV line.

These measures will boost security of supply for residents and companies in the region, as well as the port of Antwerp. They will also make it possible to connect new units and reinforce the interconnection with the Netherlands, enhancing both security of supply and the functioning of the market. To achieve this, an additional phase-shifting transformer (PST) will be installed and the existing 150 kV line between Zandvliet and Doel will be converted to a 380 kV line.



5 INTERCONNECTION WITH GERMANY: THE ALEGRO PROJECT[1]

ALEGrO (Aachen Liège Electric Grid Overlay), the first interconnector between Belgium and Germany, consists of a very-high-voltage direct-current cable with a capacity of some 1,000 MW, stretching around 100 km between the substations at Lixhe in Belgium and Oberzier in Germany.

The project aims to:

— boost the import and export capacity between the two countries;
— reduce the risk of any imbalance between the available generation capacity and consumer demand;
— enhance security of supply;
— enable the circulation of renewable energy;
— open up the electricity market to more competition, which will have a positive effect on electricity prices, benefiting companies and the community.

6 INTERCONNEXION INTERCONNECTION WITH LUXEMBOURG[1]

Developing a shared vision for the further integration of Luxembourg's grid. Joint studies have shown the need to consolidate the 220 kV grid with Belgium.

Managing the electricity systems

Constantly maintain balance on the grid

The Elia Group's grids are part of Europe's continental interconnected system, which stretches from Portugal to Bulgaria and from Norway to Italy. Each system operator must constantly ensure balance in its control area. Since electrical energy cannot be stored on a large scale, balance must be maintained continually and in real time between the quantity of electricity injected into the system and the quantities drawn off or consumed.

— Efficient, secure operation

At the national control centre, the operators who ensure that the grid runs smoothly 24 hours a day must be able to activate control mechanisms. Among other things, they have access to reserves (primary, secondary and tertiary), commonly referred to as ‘ancillary services’. Since generation and consumption must be balanced in real time, these reserves contribute to maintaining the frequency and voltage on the grid, and thus to managing balance and congestion.

- **Primary reserve (R1):** activated automatically within 0 to 30 seconds. If there is a major imbalance on the grid, all of Europe’s transmission system operators work together, enabling them to provide enough power to cover two concurrent serious incidents (e.g. the loss of two 1,500 MW generation units) within 15 minutes.
- **Secondary reserve (R2):** activated automatically and on a continuous basis, in a timeframe of 30 seconds to 15 minutes, and revised upwards or downwards as required to maintain balance on the grid.
- **Tertiary reserve (R3):** can be activated manually at Elia’s request. It can be used to address a major imbalance in the zone managed by Elia and/or deal with congestion problems. There are two types of tertiary reserve: the tertiary production reserve and the tertiary offtake reserve.

The control centres coordinate energy flows on their grids, in close cooperation with international coordination centres like Coreso and transmission system operators in neighbouring countries. The reliability of the electricity grid and the country’s security of supply depend on their collaboration.

In addition, CCGT (combined-cycle gas turbine) plants spread across the country are closing down and more electricity is being imported to make up for these closures. Since the power now has to be transported over longer distances, there are more losses.

The management of grid losses is a constant concern for system operators and must be a key consideration in the overall management of other operational constraints, namely operational security, international flows, electricity markets, voltage management and dynamic stability.

There was an upward trend in power losses in 2013. In 2014, the electrical energy transformed into heat and thus ‘lost’ during transmission on the Elia grid was 1.43 TWh, accounting for 1.8% of national consumption.

Network losses impacted by the integration of renewables

Transmission of electrical energy generates losses linked to the heating of conductor materials as the electrical current passes through them. Joule losses (as they are called by electricians) are proportional to the square of the current.

The large-scale advent of decentralised generation from renewable sources has increased flow volatility.

When the generated energy is consumed locally, the transmission grid is unloaded and transmission losses fall. However, if locally-generated energy is not consumed locally, it must be transmitted to consumption zones, which can result in significant additional losses. By contrast, if local loads (consumption needs) are fully supplied by locally-generated energy, the load on the transmission grid may not be high enough, and the Ferranti effect[1] may cause an increase in voltage that will be difficult to control.

1. The Ferranti effect: On an alternating-current grid, some components - such as motors - exhibit self-inductive behaviour, causing the voltage to drop. Other components - like the capacitors - exhibit capacitive behaviour and cause the voltage to rise. Accordingly, high-voltage lines can exhibit two behaviours:
   - capacitive when they are disconnected or under a very low load, which results in a rise in voltage;
   - self-inductive when they are under very heavy loads.

1.8 %
of electrical energy converted to heat

24 hours a day
control centre operators constantly ensure that the grid is running smoothly

35 MINUTES

A test was conducted at the Ham high-voltage substation on 2 September. The generation unit in question was able to start up its equipment with no external power and gradually return the power supply to the grid. The results of the exercise were conclusive, as it only took 35 minutes to restore the power supply to a section of the grid.

More information on:
www.elia.be/en/products-and-services/ancillary-services

36 %
consumption by industrial customers

64 %
offtake by DSOs

The black-start procedure for responding to an unexpected supply interruption

If the power supply is interrupted over a large geographical area, the relevant system operator needs to activate black-start generation units. These gradually return power to the transmission grid in the event of a black-out and thus restore power to other generation units, enabling them to restart. Elia has contracts for black-start services with power producers and regularly checks their capacity to start on request, even when there is no power supply from the grid.

— What are the challenges we face each day?

In recent years, the energy landscape – especially where grids are concerned – has been undergoing a radical transformation. Some are even calling it a revolution. A number of factors are contributing to this change, including the increase in international trades, the variability of flows due to the growing share of power generated by variable renewable sources, and the reduction of conventional generational capacity due to the gradual phase-out of nuclear power in most European countries coupled with delays in the construction of new generation units as a result of permit difficulties and the uncertainties associated, among other things, with the financial and economic crisis and the market's price signals.

Continuity of supply in Belgium remained at a high level in 2014, among the best in Europe

There are three indicators that express the quality of our power supply:

- The AIT (Average Interruption Time) expresses the theoretical interruption duration that every consumer in Belgium would have experienced, following problems on the Elia grid, if they had all had their power cut. In 2014, the AIT was 3 minutes and 38 seconds, equivalent to an average availability of 99.999%.
- The AIF (Average Interruption Frequency[1]) expresses the share of customers whose power was actually cut following an incident on the Elia grid. In 2014, just 7.5% of customers experienced an outage, which averages out at one interruption every 13 years across all customers.
- The AID (Average Interruption Duration) is the average duration of interruption for customers whose power supply actually was interrupted. In 2014, the AID was 48 minutes and 20 seconds.

Belgium thus emerges, year on year, as one of the best countries in Europe in terms of quality of electricity supply.

A few figures...

Every day, Elia publishes data about the load on its grid. In 2014, the load fell by 1.4%, from 80.5 TWh in 2013 to 77.1 TWh in 2014. The load can be broken down into two categories of consumption or offtake:

- On the one hand, consumption by industrial customers with direct connections to the Elia grid (i.e. their offtake plus their local generation): approx. 28,077.5 GWh or 36%.
- On the other hand, offtake by distribution system operators, who then transmit the energy to the customers connected to their grids (such as industries, businesses, organisations and residential customers): approx. 49,348.0 GWh or 64%.

Since November, Elia has also been publishing a graph showing the total load, so as to take account of decentralised consumption. The share of power from decentralised generation being injected into and consumed from distribution grids (mostly onshore wind power and solar power) is growing ever more quickly, and it must be taken into consideration if we are to have a more accurate picture of electricity consumption in Belgium. Generally speaking, electricity consumption in Belgium has decreased.

The maximum load on the Elia grid was recorded at 6.00 p.m. on 4 December 2014. It was 12,736 MW, 9% lower than the all-time peak recorded on 17 December 2007 (14,033 MW) and 5% lower than the maximum value reached in 2013 (13,385 MW on 17 January).

The lowest load level (5,895 MW) was recorded at 3.30 p.m. on 8 June 2014. It was 0.5% lower than the lowest value recorded in 2013 (5,922 MW on 28 July).

Figures for total load consumption will be available in 2015, once we have data for the whole year.

Imports and exports

For Belgium, physical imports and exports (as measured on interconnection lines) consist of imports and exports between the Elia control area and neighbouring control areas (France and the Netherlands) and imports and exports within the Elia control area, between Belgium and the Sotel/ Twinerg grid in Luxembourg.

The import trend increased by 82.6%, with an import balance of 17.6 TWh compared to 9.64 TWh in 2013. Imports rose sharply in 2014 (up 26.4%) following the shutdown of various nuclear reactors in March and August. Exports decreased by 44.9%. There were no significant differences from one border to another.

Physical exchanges of electricity with neighbouring countries totalled 26 TWh in 2014, up 4.8% from 24.8 TWh in 2013.

— What actions have we taken?

Backdrop to the power shortage

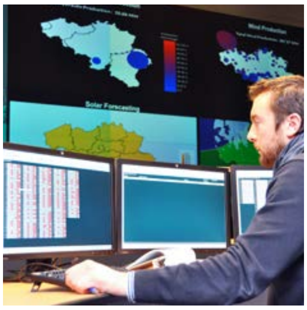
On 25 March, Electrabel informed Elia that the nuclear reactors Doel 3 and Tihange 2 were unavailable. On 4 August, the Doel 4 reactor also became unavailable following an automatic shutdown. Elia responded to these incidents by activating its reserves (see p. 39).

These sudden, unexpected events affecting generation facilities deprived Belgium of 3,000 MW of generation capacity just before the onset of winter.

Elia took a number of actions to address this potential risk:

- In dialogue with power producers, we postponed or adjusted the maintenance interventions to be performed on several generation units so as to guarantee maximum availability of generation facilities throughout the winter.
- We installed Ampacimon devices on the eight interconnectors between Belgium and neighbouring countries. These real-time measuring devices enable us to optimise transmission capacity of the lines on which they are fitted, providing weather conditions are favourable (determined on the basis of temperature and wind speed). This measure was taken in close cooperation with system operators from neighbouring countries.
- We optimised the net transfer capacity (NTC) at the borders in cooperation with TenneT and RTE and in dialogue with Coreso and other system operators from the CWE zone so that we would be able to handle extreme situations while also taking account of the required security constraints at European level.

Elia is also planning ahead for winter 2015 and winter 2016 with a view to identifying other opportunities and measures for optimising present infrastructure, international cooperation and market functioning in its area of activity.

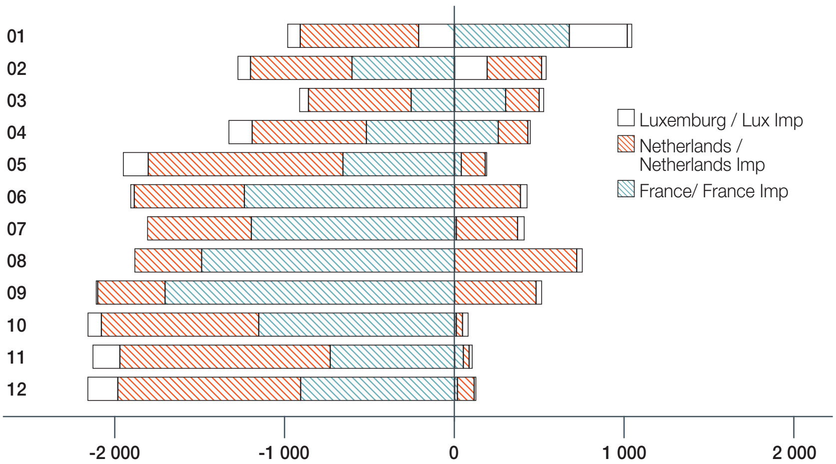


R2 DOWN WIND

Elia is always seeking to develop new products and reserve mechanisms that dovetail with developments on the energy landscape. A project was launched this year to study how wind farms could contribute to secondary reserves in the future. The R2 Down Wind project aims to make wind farms a factor in flexibility by looking at the conditions and measures that would enable them to adjust their generation on the basis of signals from Elia. Two test phases were conducted this year with the Estinnes wind farm, in cooperation with Windvision (operator), Enercon (wind turbine manufacturer) and Eneco. These tests demonstrated that the wind farm was able to make the same contribution to secondary reserves as conventional generation units. (see p.23)

@ More information on:
www.elia.be/en/suppliers/purchasing-categories/energy-purchases/Grid-losses

Physical exchanges at borders in 2014



+26.4%

Imports rose sharply in 2014 following the shutdown of various nuclear plant in March and August

1. The AIF is an indicator that can vary widely from year to year depending on the location and complexity of the incidents and the time at which they occur. Customers may experience very different power interruptions. As the number of incidents entailing interruptions is limited, the annual overall figures cannot really be considered as valid statistics on which to base conclusions about the observed trends.

Activating the power shortage procedure in partnership with all the relevant parties

The procedure for addressing power shortages is part of the outage plan approved by the ministerial decree of 3 June 2005. It must be possible to apply this procedure to prevent a structural imbalance between generation (injection into the Elia grid) and consumption (load on the Elia grid) causing an overall frequency drop, which would bring about a large-scale interruption of the power supply (blackout). Since less power is being generated due to the shutdown of several power stations and the limitations on imports, a structural deficit was statistically possible for winter 2014-2015, despite the measures that Elia can take to offset imbalances. The risk would be all the greater if there was a cold spell throughout Europe, since Europe's consumption needs would then be greater and there would be less generation from wind turbines (there is little wind when it is cold).

In early September, questions about the application of one of the outage plan's criteria led Elia to adjust the conditions for executing the outage plan.

The outage plan was set down by ministerial decree on 3 June 2005, following dialogue with the regions and an opinion from CREG. It covers two scenarios: dealing with **sudden phenomena** (e.g. a drop in frequency after a series of problems) and dealing with **'foreseeable' shortages**. The outage plan provides for five geographical zones, each of which is spilt into six tranches. The tranches for the geographical areas in the south of the country were divided into two sections (A and B), which would have their power cut alternately.

The outage plan covers 196 Elia high-voltage substations and around 75,000 electrical enclosures managed by distribution system operators.

What are our expectations for the future?

Security of supply is a major challenge for the coming years. New generation units are being built further away from towns (offshore wind farms) and decentralised units (e.g. solar power, biomass, combined heat and power) are gaining ever more ground, which is influencing the electrical system. In addition, energy needs – which are at the very heart of our day-to-day lives (e.g. computers, electrical appliances, electric vehicles) – are constantly increasing.

Security of supply is a shared responsibility for power producers, suppliers, transmission and distribution system operators, public authorities and, increasingly in future thanks to demand management, consumers themselves.

The strategic reserve: a new task assigned to Elia this year

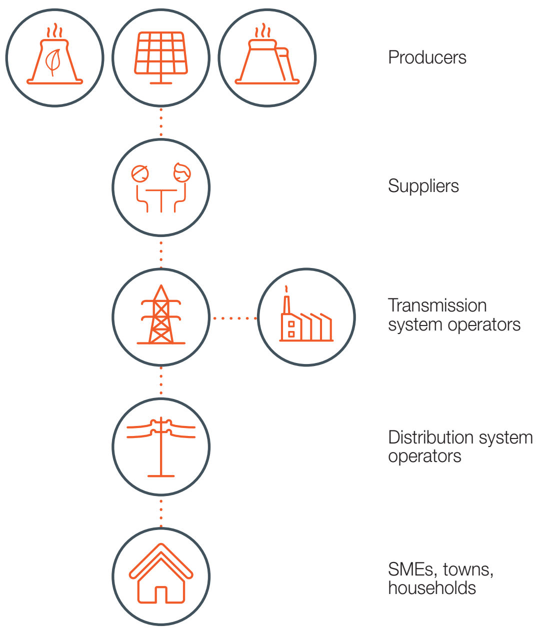
When generation units announce their impending closure, security of supply in the Belgian control area may be compromised. If specific analysis bears out the risk, the strategic reserve must make it possible for us to guarantee sufficient security of supply. Elia reserves the requisite capacity in advance to be sure that it will be on hand over the winter, i.e. from 1 November to 31 March.

The strategic reserve is activated when a significant risk of a structural deficit in the control area is identified in the short term. Activation aims to prevent outages and spare reserves from ancillary services (see p.41), which contribute to keeping the Belgian control area balanced – in other words, they are resources that can be used to offset in real time residual imbalances from e.g. a forecasting error and/or the loss of a unit.

This new mechanism was created by the Act of 26 March 2014. The first tendering procedure for the strategic reserve ran from 13 April to 4 July. After obtaining CREG's consent, Elia signed contracts for all the offers, securing a total volume of 845 MW (745 MW from generation and 100 MW from demand management).

In a spirit of transparency, a section has been created on the Elia website so that market players may find all the information they need about this strategic reserve.

Electricity's journey



For more information: www.synergrid.be

Watch our video on www.youtube.com/watch?v=aRwObL_DktM&list=UUTB310tD0p7ggvYq-KppF-g

OFF
& we stay
ON

Off On campaign

Elia contributed to designing the OFF ON campaign, in partnership with FPS Economy and the crisis centre of FPS Interior. The campaign's message was rooted in a participatory approach, primarily supported by the campaign website and blog. The purpose of the OFF ON platform was to raise the general public's awareness and encourage them to cut down their consumption. It featured a number of actions that can be taken to address the risk of a shortage, plus actions to take in the event of planned outages.

The campaign was supported by the authorities (in the regions, provinces and municipalities, as well as at federal level), various players on the Belgian energy market, and numerous companies, associations and individual users.

Elia also developed a power indicator. Every day from November to March, an easy-to-recognise pictogram – the off/on switch of an electrical device – and a simple colour code informed users of the availability of electricity in Belgium and, if necessary, called on the public to adjust their behaviour. A mobile version, Elia4Cast, was brought out too and was Belgium's most downloaded free app at the time of its launch in early November 2014.

Since September, at the initiative of the governors, Elia and representatives of the authorities, the Federal Crisis Centre and the distribution system operators have been taking part in information sessions organised by the governors of each province with a view to explaining the latest situation to mayors and outlining the actions taken to support the implementation of the power shortage plan.

@

www.offon.be

80,329
sessions

Visit statistics for the site www.offon.be between 3 November and 31 December:

328,612
visitors

1,316,426
pages viewed

2 minutes 35 seconds
average session length

35.33%
bounce rate

71.10%
new sessions

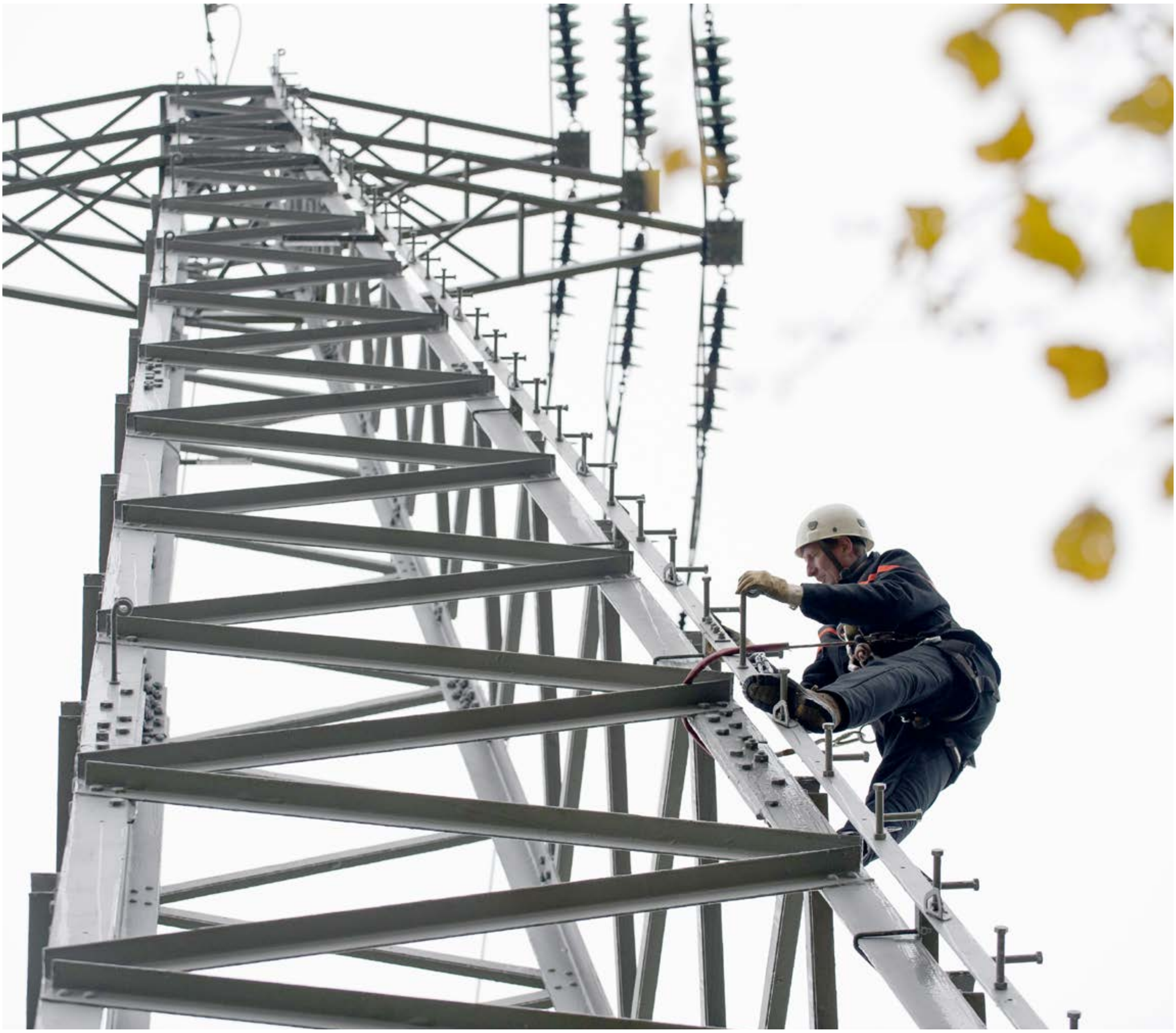
@ To find out more, see:
http://offon.be/fr/je-participe/a-la-maison

@ www.power-in-balance.be

Facilitating the market

Implement mechanisms to develop it

The Group holds a unique, central position on the electricity market. Accordingly, it acts as a market facilitator and deploys services and mechanisms enabling market development. Following the liberalisation of the internal electricity market, the role of market facilitator has become a vital part of the transmission system operator's mission.



— Towards a single market

Making transmission capacity available to market players across international borders is a **source of economic added value for the community** as a whole: it makes energy markets more accessible and thus more competitive, as there is less focus on national markets. Consumers can access the cheapest energy wherever it is available.

— Towards a more transparent market

On 5 January, ENTSO-E launched a new European publication platform. This new tool offers the market access to three times more data than the previous version. System operators, who form the core of the European electricity system, played a vital role in gathering relevant information for the new portal. For its part, Elia contacted the main Belgian players, from producers to large consumers, to ensure that their data were shared and to manage the creation of the computer interface.

ENTSO-E

new European publication platform

Single market = economic added value

For more information about market transparency, see: https://transparency.entsoe.eu

For more information about market harmonisation, see: networkcodes.entsoe.eu

Network codes

In December 2014, the Council of the European Union " the importance of ensuring an adequate level of cross-border cooperation with regard to balancing markets, without hampering the proper functioning of the grids, through the finalization and timely implementation of the related network codes and guidelines, in order to allow the sharing of balancing resources between Member States and enhance security of supply and generation adequacy at lower costs for the system"[1].

ENTSO-E steered efforts to draft these codes and guidelines. The Elia Group was actively involved in this work.

1. Council of the European Union Conclusions on the Completion of the Internal Energy Market of 9 December 2014

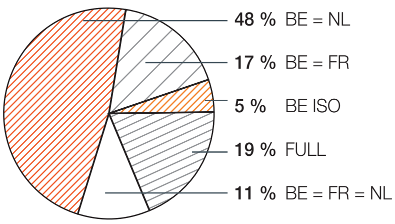
— Harmonisation of the long-term markets

In May 2014, ACER recommended that the European Commission adopt the Forward Capacity Allocation (FCA) network code. The purpose of this code is to allocate interconnection capacity on the long-term market (annual, monthly and others, as applicable) in an optimised, harmonised way.

In 2014, ENTSO-E began the process of harmonising the European allocation rules applying to the allocation of long-term interconnection capacity. ACER and all the stakeholders discussed the principles behind these rules that same year. The process will continue in 2015, the aim being to harmonise all product allocation rules at European level by 2016.

As the auction office for the market, CASC.eu is tasked with organising the operational allocation of long-term interconnection capacity at the various borders of the CWE region, in particular.

Convergence between the coupled Day-ahead markets in the Central West Europe region



In 2014, an increase of price convergence was seen compared to 2013 (from all markets having the same price 14.7% of all hours in 2013 to 18.6% in 2014), although France and Germany remain at remarkably lower prices compared to Belgium and the Netherlands. Belgian prices were more or less in line with Dutch prices during 2014. Due to the increased imports, Belgian prices remained equal to at least one of its neighbouring countries (France or the Netherlands) in 94.6 % of all hours in 2014.

As a market facilitator, Elia makes interconnection capacity available over three timeframes

1. LONG-TERM CAPACITY (YEAR + MONTH)

• Scale: year – month

• Geographical scope: mechanism for allocating capacity with the Netherlands and France

• Auction office: CASC.EU

2. DAY-AHEAD CAPACITY

• Scale: day

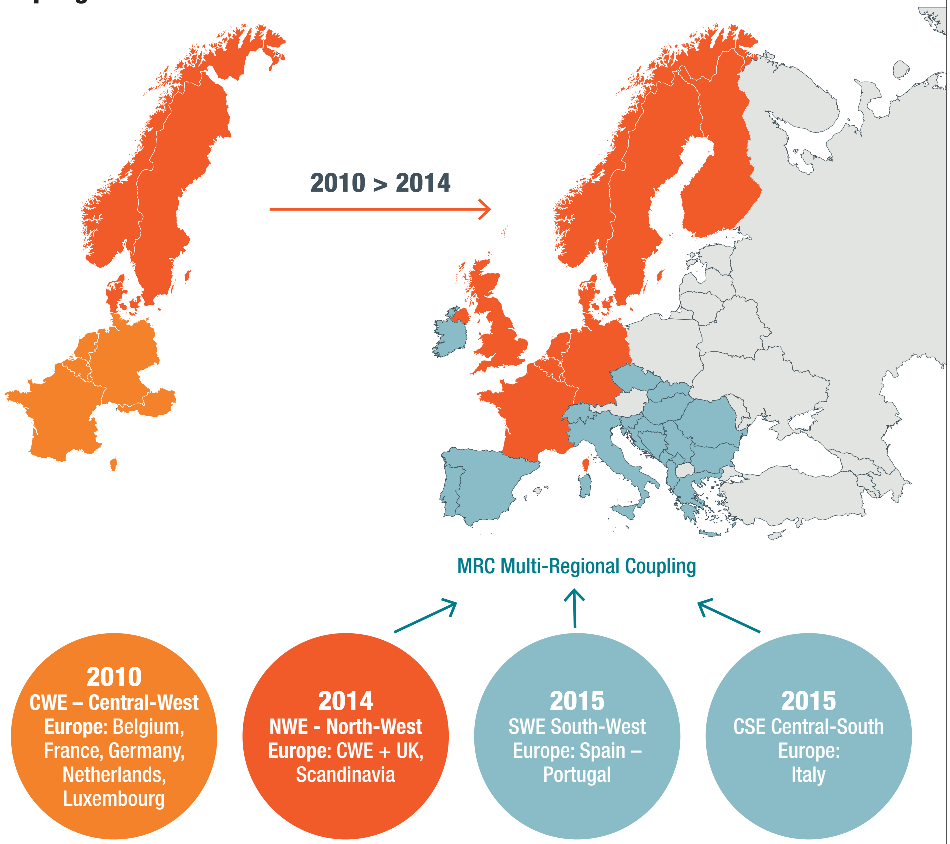
• Geographical scope:
— From 4 Feb. 2014: NWE
— From 14 May 2014: NWE + SWE = MRC (multi-regional coupling) zone, which is gradually expanding

3. INTRADAY CAPACITY

• Scale: within the course of the day

• Geographical scope: Belgium + mechanism for allocating capacity with the Netherlands and France

Expansion of the geographical area covered by the coupling mechanism in 2014 and 2015



CACM REGULATION

The CACM (Capacity Allocation and Congestion Management) Regulation was adopted in December 2014. Its purpose is to set out orientations for cross-zonal capacity allocation and congestion management on the markets, meeting day-ahead and intraday requirements, with a view to establishing shared methodologies for determining the available capacity between the bidding zones.

— Expansion of the day-ahead markets

Market coupling enables the volumes of electricity traded and market prices to be calculated simultaneously, on the basis of the information provided by the transmission system operators (transmission capacity available at the borders) and the power exchanges (purchase and sale bids).

Now, it only takes one coupling calculation to allocate capacity for the entire CWE region, plus the UK and the Nordic region. As a result, the market prices and import/export levels for each country are calculated on the basis of a single algorithm.

Geographical area

The geographical area covered by the day-ahead markets is as follows:

— since 4 February 2014: NWE (North-West Europe – CWE + UK and Scandinavia);

— since 14 May 2014: area extended to include SWE (South-West Europe – Spain and Portugal).

75 %

of Europe's electricity consumption covered by market coupling

More information on:
www.elia.be/en/projects/market-integration/flow-based-marktkoppeling-centr-w-europa

More information on:
http://networkcodes.entsoe.eu

The current mechanism can be described as MRC (multi-regional coupling). Italy's borders have been included since 24 February 2015.

The market coupling mechanism enables good use of interconnection capacity between the various national grids, as well as greater price harmonisation. All in all, the total load for the countries covered by the mechanism corresponds to 75% of Europe's electricity consumption.

The CWE Flow-Based Market Coupling project

This day-ahead market coupling model aims to increase price convergence in the CWE region, whilst ensuring the same level of security of supply, by optimising the way in which transmission grid capacity is allocated to the market. It sets out to maximise price harmonisation in the CWE region – when grid capacity permits – through use of a more complex and more detailed grid description model.

The model is scheduled for launch in spring 2015.

1. CWE : Central West Europe

> The intraday market will become the backbone of the system, linking local markets managed by exchanges and transmission capacity managed by TSOs.

More information on www.elia.be/en/projects/market-integration/nwe-intraday

— Growing importance of intraday markets

Harmonisation was initially conducted on the long-term and day-ahead markets. Nowadays, neighbouring countries still have very different ways (e.g. auctions, first-come first-served, pro rata, gate closure times) of allocating capacity on their intraday markets (capacity for the day in hand).

Yet the intraday markets are gaining in importance, especially in view of the growing share of variable energy sources (wind and solar power), as they enable suppliers to adjust their portfolios to real-time developments. For several years now, intraday markets have been getting interconnected, although there are still great disparities between the markets in neighbouring countries. With this in mind, the European Commission has set a target for the intraday market based on continuous energy trading whereby cross-zonal transmission capacity is to be allocated using an implicit allocation mechanism.

Cross border intraday

Power exchanges and system operators working together to develop a joint system to contribute to the single intraday market.

The aim here is to provide market players with a transparent, efficient environment where they can easily trade their intraday positions, enabling the market to benefit from the available liquidity on the national market and beyond national borders. For this to be possible, system operators need to make their interconnection capacity available and harmonise the mechanisms used at the different borders.

The single intraday market is to be based on a shared IT solution, which will form the backbone of the European solution, linking the local markets operated by the power exchanges and the cross-zonal transmission capacity managed by the transmission system operators. Thanks to this unique IT system, orders placed by a market player in one country can be matched to orders submitted by market players in other countries, provided there is cross-zonal capacity available.

THE XBID MARKET PROJECT

To achieve this aim, the power exchanges and transmission system operators in 12 countries launched an initiative called XBID Market with a view to establishing an integrated cross-zonal intraday market. XBID Market seeks to enable continuous trades and boost the overall efficiency of a single intraday market for Europe.

belpex part of apx

IN BELGIUM, THE INTRADAY MARKET IS OPERATED BY BELPEX

— Power exchange for the day-ahead market

— 2014: 48 members – producers, suppliers, traders, banks and industrial consumers are registered and active on Belpex

— Average price on the Belpex day-ahead market: €40.79/MWh

— Dutch average : €41.18/MWh

— German average : €32.76/MWh

— French average: €34.63/MWh

— This market is continuing to grow: up 15% on 2013 figures

40.79 €/MW/h

Average price on the Belpex day-ahead market

+15 %

growth

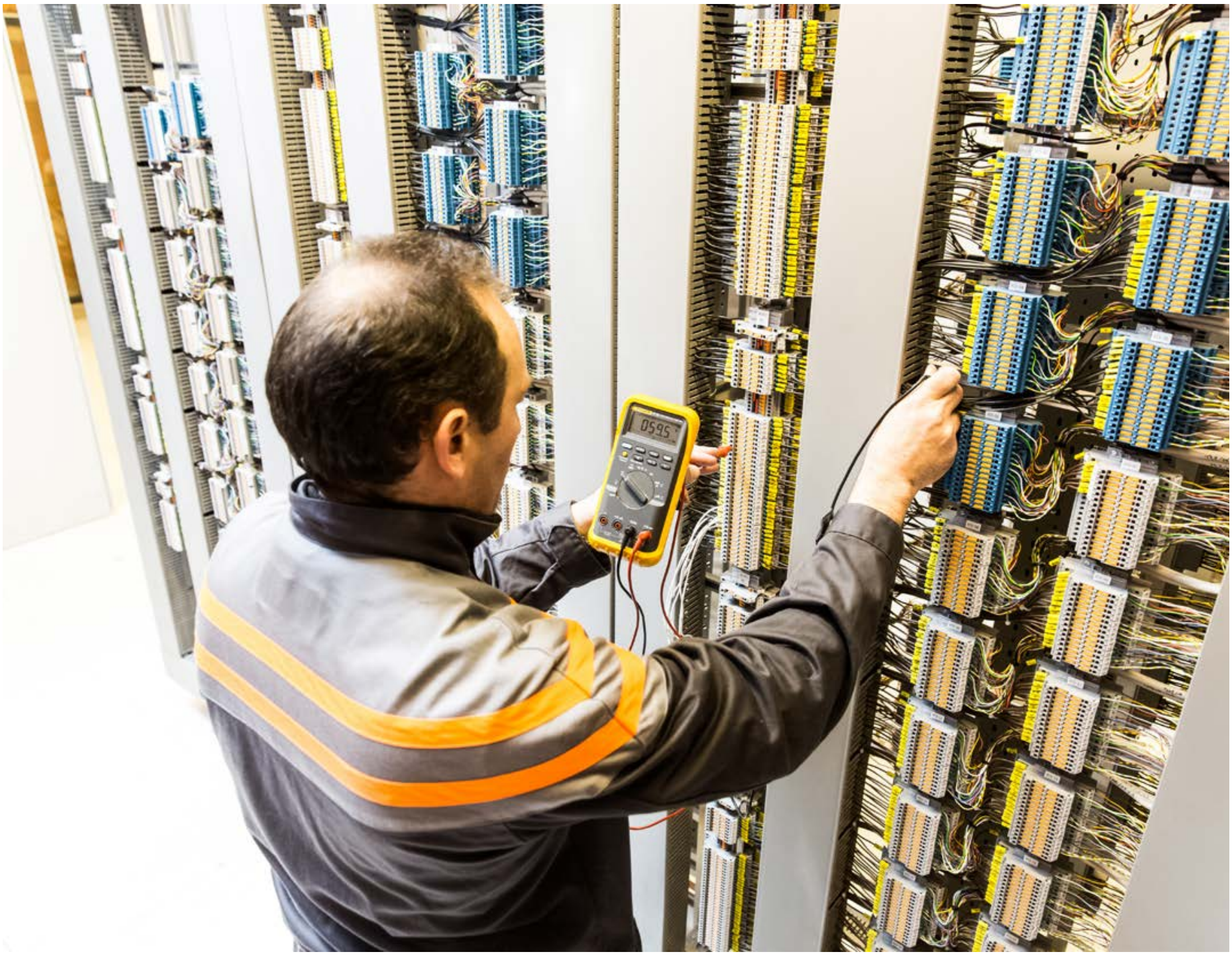
48

members

An inside look at Elia

Human resources

The energy world is undergoing a radical transformation. Although it is very complex, it has plenty of opportunities to offer too. As such, Elia wants to continue developing, play a key role and give a new impetus to the sector. This will require us to adjust our habits and become more flexible.



— Making our organisation more flexible and dynamic

The internal project that ran for the first six months of 2014 sought to establish an organisation that would be better placed to handle the challenges and opportunities facing us. It dovetailed perfectly with the SWOW (Smart Way of Working) concept, which is a source of dynamism, transparency, more collaborative working methods and empowerment within our organisation.

- **Making decisions more quickly** and **responding** to changes more **flexibly**;
- **Offering staff more opportunities, empowering them more** and motivating them through their own progress and development, but also that of the company;
- **Clearly defining everyone's responsibilities and optimising communication and cooperation** within the organisation.

— Two-yearly satisfaction survey becomes an Engagement Survey

2014: 1,191 employees, 906 took part (76%), questionnaire in electronic format only, 15 days

2012: 1,161 employees, 974 took part (84%)[1], questionnaire in paper and in electronic format

1. Included in employee objectives

76 %
rate of response to the Engagement survey

12
skills per employee, compared with 5 before

The participation rate remains excellent year on year and the Organisational Commitment and Job Engagement indicators remain very high at Elia, compared to other sectors.

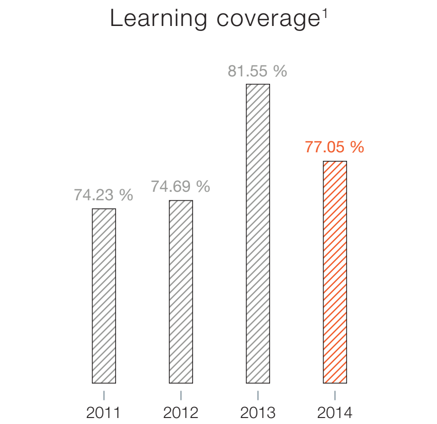
— Capital increase reserved for staff is a resounding success

The extraordinary general meeting of 20 May 2014 approved the proposal for a capital increase reserved to staff members of Elia and its Belgian subsidiaries. The capital increase took place in two stages – the first in November 2014 and the second in January 2015. The subscription price for the 2014 offering was set at €31.17 per share, 16.66% below the average share price for the 30 days before the start of the subscription period. As always, the uptake was very high – subscriptions were taken out for twice the originally-proposed amount of €5,300,000.

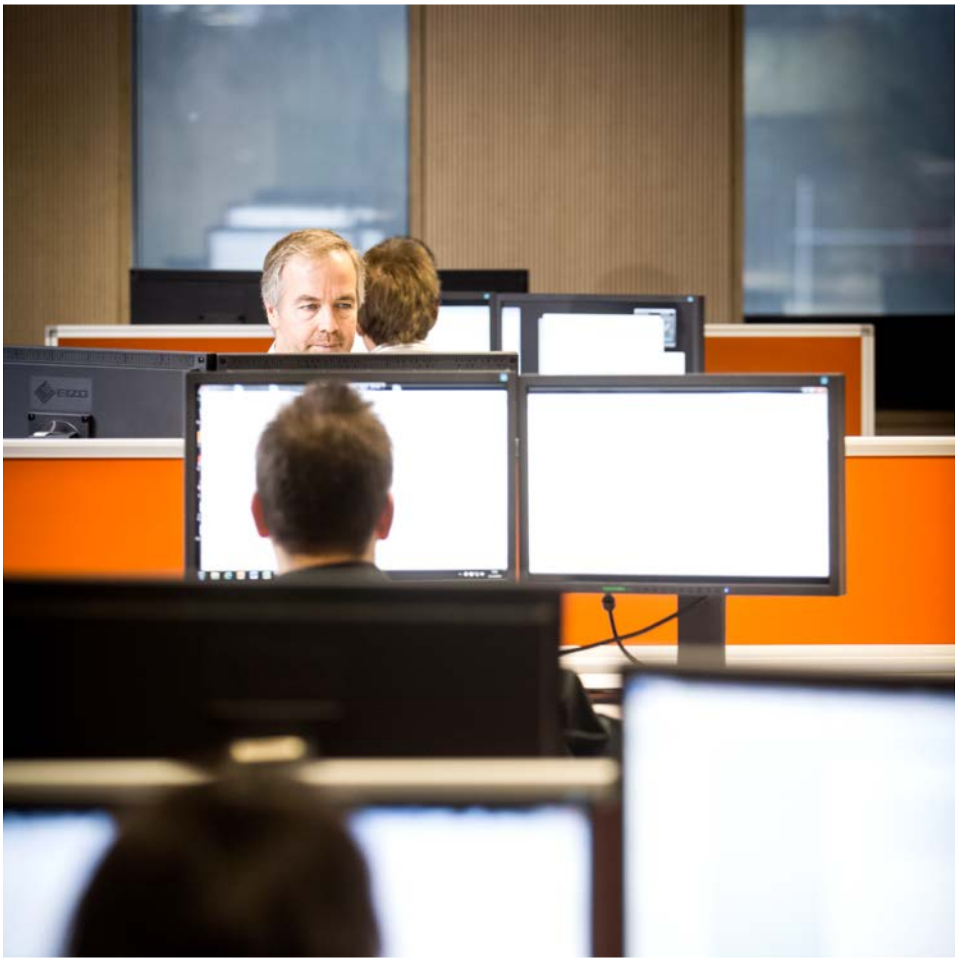
A new feature for 2014 was the all-digital subscription process managed by our financial partner BNP Paribas Securities Services.

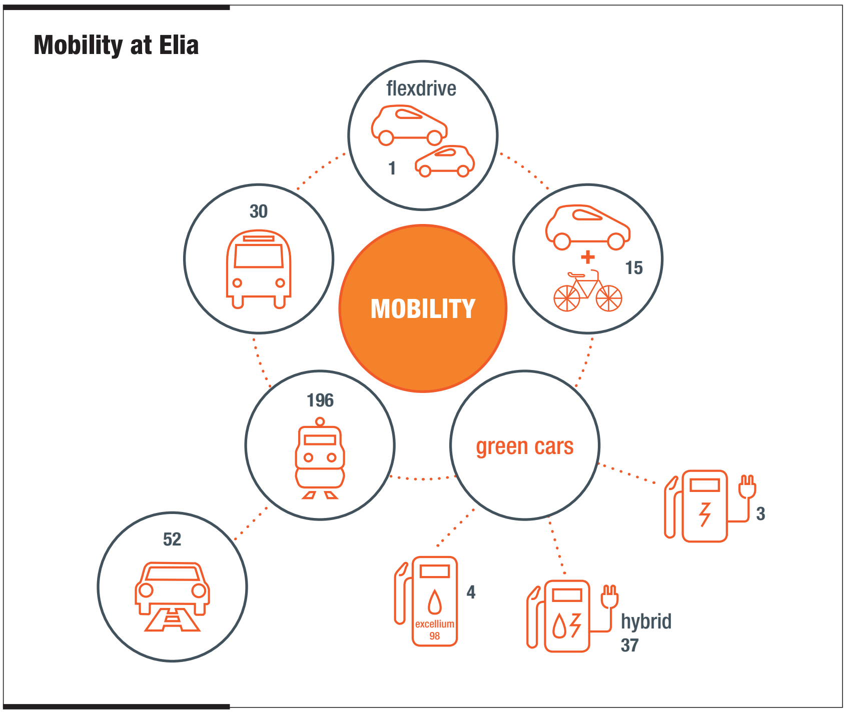
— Skills management

When we launched our new vision in 2012, it became necessary to take account of new, behaviour-related skills. The underlying aim of this new vision is to give employees a greater influence over their own development and to encourage them to act as a driver for innovation by adopting a more inventive mindset. The number of generic skills for employees has increased from five to twelve, and the skills catalogue is on hand to help employees face up to the challenges awaiting them.



1. People also followed at least 1 day of training.





— HR Team of the Year – April 2014

This key event for human resources management professionals in Belgium has been running for some 36 years now. Award nominations are made in the following categories: HR Team, HR Manager and HR Young Talent. Elia submitted its support project for SWOW (Smart Way of Working) at the event. The project entails far more than just a move to a passive building: it aims to implement a new way of working built on a shift towards shared, open offices, a 'despatialisation' of work, the adoption of new IT tools based on more collaborative working methods (among other things), the management of telework, and much more.

The project will continue in 2015.

— Green Mobility

Following our change project Mobility Pure Switch, since January 2014 the car policy has included an option for executives to choose green mobility solutions incorporating new car technologies, among other things. Elia's efforts in this direction were rewarded with the Green Fleet Award 2014.

Moreover, the company's administrative sites were kitted out with 16 charging stations for electric vehicles, which will aid their integration.

There have also been considerable changes in the way our employees travel to work. For sites located in Brussels-Capital Region, the number of people opting to travel by 'train + bike' or 'car + train' has risen. As a result, car use has fallen by 16% for the Avenue de Vilvorde / Quai Léon Monnoyer site and by 10% for the Boulevard de l'Empereur site.

Increasing numbers of our employees are working from home for at least one day each week (teleworking) and a number of initiatives have been taken to facilitate participation in remote meetings, notably through creation of and training in IT tools that promote exchanges without requiring participants to be in the same place.

— Our buildings

For its new buildings, Elia has, naturally, decided to invest in constructing sustainable buildings with BREEAM certification. BREEAM (Building Research Establishment Environmental Assessment Method) is a system for assessing the sustainability of construction projects and was developed by the UK-based BRE (Building Research Establishment) in 1990. It examines projects on the basis of nine categories: management, health and wellbeing, energy, transport, materials, waste, water, soil use, and ecology and pollution. Our administrative building on Quai Léon Monnoyer in the City of Brussels has both Passive Building and BREEAM (Very Good) labels. Similarly, our new Créalys technical and administrative centre, which is currently being built in the Isnes area of Gembloux, has been pre-certified with a BREEAM Very Good label. The building is scheduled for completion in 2015.

41.5 years old
average age

13
nationalities

37.78 h
average number of hours of training taken by each employee

"

Elia's new Créalys and Monnoyer buildings have been (pre)certified with BREEAM Very Good labels.

— A proactive waste management policy

Our policy aims to achieve a very high standard of waste sorting and raise staff awareness through reduction of volumes. It focuses on four areas:

- administrative offices;
- company canteens: sustainable canteens with organic fruit and vegetables enable us to minimise organic waste, and leftovers can be managed hygienically;
- obsolete equipment is donated to schools and associations. As a result, Oxfam has collected eight tonnes of equipment from us. We recycle wherever possible;
- container park: a 1,200 m² standard model was erected on the Merksem site. It is divided into four waste storage zones: administrative waste, 15 m³ containers, used oil (with a drip tray) and a covered area for hazardous waste and waste that must be protected from the weather. This trial model will be taken as a basis for the container parks to be built in other service centres in 2015.

8,000 h
safety training

120
safety audits

“Special ‘Safety Walks’ involving members of the management committee, managers and supervisors have been organised on our worksites

More information on:
www.elia.be/en/safety-and-environment/safety/training-and-tests-for-contractors

— Health and safety at Elia

The health and safety of our employees, staff from external contractors and all stakeholders are a priority for Elia. As before, we are working towards a target of zero accidents or incidents.

The entire company has galvanised behind this ambitious target. Two tragic accidents in 2014 reminded us how difficult it is to eliminate risks altogether in a company that directly employs over 500 technicians, every day, in a complex industrial environment. In late October, for the first time in Elia's history, an Elia employee was killed while working on cables. A short time afterwards, a fitter employed by an external service provider fell to his death while performing works on a high-voltage pylon. These two human tragedies shocked our staff and reminded us that our good health and safety results in recent years are ultimately inadequate. For some years now, we have been organising initiatives with the theme “Together for a safe, healthy working environment”. This approach is the only way to develop a long-lasting health and safety culture. In order to achieve this objective, the company is taking action at a number of levels: we are both enhancing the intrinsic safety of our infrastructure and integrating safety into the day-to-day management of our activities. We are doing so by applying a dynamic risk assessment technique, having procedures drafted by multidisciplinary teams and running training programmes that combine a solid theoretical base with practical implementation and an updated feedback process. In 2014, our field staff followed over 8,000 man-hours' worth of safety training, and 565 training certificates and 363 skills declarations were issued. Special ‘Safety Walks’ involving members of the management committee, managers and supervisors have been organised on our worksites and those of our contractors. The Safety and Health Department has conducted 120 safety audits which, as well as evaluating the situation as a whole, looked at risk assessment, signage and markings during the work preparation stage, the condition of mobile earthing devices, and order and cleanliness within substations. The results have been integrated into performance management measures for members of the management committee, other managers and employees. Health and safety behaviour is a key factor in personal development and the course of people's professional careers.

In 2014, Elia recorded eight accidents incurring absence from work over a total of more than 20,000 technical interventions on our technical facilities. While the number of accidents is slightly higher this year, the average frequency rate for the last five years is still 3.6, which is four times lower than the Belgian average across all sectors. This is a real encouragement to us to continue applying our long-standing policy.

How can we promote safety among our contractors?

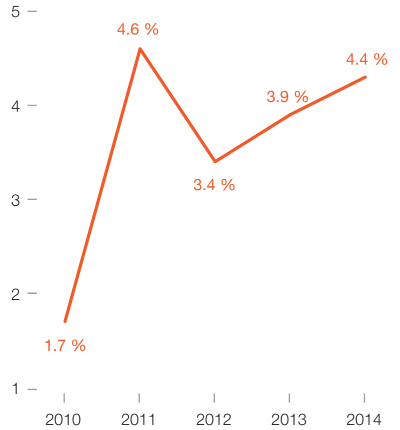
Every day, between 500 and 800 technicians employed by subcontractors work on our infrastructure and equipment. Given the projects we have planned for the coming years, this number is not likely to decrease.

In 2014, over 3,500 members of our contractors' staff were given training to inform them of the risks and hazards they may face while working on our industrial facilities. The training courses are always rounded off with a knowledge test. All in all, more than 4,500 certificates have been issued.

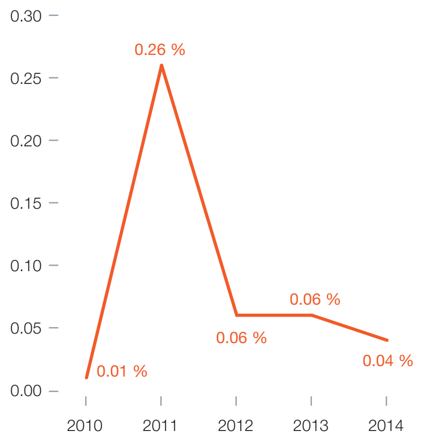
Safety and quality parameters, defined using objective criteria, are used to select contractors and give out assignments. The preparation and implementation of work in the field is also taken into account. The results are then evaluated and discussed with the contractors. This approach is applied to all contractors – both existing partners and new candidates. If contractors do not follow Elia's safety policy closely enough or achieve the desired level for safety parameters and results, Elia stops working with them.

Elia's employees and its contractors' staff are not the only people who need to take account of the potential risks associated with high-voltage facilities – everyone who comes near our facilities needs to think about the dangers. Furthermore, Elia regularly makes its infrastructure available to the emergency services so that they can train in as realistic an environment as possible.

Frequency rate (%)



Severity rate (%)



3,500
members of our contractors' staff informed

4,500
certificates issued

Corporate governance statement

Elia satisfies specific obligations in terms of transparency, neutrality and non-discrimination towards all stakeholders involved in its activities.
At Elia, Corporate Governance is based on two pillars:
— the 2009 Corporate Governance Code[1] which Elia has adopted as its benchmark code;
— the Act of 29 April 1999 on the organisation of the electricity market and the Royal Decree of 3 May 1999 on the management of the electricity transmission system applicable to Elia as a transmission system operator.

Board of directors


Miriam Maes


Claude Grégoire


Geert Versnick


Jacques de Smet


Luc De Temmerman


Frank Donck


Cécile Flandre


Philip Heylen


Luc Hujoel


Jean-Marie Laurent Josi


Jane Murphy


Dominique Offergeld


Steve Stevaert († 02-04-2015)


Saskia Van Uffelen

— Composition of the management bodies as at 31 December 2014 —

Board of Directors[2]

CHAIRPERSON[3]

- **Luc Van Nevel**, until 20 May 2014, independent director
- **Miriam Maes**, appointed Chairman on 26 June 2014, independent director

VICE-CHAIRPERSONS[4]

- **Francis Vermeiren**, until 20 May 2014, Publi-T
- **Thierry Willemarck**, until 20 May 2014, independent director
- **Claude Grégoire**, appointed Vice-Chairman on 26 June 2014, Publi-T
- **Geert Versnick**, appointed Vice-Chairman on 26 June 2014, Publi-T

DIRECTORS

- **Jennifer Debatisse**, until 20 May 2014, Publi-T
- **Clement De Meersman**, until 20 May 2014, independent director
- **Jacques de Smet**, independent director
- **Luc De Temmerman**, from 20 May 2014, independent director
- **Frank Donck**, from 20 May 2014, independent director
- **Cécile Flandre**, Publi-T
- **Philip Heylen**, Publi-T
- **Luc Hujoel**, from 20 May 2014, Publi-T
- **Jean-Marie Laurent Josi**, independent director
- **Jane Murphy**, independent director
- **Dominique Offergeld**, Publi-T
- **Steve Stevaert († 02-04-2015)**, Publi-T
- **Saskia Van Uffelen**, from 20 May 2014, independent director

HONORARY CHAIRMAN

- **Ronnie Belmans**[5]

REPRESENTATIVES OF THE FEDERAL GOVERNMENT WITH AN ADVISORY ROLE

- **Nicolas De Coster**, until 21 October 2014
- **Nele Roobrouck**

Advisory committees to the Board of Directors[6]

CORPORATE GOVERNANCE COMMITTEE

- **Thierry Willemarck**, until 20 May 2014, Chairman
- **Luc Hujoel**, from 26 June 2014, Chairman[7]
- **Jane Murphy**
- **Jean-Marie Laurent Josi**, from 20 May 2014
- **Philip Heylen**, from 26 June 2014
- **Frank Donck**, from 26 June 2014

AUDIT COMMITTEE

- **Clement De Meersman**, until 20 May 2014, Chairman
- **Jacques de Smet**, appointed Chairman on 20 May 2014
- **Claude Grégoire**, until 26 June 2014
- **Geert Versnick**, from 26 June 2014
- **Dominique Offergeld**, from 26 June 2014
- **Luc De Temmerman**, from 26 June 2014
- **Frank Donck**, from 26 June 2014

REMUNERATION COMMITTEE

- **Jean-Marie Laurent Josi**, Chairman
- **Jacques de Smet**
- **Francis Vermeiren**, until 20 May 2014
- **Claude Grégoire**, from 26 June 2014
- **Steve Stevaert († 02-04-2015)**, from 26 June 2014
- **Saskia Van Uffelen**, from 26 June 2014

Auditors

- **Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises SCCRL**, represented by Benoit Van Roost
- **Ernst & Young Réviseurs d'Entreprises SCCRL**, represented by Marnix Van Dooren

Management Committee[8]

- **Jacques Vandermeiren**,Chairman and Chief Executive Officer[9]
- **Markus Berger**, Chief Officer Asset Management and Chief Officer Infrastructure Development
- **Frédéric Dunon**, Chief Officer Operations, Maintenance & Methods
- **Ilse Tant**, Chief Corporate Affairs Officer
- **Frank Vandenberghe**, Chief Officer Customers, Market & System
- **Catherine Vandenborre**, Chief Financial Officer

Secretary-General

- **Gregory Pattou**

1. The Corporate Governance Code can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be)
2. Composition of the Board of Directors of Elia System Operator and of Elia Asset as at 31 December 2014.
3. Miriam Maes was appointed Chairman of the Board of Directors of Elia System Operator and of Elia Asset on 26 June 2014 following the voluntary resignation of Luc Van Nevel as independent director of Elia System Operator and of Elia Asset, and therefore as Chairman of the Board of Directors of these companies, with effect from 20 May 2014. For the period from 20 May 2014 to 26 June 2014, Claude Grégoire fulfilled the role of chairman ad interim of the Board of Directors of Elia System Operator and of Elia Asset.
4. Claude Grégoire and Geert Versnick were appointed as Vice-Chairmen of the Board of Directors of Elia System Operator and of Elia Asset on 26 June 2014 following the voluntary resignations of Francis Vermeiren and Thierry Willemarck as, respectively, non-independent and independent directors of Elia System Operator and of Elia Asset, and also as Vice-Chairmen of the Board of Directors of these companies, with effect from 20 May 2014. Geert Versnick was co-opted as director from 20 May 2014.
5. Ronnie Belmans is Honorary Chairman of the Elia System Operator and Elia Asset Board of Directors and is no longer a director. This means that he is no longer required to attend Elia System Operator and Elia Asset Board meetings except when invited by the Chairman/Chairman to attend a meeting and assist with deliberations (in accordance with point 6 of the internal rules of procedure of the Boards of Directors). He was given the title on an honorary basis.
6. Composition of the advisory committees to the Board of Directors of Elia System Operator and of Elia Asset as at 31 December 2014.
7. For the period from 20 May 2014 to 26 June 2014, Miriam Maes fulfilled the role of hairman ad interim of the Corporate Governance Committee of Elia System Operator and of Elia Asset.
8. Composition of the Management Committee of Elia System Operator and of Elia Asset as at 31 December 2014.
9. The Boards of Directors of Elia System Operator and Elia Asset decided on 14 January 2015 to terminate the term of office of Jacques Vandermeiren as Chief Executive Officer and Chairman of the management committee of Elia System Operator and of Elia Asset (see "significant events after the balance sheet date" below).

— Board of Directors

The Boards of Directors of Elia System Operator and Elia Asset consist of 14 members, none of whom perform a management role within either of those two companies. The same directors sit on the Boards of Directors of both companies. Half of the directors are independent directors, satisfying the conditions set out in article 526ter of the Belgian Companies Code and in the articles of association. They received the assent of the CREG (Commission for Electricity and Gas Regulation) regarding their independence.

In accordance with the provisions stipulated by legislation and the articles of association, the Boards of Directors of Elia System Operator and Elia Asset are supported by three committees: the Corporate Governance Committee, the Audit Committee and the Remuneration Committee, which have the same composition for Elia System Operator and Elia Asset. The Boards of Directors ensure that these committees operate in an efficient manner.

Appointment of directors

Luc Van Nevel, Thierry Willemarck and Clement De Meersman resigned as independent directors of Elia System Operator and of Elia Asset in accordance with article 526ter, 2° of the Belgian Companies Code, with effect from 20 May 2014. The Ordinary General Meeting of Elia System Operator and of Elia Asset of 20 May 2014 subsequently appointed Luc De Temmerman, Frank Donck and Saskia Van Uffelen as independent directors of Elia System Operator and of Elia Asset for a term of six years, with effect from 20 May 2014.

In addition, Jennifer Debatisse resigned as non-independent director of Elia System Operator and of Elia Asset, with effect from 20 May 2014. The Ordinary General Meeting of Elia System Operator and of Elia Asset of 20 May 2014 subsequently appointed Luc Hujoel as non-independent director of Elia System Operator and of Elia Asset for a term of six years, with effect from 20 May 2014.

On 20 May 2014, the Board of Directors of Elia System Operator and of Elia Asset co-opted Geert Versnick as non-independent director to replace Francis Vermeiren who resigned as non-independent director of Elia System Operator and of Elia Asset with effect from 20 May 2014, on which date the Board of Directors of Elia System Operator and of Elia Asset replaced him.

The mandates of all the directors, excluding Luc De Temmerman, Frank Donck, Saskia Van Uffelen and Luc Hujoel, will come to an end after the 2017 Ordinary General Meeting of Elia System Operator and of Elia Asset relating to the financial year ending 31 December 2016. Nevertheless, the mandates of Luc De Temmerman, Frank Donck, Saskia van Uffelen and Luc Hujoel as directors of Elia System Operator and Elia Asset will come to an end after the 2020 Ordinary General Meeting of these companies relating to the financial year ending 31 December 2019. The six-year term of office for directors, which deviates from the four-year term recommended by the Corporate Governance Code, is justified by the particular characteristics and technical, financial and legal complexities specific to the responsibilities of a transmission system operator and which require greater experience in this area.

On 26 June 2014, the Board of Directors of Elia System Operator and of Elia Asset appointed Miriam Maes as Chairman of the Board of Directors of these companies to replace Luc Van Nevel. Claude Grégoire and Geert Versnick were appointed Vice-Chairmen of the Board of Directors of these companies on the same date to replace Francis Vermeiren and Thierry Willemarck.

It should be remembered that the appointment of independent and non-independent directors of the Elia System Operator and Elia Asset Boards of Directors, as well as the composition and operation of their committees, are subject to specific corporate governance rules. These provisions are laid down in the Act of 29 April 1999 on the organisation of the electricity market and in the companies' articles of association.

The Act of 29 April 1999 on the organisation of the electricity market gave the Corporate Governance Committee the important task of putting forward candidates for the role of independent director. The directors are appointed based on the candidate list drawn up by the Corporate Governance Committee. For each candidate, the Committee takes into account the up-to-date curriculum vitae and their sworn declaration concerning the independence criteria as stipulated by legislation applying to Elia and the articles of association. The General Meeting then appoints the independent directors. These appointments are submitted to the CREG for its assent on the independence of each independent director. A similar procedure applies where an independent directorship becomes vacant during the relevant term of office and where the Board co-opts a candidate put forward by the Corporate Governance Committee.

The Corporate Governance Committee therefore acts as a nominating committee for independent directors. For the appointment of non-independent directors, there is no nominating committee to make recommendations to the Board. This situation therefore deviates from that prescribed by the Corporate Governance Code. This divergence can be explained by the fact that the Board of Directors always strives, insofar as possible, for consensus. Moreover, no significant decision can be made without a majority within the groups of independent directors and non-independent directors.

Appointment of members of the advisory committees

In light of the fact that the terms of office of the members of the advisory committees of Elia System Operator and Elia Asset had come to an end and that there were legal changes and changes in the articles of association concerning the required composition of these advisory committees (see below), on 26 June 2014 the Board of Directors of Elia System Operator and of Elia Asset appointed the new members of these advisory committees, including their Chairman.

Temporary ad hoc committees

In accordance with article 522 of the Belgian Companies Code, the Board of Directors of Elia System Operator established temporary ad hoc committees in 2014 for the purpose of preparing for (i) the decisions concerning the chairmanship, the vice-chairmanship, as well as the composition of the advisory committees and their respective chairmen, (ii) changes to the articles of association and (iii) the capital increase in 2014.

Appointment of auditors

The Ordinary General Meeting of Elia System Operator and of Elia Asset held on 20 May 2014 reappointed Ernst & Young Réviseurs d'Entreprises SCCRL and Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises SCCRL as auditors of these companies for a period of three years. Their term of office will come to an end after the Ordinary General Meeting of Elia System Operator and of Elia Asset of 2017 relating to the financial year ending 31 December 2016. Ernst & Young Réviseurs d'Entreprises SCCRL is represented by Marnix Van Dooren for the exercise of this office. Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises SCCRL was represented, for the exercise of this office, by Alexis Palm until 20 May 2014 and is, from the aforementioned date, represented by Benoit Van Roost.

The annual fees for the board of auditors for the auditing of the statutory and consolidated annual accounts of Elia System Operator, as well as the statutory annual accounts of Elia Asset and Elia Engineering, were set at €147,625 (€102,875 for Elia System Operator, €36,750 for Elia Asset and €8,000 for Elia Engineering). This amount is indexed on an annual basis in accordance with the cost-of-living index.

Board of directors' activity report

The Board of Directors exercises at least the following powers (non-exhaustive list):

— it defines the general, financial and dividends policy of the company, as well as its values and strategy; in transposing the values and strategy into primary guidelines, the Board of Directors takes into account corporate social responsibility, gender diversity and diversity in general;

— it exercises the powers given to it by or pursuant to the Belgian Companies Code, by the Act of 29 April 1999 on the organisation of the electricity market and by the articles of association;

— it takes all action appropriate or necessary to carry out the corporate purpose, excluding powers reserved for the General Meeting by law or the articles of association;

— it ensures oversight. Within this context it provides, inter alia, general oversight of the Management Committee in accordance with the legal restrictions concerning the access to commercial data and other confidential information relating to grid users and the processing of such data; as part of this oversight it also monitors the way in which the business of the company is carried out and developed in order to, among other things, assess whether the company is being properly managed. In addition, it monitors and evaluates the effectiveness of the advisory committees to the Board and the manner in which business is carried out.

The Boards of Directors of Elia System Operator and Elia Asset each met 7 times in 2014.

The following people were absent from one or more meetings held in 2014: Jennifer Debatisse (27 February and 27 March), Frank Donck (23 October and 27 November), Cécile Flandre (23 October and 28 August), Dominique Offergeld (23 October), Saskia Van Uffelen (27 November) and Philip Heylen (27 November).

Members who are unable to attend usually have a representative. In accordance with Article 19.4 of the Elia System Operator articles of association and Article 18.4 of the Elia Asset articles of association, members who are unable to attend or absent may grant a written proxy to another member of the Board to represent them at a given meeting of the Board of Directors and vote on their behalf at that meeting. However, no representative can represent more than two directors.

— Significant events in 2014

Amendments to the articles of association following changes to the act of 29 april 1999 on the organisation of the electricity market

The articles of association of Elia System Operator and of Elia Asset were amended on 20 May 2014 to bring them into line with the changes made by the Act of 8 May 2014 containing various provisions relating to energy ('Act of 8 May 2014') to the Act of 29 April 1999 on the organisation of the electricity market. The changes made by the Act of 8 May 2014 mainly relate to the support mechanism for offshore wind energy and the governance model of the transmission system operator, the establishment of a state concession regime for hydroelectric energy storage installations and for the construction and operation of installations necessary for the transmission of offshore electricity.

The following changes were made to the articles of association of Elia System Operator:

- amendment of article 13.6 of the articles of association to provide for the rule whereby at least one third of the members of the Board of Directors must be of the other sex;
- change to the composition of the advisory committees to the Board of Directors as set out in articles 14.1, 15.1 and 16.1 of the articles of association, to bring it into line with the Act of 8 May 2014;
- insertion of a new article 14.3 into the articles of association concerning deliberation and voting within the Corporate Governance Committee on possible conflicts of interest and, as a consequence, the re-numbering of the current article 14.3 of the articles of association;
- change to the distribution of powers between the Board of Directors and the Management Committee, as set out in articles 17.1, 17.2 and 17.3 of the articles of association, in order to bring it into line with the Act of 8 May 2014;
- change to articles 19.5 and 19.10 of the articles of association to bring them into line with the changed powers of the Board of Directors;
- change to article 19.6 of the articles of association to bring it into line with the text of article 14.1, 3° of the articles of association;
- deletion of article 21 of the articles of association which was rendered unnecessary as a result of the changes made to articles 17.1, 17.2 and 17.3 of the articles of association;
- change to article 22 of the articles of association to bring it into line with the changed distribution of powers between the Board of Directors and the Management Committee;
- change to article 28.2.3 of the articles of association following the deletion of article 21 of the articles of association.

Amendments to the articles of association following implementation of the capital increase in favour of the members of the personnel

The Extraordinary General Meeting of Elia System Operator of 20 May 2014 approved the proposed capital increase in favour of the members of the personnel of the company and its Belgian subsidiaries.

This capital increase took place in two stages, specifically in November 2014 and in January 2015, for a maximum total of €6 million (maximum of €5,300,000 in 2014 and maximum of €700,000 in 2015) subject to the issuing of new Class B shares, with cancellation of the preferential subscription right of existing shareholders in favour of the members of the personnel of the company and its Belgian subsidiaries, if necessary below the accounting par value of the existing shares of the same class.

The Extraordinary General Meeting decided to set the issue price at a price equal to the average of the closing prices 30 calendar days prior to 24 October 2014 for the 2014 capital increase, and prior to 29 January 2015 for the 2015 capital increase, less 16.66%.

The total value of the 2014 capital increase was €5,299,990.95. There were 170,035 Class B shares in Elia System Operator issued.

Accordingly, Articles 4.1 and 4.2 of the articles of association of Elia System Operator relating to the share capital and the number of shares were amended on 19 December 2014.

@ The latest version of Elia System Operator's articles of association is available in full on the company's website (www.eliagroup.eu, under 'Investor relations').

Successful €350 million bond issue as part of the €3 billion euro medium term note programme

On 31 March 2014, as part of its €3 billion Euro Medium Term Note programme, Elia System Operator announced the successful issue of a 15-year €350 million Eurobond. Investors reacted very positively during the building of the order book, offering up more than €1.7 billion. The operation attracted more than 150 investors from 32 countries and yet again highlights the quality and appeal of Elia on the bond markets. The credit margin for this operation was set at 82 basis points above the 15-year mid-swap rate, giving a coupon of 3%.

The proceeds from this bond issue will be used to repay maturing bonds and to fund the company's general needs. With this bond offering, Elia is confirming its financial strategy for the management of its debt through a mix of short-term, medium-term and long-term debt.

Conclusion of long-term credit facilities totalling €550 million

During June 2014, Elia System Operator contracted 5 long-term bilateral credit facilities with the banks BNP Paribas Fortis, JP Morgan, KBC, Rabobank and ING. These credit facilities, with a term of 3 years, are part of the refinancing operations for a €500 million bond issue which is due to mature in April 2016, as well as of liquidity risk management activities.

Changes within the Board of directors

Luc De Temmerman, Frank Donck and Saskia Van Uffelen were appointed by the Ordinary General Meeting of Elia System Operator and of Elia Asset of 20 May 2014 as independent directors of these companies, to replace Luc Van Nevel, Thierry Willemarck and Clement De Meersman. In addition, Luc Hujoel was also appointed by the Ordinary General Meeting of these companies of 20 May 2014 as a non-independent director of Elia System Operator and of Elia Asset, to replace Jennifer Debatisse.

On 20 May 2014, the Board of Directors of Elia System Operator and of Elia Asset co-opted Geert Versnick as non-independent director to replace Francis Vermeiren.

Succession at the head of the board of directors

Miriam Maes was appointed as Chairman of the Board of Directors of Elia System Operator and of Elia Asset at the meeting of the Board of Directors of these companies held on 26 June 2014. She succeeded Luc Van Nevel (see above).

The Board of Directors of 26 June 2014 also appointed Geert Versnick and Claude Gregoire as Vice-Chairmen of the Board of Directors of Elia System Operator and of Elia Asset to replace Thierry Willemarck and Francis Vermeiren (see above).

Renewal of the term of office of the auditors

The term of office of Ernst & Young Réviseurs d'Entreprises SCCRL and Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises SCCRL as auditors was renewed for 3 years. These companies are, for the exercise of this office, represented by Marnix Van Dooren and Benoit Van Roost (see above).

Katoen Natie Group increases its shareholding in Elia

Katoen Natie Group SA notified Elia, on 29 October 2014, that its shareholding in Elia System Operator exceeded, on 24 October 2014, the threshold of 5% of shares issued by Elia and that it totalled, as at 24 October 2014, 3,157,624 shares in Elia System Operator, which is 5.21% of the total number of shares.

Incorporation of elia grid international sa

On 28 March 2014, Elia Grid International SA was incorporated as a joint subsidiary of 50Hertz Transmission and Elia System Operator. Its purpose is to provide of consulting- and engineering services to third parties.

For the other significant events in 2014, see pages 8 to 11

— Significant events after the balance sheet date

Change in the composition of the management committee

The Board of Directors of Elia decided on 14 January 2015 to put an end to the collaboration with Jacques Vandermeiren, Chief Executive Officer and Chairman of the Management Committee of Elia Asset and of Elia System Operator, due to differences of opinion. The Board of Directors appointed François Cornélis (permanent representative of Monticello SPRL) as Chief Executive Officer and Chairman of the Management Committee ad interim of Elia Asset and of Elia System Operator.

François Cornélis has occupied several leading management positions with major companies in the energy sector such as Pétrofina and Total, both in Belgium and abroad.

The process to appoint a new CEO is ongoing.

— Remuneration Committee

In addition to its usual support role to the Board of Directors, the Remuneration Committee is responsible, pursuant to Article 526quater of the Belgian Companies Code, the Act of 29 April 1999 on the organisation of the electricity market and the articles of association, for making recommendations to the Board of Directors regarding remuneration policy and the individual remuneration of members of the Management Committee and directors. The Remuneration Committee also draws up a remuneration report for presentation at the Ordinary General Meeting.

The Remuneration Committee met 3 times in 2014.

The company evaluates its executive staff on a yearly basis in accordance with its performance management policy. This policy also applies to members of the Management Committee. Accordingly, the Remuneration Committee evaluates the members of the Management Committee on the basis of a series of collective and individual targets, of a quantitative and qualitative nature.

As noted elsewhere, remuneration policy concerning the variable portion of the Management Committee's remuneration was adapted to take account of the implementation of multi-year tariffs. Consequently, since 2008 the salary scheme for members of the Management

Committee has included, among other things, an annual variable remuneration and long-term profit-sharing spread out over the multi-year regulation period. The annual variable remuneration has two parts: the attainment of collective quantitative targets and individual performance, including progress on business projects.

The Remuneration Committee also examined the proposed collective targets for the Management Committee for 2014. Within this context, the division between targets linked to Belgian and German activities was maintained at 60%-40%. In addition, the Remuneration Committee approved the remuneration report which forms part of the annual report.

— Audit Committee

In addition to its usual support role to the Board of Directors, the Audit Committee is, pursuant to Article 526bis of the Belgian Companies Code, the Act of 29 April 1999 on the organisation of the electricity market and the articles of association, responsible for:

- examining accounts and controlling budgets;
- monitoring financial reporting procedures;
- ensuring the effectiveness of the company's internal control and risk management systems;
- following up on internal audits and their effectiveness;
- following up on the statutory audit of annual accounts;
- evaluating and verifying the independence of auditors;
- making proposals to the Board of Directors on the appointment and re-election of auditors and on the terms of their appointment;
- investigating, where appropriate, any issues that resulted in the resignation of auditors and making proposals as to what actions, if any, should be taken in this respect;
- verifying the nature and extent of non-audit services provided by auditors;
- verifying the effectiveness of external audit procedures.

Pursuant to Article 96, § 1, 9° of the Belgian Companies Code and the articles of association, this report must contain justification of the independence and accounting and auditing competence of at least one member of the Audit Committee. The internal rules of procedure of the Audit Committee require, in this respect, that all members of the Audit Committee have the sufficient experience and expertise required to exercise the role of the Audit Committee, particularly in terms of accounting, auditing and finance. On the basis of these internal rules of procedure, the professional experience of at least two members of the Audit Committee must be detailed in this report.

Jacques de Smet, Chairman of the Audit Committee, and Dominique Offergeld, member of the Audit Committee, both have extensive experience and expertise in the accounting and auditing area.

Jacques de Smet (independent director of Elia System Operator and of Elia Asset) has an economics degree from the University of Brussels. He started his career as an auditor with Peat Marwick Mitchell & Co (now KPMG). He joined the Tractionel group (now GDF-Suez) in 1979, initially as assistant to the CEO of the holding company. He was subsequently assigned to the financial department of the company of the Frima Viking SA group, later becoming CFO of Chamebel SA. In 1987, he was a member of the Management Committee of the venture capital investment company Prominvest SA. From 1988 to 2002 he was Chief Financial Officer and a member of the Management Committee of D'Ieteren SA and the Boards of Directors of all subsidiaries of the group, including AVIS EUROPE PLC and BELRON. Between 2002 and 2005 he was Chief Financial Officer of the Ziegler group. In 2009, he was appointed as a member of the Board of Directors of SABCA SA. He has also been a member of the Boards of Directors of UCO SA (1977-2001), LA LIEVE SA (1978-1996), LYS-LIEVE SA (1975-1995), BELGO-KATANGA SA (1996-2000), IBEL SA (1995-2000) and President of the Financial Executives Institute of Belgium (2002-2013). Since 1986, he has been Managing Director of GEFOR SA (a consultancy firm specialising in the area of "corporate finance" and, in particular, the negotiation of bank credit). He sits as a permanent representative of GEFOR on the Boards of Directors of SABCA SA and Wereldhave Belgium and is Chairman of the Audit Committees of these companies.

Dominique Offergeld (non-independent director of Elia System Operator and of Elia Asset) has a degree in economics and social science (specialisation: public economics) from Université Notre Dame de la Paix in Namur. She has taken various extra-academic programmes, including the General Management Program at Cedep (INSEAD) in Fontainebleau (France). She started her career at Générale de Banque (now BNP Paribas Fortis) in the corporate finance department in 1988, being subsequently appointed as specialist advisor to the vice-president and minister for economic affairs of the Walloon Region in 1999. In 2001 she became advisor to the Deputy Prime Minister and Minister for Foreign Affairs. Between 2004 and 2005, she was deputy director of the office of the minister for energy, subsequently becoming general advisor to the SNCB holding company in 2005. She was CFO of ORES SCRL between 2008 and 2014. She was previously director of (among others) Publigaz and government commissioner at Fluxys. She was also Chairman of the Board of Directors and Audit Committee of SNCB. Since the end of October 2014 she has been Director of the Minister for Mobility's Strategy Unit, with responsibility for Belgocontrol and SNCB.

The Audit Committee has the power to investigate any matter that falls within its remit. For this purpose, it is given the resources it needs to perform this task, has access to all information, with the exception of confidential commercial data concerning grid users, and can call on internal and external experts for advice.

The Audit Committee met 4 times in 2014.

The Committee examined the annual accounts for 2013, under both Belgian GAAP and IFRS. It also examined the six-month results as at 30 June 2014 and the 2014 quarterly results, in accordance with Belgian GAAP and IFRS rules.

The Committee took note of the internal audits carried out and the recommendations made.

The Committee further follows an action plan for each audit carried out, in order to improve the efficiency, traceability and awareness of the areas audited and thereby reduce the associated risks and provide assurance that the control environment and risk management are aligned. The Committee followed the various action plans from a number of perspectives (timetable, results, priorities) on the basis, among other things, of an activity report from the internal audit department. The Audit Committee noted the strategic risks and carried out ad hoc risk analyses based on the changing environment in which the group operates. The Audit Committee also continued to pursue environmental issues.

The Committee also followed up and analysed the results of the selection procedure for statutory auditors and proposed that the term of office of KPMG and Ernst & Young as auditors of Elia System Operator and Elia Asset be renewed.

The Audit Committee of 26 November 2014 also amended the internal rules of procedure of the Audit Committee to bring them into line with the new articles of association approved by the General Meeting of 20 May 2014.

— Corporate Governance Committee

In addition to its usual support role to the Board of Directors, the Corporate Governance Committee is, pursuant to the Act of 29 April 1999 on the organisation of the electricity market and the articles of association, responsible for:

- putting forward candidates to the General Meeting to be appointed as independent directors;
- giving prior approval for the appointment and/or resignation (where applicable) of Management Committee members;
- examining, at the request of any independent director, the Chairman of the Management Committee or any competent federal and/or regional regulatory body or bodies for the electricity market, all cases of conflicts of interests between the system operator, on the one hand, and a dominant shareholder, municipal shareholder or company associated with or linked to a dominant shareholder, on the other hand, and to report to the Board of Directors on the matter. This responsibility aims to strengthen the directors' independence above and beyond the procedure detailed in Article 524 of the Belgian Companies Code, which the company also applies;
- deciding on cases of incompatibility on the part of members of the Management Committee and personnel;
- ensuring the application within the company of provisions laid down by law, regulations, decrees and other instruments relating to the operation of electricity systems, evaluating their effectiveness in view of the objectives for the independent and impartial operation of those systems, and ensuring compliance with Articles 4.4 and 13.1, second and third section of Elia System Operator's articles of association. A report on this subject is submitted every year to the Board of Directors and the federal and/or regional body or bodies responsible for regulating the electricity market;
- convening, at the request of at least one third of the members, meetings of the Board of Directors in accordance with the formalities for calling meetings as laid down in the articles of association;
- examining, after notification by a director, whether a director's membership of the supervisory board, the Board of Directors or bodies legally representing an undertaking which exercises control, directly or indirectly, over an electricity producer and/or supplier complies with Article 9.1, b), c) and d) of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC, and reporting on this matter to the Board of Directors. As part of this examination, the Committee takes account of the role and influence that the director concerned has in the undertaking concerned and of the degree of control or influence that the undertaking concerned has over its subsidiary. The Committee also examines whether, in the exercising of the director's mandate within the company, there is the potential or motive for favouring certain producers' or suppliers' interests as regards access to and investment in the grid, to the detriment of other grid users;
- ensuring, prior to any appointment of a director, irrespective of whether such appointment concerns a new director or the re-election of an existing director, whether the candidate director takes

account of the incompatibilities set forth in the company's articles of association. To this end, every candidate director is required to provide the Committee with an overview of (i) any offices he or she holds on the Board of Directors, supervisory board or any other body of other legal entities other than the company and (ii) any other functions or activities, paid or unpaid, which he or she carries out for an undertaking performing any of the following functions: the production or supply of electricity.

The Committee met 6 times in 2014.

The Committee is informed regularly about important files, in compliance with confidentiality rules, such as the amendments to the articles of associations, the changes to the Corporate Governance Charter, the changes to its internal rules of procedure and the internal rules of procedure of the Board of Directors, the succession of members of the Board of Directors, including its Chairman and Vice-Chairmen, the succession of members of the Management Committee and members of the advisory committees, as well as the analysis of compliance with the requirements in the area of full ownership unbundling.

Evaluation

In 2012, the Board of Directors of Elia System Operator organised a formal procedure for evaluating its own functioning, that of its committees and the interaction between the Board of Directors and the Management Committee. This procedure was conducted in accordance with provisions 4.11 to 4.15 inclusive of the Corporate Governance Code, which the company has adopted as its benchmark code. The results of this evaluation were highly satisfactory. A new evaluation is scheduled for 2015.

— Management Committee

Pursuant to Article 9, § 9 of the Act of 29 April 1999 on the organisation of the electricity market, the Management Committee is responsible for:

- the operational management of the grids, including commercial, technical, financial, regulatory and personnel issues related to such operational management,
- day-to-day management of the system operator,
- the exercise of powers given to it under the articles of association,
- the exercise of powers delegated to it by the Board of Directors, in accordance with the general policy rules and principles and the resolutions adopted by the Board of Directors.

The Management Committee has all powers necessary, including the power of representation, and sufficient margin for manoeuvre to exercise the powers that have been delegated to it and to propose and implement a corporate strategy, it being understood that these powers do not in any way impact the control and simultaneous ultimate competence of the Board of Directors, without prejudice to the obligation on the part of the Board of Directors to observe the legal restrictions in terms of access to commercial data and other confidential data relating to grid users and the processing of such data.

The Management Committee usually meets formally at least once a month. Its members also attend informal weekly meetings. Members who are unable to attend usually have a representative. A written proxy, conveyed by any means (of which the authenticity of its source can be reasonably determined) can be given to another member of the Management Committee, in accordance with the internal rules of procedure of the Management Committee. However, no representative may represent more than two members.

In 2014, the Management Committee met on 13 occasions for Elia System Operator and on 12 occasions for Elia Asset.

Each quarter, the Management Committee reports to the Board of Directors on the company's financial situation (in particular on the balance between the budget and the results stated). It also reports on transmission system management at each meeting of the Board of Directors.

Management Committee


Jacques Vandermeiren


Markus Berger


Frédéric Dunon


Ilse Tant


Frank Vandenberghe


Catherine Vandenborre

As part of its reporting on management of the transmission system in 2014, the Management Committee kept the Board informed of, amongst other things, developments in legislation applying to the company, the company's financial situation, the situation of its subsidiaries, the main decisions taken by regulators and administrations, as well as the monitoring and development of major investment projects.

Code of conduct

Elia has a Code of Conduct to prevent staff and those with leadership responsibilities in the Elia group from potentially breaking any laws on the use of privileged information and market manipulation. The Code of Conduct lays down a series of regulations and communication obligations for transactions by those individuals in relation to their Elia System Operator securities, in accordance with the provisions of Directive 2003/6/EC on insider trading and market manipulation and the Act of 2 August 2002 on monitoring of the financial sector and other financial services.

@ This Code of Conduct is available on the company's website (www.elia.be, under 'Elia', 'corporate governance').

Corporate governance charter and internal rules of procedure of the management committee, the board of directors and its advisory committees

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, the Management Committee, the Corporate Governance Committee, the Remuneration Committee and the Audit Committee were modified following the amendments to the articles of association approved by the Extraordinary General Meeting of Elia System Operator and of Elia Asset of 20 May 2014.

@ The aforementioned Corporate Governance Charter and internal rules of procedure can be found on the company's website (www.elia.be, under 'Elia', 'corporate governance').

Transparency rules - notifications

Elia System Operator received two notifications in 2014 within the meaning of the Act of 2 May 2007 on disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions, and within the meaning of the Royal Decree of 14 February 2008 on disclosure of major shareholdings.

In particular, on 29 October 2014, Katoen Natie Group SA gave notice that its shareholding in Elia System Operator had, on 24 October 2014, exceeded the threshold of 5% of shares issued by Elia System Operator and that it was 5.21%.

In addition, on 29 October 2014, the Société Fédérale de Participations et d'Investissement notified Elia that its shareholding in Elia System Operator fell, on 24 October 2014, below the threshold of 5% of shares issued by Elia System Operator and was, since 24 October 2014, 2.03%.

Procedure applied in 2014 to define the remuneration policy and the remuneration of members of the board of directors and of the management committee

In accordance with articles 16.1 and 15.1 of the respective articles of association of Elia System Operator and Elia Asset, a draft remuneration policy for members of the Board of Directors and the Management Committee was drawn up by the Remuneration Committee. The Boards of Directors of Elia System Operator and Elia Asset approved this draft remuneration policy for Management Committee members. The draft remuneration policy for directors was approved by the General Meeting of Shareholders of Elia System Operator and of Elia Asset.

The Remuneration Committee also made recommendations regarding the remuneration policy and the remuneration of directors and Management Committee members.

The composition and activities of the Remuneration Committee are covered in greater detail in pages 63 of the annual report.

Remuneration of members of the board of directors

The total remuneration paid to the 14 directors in 2014 was €641,963.96 (€326,753.98 for Elia System Operator and €315,209.98 for Elia Asset).

The table below lists the individual gross sums paid to each director for Elia System Operator and Elia Asset combined.

These amounts were calculated based on seven meetings of the Board of Directors of Elia System Operator and six meetings of the Board of Directors of Elia Asset in 2014. In 2014, the Audit Committee met four times, the Corporate Governance Committee six times and the Remuneration Committee three times.

The directors' remuneration consists of a basic remuneration of €25,000 per annum (€12,500 for Elia System Operator and €12,500 for Elia Asset) plus an additional €800 (€400 for Elia System Operator and €400 for Elia Asset) for each meeting after the eighth Board meeting of the year, including meetings with regulators. This remuneration is increased by an additional 50% for the Chairman and by 20% for each Vice-Chairman of the Board of Directors.

	in EUR
Jennifer DEBATISSE[10] (until 20 May 2014)	12,185.08
Clément DE MEERSMAN (until 20 May 2014)	15,109.56
Jacques DE SMET	52,332.00
Luc DE TEMMERMAN[11] (from 20 May 2014)	27,730.84
Frank DONCK[12] (from 20 May 2014)	23,882.84
Cécile FLANDRE[13]	32,066.00
Claude GRÉGOIRE[14]	49,728.08
Philip HEYLEN	43,763.92
Luc HUJOEL[15] (from 20 May 2014)	31,578.84
Jean-Marie LAURENT JOSI	56,077.52
Miriam MAES[16]	56,821.16
Jane MURPHY	50,536.00
Dominique OFFERGELD	36,067.92
Steve STEVAERT	36,067.92
Luc VAN NEVEL (until 20 May 2014)	21,202.10
Saskia VAN UFFELEN[17] (from 20 May 2014)	23,882.84
Francis VERMEIREN (until 20 May 2014)	20,471.06
Geert VERSNICK[18] (from 20 May 2014)	34,913.70
Thierry WILLEMARCK (until 20 May 2014)	17,546.58

An additional basic remuneration of €6,000 per year per committee (€3,000 for Elia System Operator and €3,000 for Elia Asset) is awarded to directors who sit on an advisory committee to the Board of Directors (i.e. the Audit Committee, the Remuneration Committee and the Corporate Governance Committee). An additional remuneration of €800 (€400 for Elia System Operator and €400 for Elia Asset) is also awarded for each additional committee meeting (i.e. each meeting after the three covered by the basic remuneration), including meetings with regulators.

This remuneration covers all costs, except for travel and accommodation costs abroad incurred by directors in the performance of their mandate. It is included in the company's operating costs and is indexed annually in accordance with the consumer price index. All remuneration is paid on a pro-rata basis according to the duration of the director's term of office.

An advance on annual remuneration is paid to the directors at the end of the 1st, 2nd and

10. Jennifer Debatisse's fees are paid to the company Interfin SCRL.
11. Luc De Temmerman's fees are paid to the company InDeBom Strategies Comm. V.
12. Frank Donck's fees are paid to the company Ibervest SA.
13. Cécile Flandre's fees are paid to the company Belfius Insurance SA.
14. Claude Grégoire's fees are paid to the company Socofe SA. Claude Grégoire was acting Chairman ad interim of the Board of Directors of Elia System Operator and of Elia Asset from 20 May 2014 until 26 June 2014. He has been Vice-Chairman of the Board of Directors of these companies since 26 June 2014.
15. Luc Hujoel's fees are paid to the company Interfin SCRL.
16. Miriam Maes has been Chairoman of the Board of Directors since 26 June 2014.
17. Saskia Van Uffelen's fees are paid to the company Quadrature SPRL.
18. Geert Versnick's fees are paid to the company Flemco SPRL. Geert Versnick has been Vice-Chairman of the Board of Directors of Elia System Operator and of Elia Asset since 26 June 2014.

3rd quarter. The advance is calculated on the basis of the basic indexed remuneration and on a pro-rata basis in relation to the duration of the directorship during the quarter in question. A detailed account is prepared during the month of December for the current year. This account takes into consideration any additional remuneration on top of the basic remuneration.

Directors do not receive any other benefits-in-kind, stock options, special loans or advances. Neither Elia System Operator nor Elia Asset has issued credit to or on behalf of any member of the Board of Directors.

There are no plans to substantially amend the current remuneration policy for directors in 2015 or 2016.

Management committee remuneration policy

The Remuneration Committee evaluates the members of the Management Committee once a year. Any change in the basic remuneration is linked to the position of each member of the Management Committee with respect to the general benchmark salary in the market and the assessment of the member's individual performance.

Since 2004, the Hay methodology has been used to define the weighting for each management position and to ensure that remuneration is in line with the going market rate.

The remuneration of members of the Management Committee consists of the following components:
— basic salary,
— short-term variable remuneration,
— long-term variable remuneration,
— pension,
— other benefits.

In accordance with Article 17.9 of the articles of association of Elia System Operator, an exemption from the provisions of article 520ter, first and second section of the Belgian Companies Code is provided for members of the Management Committee.

As regards the variable remuneration, the Remuneration Committee evaluates the members of the Management Committee at the end of each year based on a number of qualitative and quantitative targets.

Since 2008, the variable remuneration has comprised two components, a short-term one and a long-term one.

Basic remuneration

Given general market conditions at the end of 2013, it was decided, on the proposal of the Chairman of the Management Committee, to only adjust the basic remuneration above inflation for members of the Management Committee who had taken on a new position.

All the members of Elia's Management Committee have employee status.

The basic remuneration for the Chairman of the Management Committee totalled €373,970.50 in 2014.

The recurring remuneration paid to the other members of the Management Committee totalled €1,124,965.40 (€679,609.67 for management employed by Elia System Operator and €445,355.73 for management employed by Elia Asset, respectively).

A total basic remuneration of €1,498,935.90 was therefore paid to all members of the Management Committee in 2014.

Short-term variable remuneration

The first component of the variable remuneration is based on the attainment of a certain number of targets set by the Remuneration Committee at the start of the year, with a maximum of 25% of variable remuneration for the individual targets and 75% for the attainment of the Elia group's collective targets ('short-term incentive plan').

In 2014, the short-term variable remuneration earned by the Chairman of the Management Committee was €159,002.21.

The variable remuneration earned by other members of the Management Committee in 2014 was €331,713.38 (€200,533.43 for management employed by Elia System Operator and €131,179.95 for management employed by Elia Asset, respectively).

A total of €490,715.59 of variable remuneration was therefore paid to members of the Management Committee in 2014.

Total annual remuneration

In 2014, the total annual remuneration paid to the Chairman of the Management Committee was €532,972.71.

The total annual remuneration of other members of the Management Committee was €1,456,678.78 (€880,143.10 for management employed by Elia System Operator and €576,535.68 for management employed by Elia Asset, respectively).

The total annual remuneration for all members of the Management Committee in 2014 was therefore €1,989,651.49.

Long-term variable remuneration

The second component of the variable remuneration is based on multiannual criteria covering a period of 4 years ('long-term incentive plan'). The variable remuneration earned in 2014 can be estimated at €100,139.11 (maximum amount in the event of full attainment of the multiannual criteria for the tariff period concerned) for the Chairman of the Management Committee and €286,909.43 for the other members of the Management Committee (€176,812.23 for management employed by Elia System Operator and €110,097.20 for management employed by Elia Asset, respectively).

These amounts are reviewed at the end of each year in proportion to the achievement of the multiannual criteria. The first part of the long-term variable remuneration was paid in 2014 and the balance will be paid in 2016.

No other variable remuneration was paid in 2014.

Remuneration is definitively acquired at the moment of payment.

Contributions to the supplementary pension scheme

Since 2007, all pension plans for Management Committee members have been defined contribution plans, where the amount paid, excluding tax, is calculated on the basis of the annual remuneration. In 2014, Elia System Operator paid a total of €98,341.80 for the Chairman of the Management Committee.

For the other members of the Management Committee, Elia paid a total of €217,190.49 (€134,209.02 for management employed by Elia System Operator and €82,981.47 for management employed by Elia Asset, respectively).

Other benefits

Other benefits awarded to members of the Management Committee, such as guaranteed income in the event of long-term illness or an accident, healthcare and hospitalisation insurance, invalidity insurance, life insurance, tariff benefits, other allowances, assistance with public transport costs, provision of a company car, employer-borne costs and other small benefits are in line with the regulations applying to all company executives.

The cost of these other benefits for 2014 was valued at €71,948.63 for the Chairman and €173,870.60 for all the other members of the Management Committee (€93,174.80 for management employed by Elia System Operator and €80,695.80 for management employed by Elia Asset, respectively).

There were no stock options awarded in Elia for the Management Committee in 2014.

Provisions of employment contracts and severance benefits of members of the management committee

The employment contracts of Management Committee members concluded after 3 May 2010 were drawn up in accordance with the prevailing legislation on notice periods and dismissal.

The employment contracts of members of the Management Committee, including the Chairman, hired before 3 May 2010, contain no specific provisions regarding dismissal.

Elia system operator shares held by members of the management committee

The members of the Management Committee held the following number of shares as at 31 December 2014:

	as at 31.12.2014	as at 31.12.2013
Jacques Vandermeiren[19] Chief Executive Officer Chairman of the Management Committee	**3,317**	3,003
Markus Berger Chief Officer Infrastructure Development	**9,156**	7,633
Frédéric Dunon Chief Officer Operations, Maintenance & Methods	**1,961**	-
Ilse Tant Chief Corporate Affairs Officer	**1,825**	-
Frank Vandenberghe Chief Officer Customers, Market & System	**4,749**	4,552
Catherine Vandenborre Chief Financial Officer	**1,120**	794

No stock options in Elia System Operator were awarded to the members of the Management Committee in 2014. Members of the Management Committee may purchase shares via existing capital increases in favour of the members of the personnel or on the stock exchange.

Other information to be communicated pursuant to article 96 of the belgian companies code and article 34 of the royal decree of 14 november 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market

This section contains the information required to be disclosed under the aforementioned legislation and not included in other parts of the annual report.

19. Serving as Chairman and member of the Management Committee until 14 January 2015.

Information regarding special control rights of certain holders of securities

In accordance with Article 4.3 of the articles of association of Elia System Operator and of Elia Asset, all shares in these two companies have the same rights, irrespective of the class to which they belong, unless otherwise stated in the articles of association.

In this context, the articles of association state that specific rights are associated with Class A and Class C shares regarding (i) the appointment of members of the Board of Directors (Article 13.5.2 of the articles of association of Elia System Operator and Article 12.5.2 of the articles of association of Elia Asset) and (ii) the approval of decisions by the General Meeting (Articles 28.2.1 and 28.2.2 of the articles of association of Elia System Operator and Article 27.2 of the articles of association of Elia Asset).

Information regarding limitations by law or the articles of association on the exercising of voting rights

In accordance with Article 4.3, third section of the articles of association of Elia System Operator and of Elia Asset, the voting rights associated with shares held directly or indirectly by companies active in the production and/or supply of electricity and/or natural gas are suspended.

Information regarding the rules on amending the articles of association

In the event of the articles of association of Elia System Operator and of Elia Asset being amended, Article 29 of the articles of association of Elia System Operator and Article 28 of the articles of association of Elia Asset are applicable.

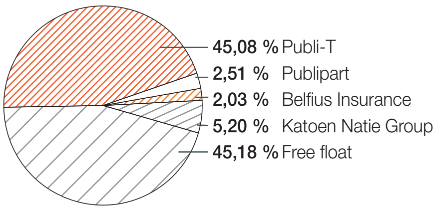
Information regarding limitations by law or the articles of association on transfers of securities

Transfers of securities are governed by Article 9 of the articles of association of Elia System Operator.

Information regarding the company's purchase of its own shares

The permission granted to the Board of Directors of Elia System Operator for the purchase by the company of its own shares in the event of serious and imminent damage, as defined in Article 37 of the articles of association of Elia System Operator, was renewed for a period of 3 years with effect from the date of publication of the decision of the Extraordinary General Meeting of 21 May 2013.

Shareholder structure on the closing date



Shareholder structure on the closing date

	Shares	% Shares	% Voting rights
Publi -T	27,383,507[20]	45.08	45.08
Publipart	1,526,756	2.51	2.51
Belfius Insurance (Fédérale de Participations et d'Investissement)[21]	1,231,060	2.03	2.03
Katoen Natie Group[22]	3,157,624	5.20	5.20
Other Free float	27,439,317	45.18	45.18
Total	**60,738,264**	**100**	**100**

20. Based on the Publi-T - Arco declaration of transparency of 30 January 2013.
21. Based on the Publi-T - Fédérale de Participations et d'Investissement declaration of transparency of 30 October 2014.
22. Based on the Katoen Natie declaration of transparency of 29 October 2014.

— Features of the internal control systems —

The reference framework for internal control and risk management, established by the Management Committee and approved by the Elia Board of Directors, is based on the COSO II framework developed by the Committee of Sponsoring Organisations of the Treadway Commission. The framework has five closely linked basic components, providing an integrated procedure for internal control and risk management systems: control environment, risk assessment, control activities, information and communication, and monitoring.

The use and inclusion of these concepts in Elia's various procedures and activities enables the company to control its activities, improve the effectiveness of its operations, optimally deploy its resources, and ultimately achieve its objectives. The implementation of COSO II at Elia is described below.

— Control environment

Organisation of internal control

Pursuant to the Elia articles of association, the Board of Directors has established various committees to help it fulfil its duties: the Management Committee, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee.

The Board has charged the Audit Committee with the task of monitoring: (i) the financial reporting procedure; (ii) the effectiveness of internal control and corporate risk management systems; (iii) the internal audit and its effectiveness; (iv) the statutory audit of annual and consolidated accounts, including the follow-up of any issues raised or recommendations made by external auditors; (v) the independence of external auditors, (vi) examining accounts and controlling budgets[1].

The Audit Committee meets quarterly to discuss the above points.

The Finance Department helps the Management Committee to provide, in a timely manner, correct and reliable financial information to aid not only decision-making with a view to monitoring the profitability of activities, but also effective management of corporate financial services. External financial reporting – one of Elia's duties – includes (i) statutory financial and tax reporting; (ii) consolidated financial reporting; (iii) specific reporting obligations applicable to public companies; (iv) reporting obligations under the regulatory framework.

Financial reporting is organised in such a way as to meet all reporting obligations while ensuring consistency between various reports and avoiding inefficiencies.

The structured approach developed by Elia helps to ensure that financial data is both exhaustive and precise, taking into account the deadlines for activity reviews and the actions of key players so as to ensure adequate control and accounting.

Integrity and ethics

Elia's integrity and ethics are a crucial aspect of its internal control environment. The Management Committee and management regularly discuss these principles, on which the corporate rules established to clarify the mutual rights and obligations of the company and its employees are based. These rules are disseminated to all new employees, and compliance with them is formally included in employment contracts. The Code of Conduct also helps to prevent employees from breaking any Belgian legislation on the use of privileged information or market manipulation and suspicious activities.

Management consistently ensures that employees comply with internal values and procedures and – where applicable – take any actions deemed necessary, as laid down in the company regulations and employment contracts. A particular focus is laid on compliance with confidentiality rules, primarily by means of a specific confidentiality clause in employment contracts, but also through various measures applied in the event of noncompliance.

By virtue of its legal status as a power transmission system operator, Elia abides by a large number of statutory and regulatory rules setting out various fundamental principles such as confidentiality, transparency and non-discrimination. With a view to meeting these specific obligations, Elia has drawn up an Engagement Programme (approved by the Corporate Governance Committee) and produced a roadmap identifying which control initiatives should be taken, and in which order. The Compliance Officer reports annually to the relevant regulatory bodies in this regard.

Roles and responsibilities

Elia's internal control system relies on clearly defined roles and responsibilities at all levels of the organisation. The roles and responsibilities of the various committees established within Elia are primarily identified in the legal framework applicable to Elia, the articles of association and the Corporate Governance Charter.

Under the supervision of the Chief Financial Officer, the Accounting Department is responsible for statutory financial and tax reporting and the consolidation of the Elia Group's various subsidiaries. The Controlling Department monitors analytical accounting and reporting and assumes responsibility for all reporting in a regulatory context. The Investor Relations Department is responsible for specific reporting applicable to companies listed on the stock exchange.

As regards the financial reporting process, the tasks and responsibilities of all

1. For more information, see section 'Corporate governance Statement – Audit Committee'

employees in the Accounting Department have been clearly defined with a view to producing financial results that accurately and honestly reflect Elia's financial transactions. A detailed framework of tasks and responsibilities has been drawn up to identify the main control duties and the frequency with which tasks and control duties are performed.

An IFRS Accounting Manual is used by all entities within the scope of consolidation as a reference for accounting principles and procedures, thus ensuring consistency, comparability and accurate accounting and reporting within the Group. The Finance Department has the appropriate means (including IT tools) to perform its tasks; all entities within the scope of consolidation use the same ERP software, which has a range of integrated controls and supports task separation as appropriate.

Elia also clarifies the roles and responsibilities of all its employees by providing a description of each job in keeping with the Business Process Excellence methodology.

Competencies

With a view to ensuring its various activities are performed reliably and effectively, Elia clearly spells out the vital importance of its employees' competencies and expertise in its recruitment, training and retention procedures. The Human Resources Department has drawn up the appropriate policies and defined all jobs in order to identify the relevant roles and responsibilities as well as the qualifications needed to fulfil them.

Elia has drawn up a policy for the management of generic and specific competencies in line with the company's values, and promotes training so as to enable all its employees to effectively perform the tasks allocated to them. Requirements with regard to competency levels are continually analysed by means of formal and informal self-assessments at various stages of an employee's career.

Training programmes on financial reporting are offered to all employees involved directly or indirectly with that task. The training lays an emphasis on the existing regulatory framework, accounting obligations and actual activities, with a high level of understanding enabling participants to address the appropriate issues.

— Risk management

Risk management is another internal control system that is crucial in helping Elia to achieve its strategic objectives as defined in its mission. The Board of Directors and the Risk Manager jointly and regularly identify, analyse and assess key strategic and tactical risks. The risks are assessed qualitatively and/or quantitatively depending on their nature and potential effect. The Risk Manager then makes recommendations on how best to manage each risk considering the close interaction of Elia's entire risk universe. Based on this assessment, preventive, remedial and/or corrective actions are implemented, including the strengthening of existing internal control activities where applicable.

The objectives set for the entire Group feed through to each level of the organisation. Assessments are performed annually to determine how well those objectives have been achieved.

As part of its responsibilities, Elia's management establishes an effective internal control system to ensure, among other objectives, accurate financial reporting. It emphasises the importance of risk management in financial reporting by taking into account, with the Audit Committee, a whole range of associated activities and risks. It ensures that risks are truly reflected in financial results and reports. In addition, Risk Management goes beyond those risks known to Elia and tries to anticipate the nature and characteristics of emerging risks, which may impact Elia's objectives.

Financial risk assessments primarily involve the identification of:

1. significant financial reporting data and its purpose;
2. major risks involved in the attainment of objectives;
3. risk control mechanisms, where possible.

Financial reporting objectives include (i) ensuring financial statements comply with widely accepted accounting principles; (ii) ensuring that the information presented in financial results is both transparent and accurate; (iii) the use of accounting principles appropriate to the sector and the company's transactions; (iv) ensuring the accuracy and reliability of financial results.

The activities undertaken by Elia, as an electricity transmission system operator in relation to its physical installations, contribute significantly to its financial results. Therefore, appropriate procedures and control systems have been established to ensure an exhaustive and realistic inventory of physical installations.

Elia has established an enterprise risk management (ERM) culture to ensure the correct identification, analysis, assessment and actions towards risks in the achievement of Elia's strategy. This approach incorporates the key policies and procedures set out in the risk management recommendations and Risk Management Charter.

Risk management is a company-wide activity, actively supported by the delegation of relevant responsibilities to all employees as part of their specific activities, as defined in the Charter.

Continuous assessment

Employing a simultaneously top-down and bottom-up approach enables Elia to identify and, where possible, anticipate forthcoming events and react to any incidents occurring inside or outside the organisation which might affect the attainment of objectives.

Top-down approach based on strategic risks

Elia's strategic risk assessments are reviewed on a quarterly basis in the Audit Committee. Action plans or specific, theme-based risk assessments are carried out whenever there is a perception of potential threats or opportunities.

Bottom-up approach with regard to business

With a view to identifying new risks or evaluating changes in existing risks, the Risk Manager and management remain in contact and look out for any changes that may call for the relevant risk assessment and associated action plans to be amended.

Various criteria are used to determine the need to re-evaluate financial reporting procedures and associated risks. Emphasis is put on risks associated with changes in the financial and regulatory context, industrial practices, accounting standards and corporate developments such as mergers and acquisitions.

Operational management assesses the relevant risks and puts forward action plans. Any significant changes to assessment rules must be approved by the Board of Directors.

Risk Management is instrumental for Elia to maintain its value for stakeholders and the community, works with all departments with a view to optimising Elia's ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

— Control activities

Main control activities

Elia has established control activities at its various structural levels so as to ensure compliance with standards and internal procedures geared to the proper management of identified risks. These include:

(i) clear task separation as part of procedures, preventing the same person from initiating, authorising and recording a transaction – policies have been drawn up regarding access to information systems and the delegation of powers;

(ii) integrated audit approach as part of internal procedures so as to link end results with the transactions supporting them;

(iii) data security and integrity through the appropriate allocation of rights;

(iv) appropriate documentation of procedures through the use of the Business Process Excellence Intranet, which centralises policies and procedures.

Departmental managers are responsible for establishing activities to control the risks inherent to their department.

Elia takes all necessary measures to adapt its control activities where internal or external events are liable to affect existing processes.

Financial reporting procedure

For all significant financial reporting risks, Elia sets out appropriate control mechanisms to minimise the probability of error. Roles and responsibilities have been defined in connection with the closing procedure for financial results.

Measures have been established for the continuous follow-up of each stage, with a detailed agenda of all activities undertaken by Group subsidiaries; control activities are performed to ensure quality and compliance with internal and external requirements and recommendations.

During the financial closing period, a specific test is performed to ensure control over significantly unusual transactions (e.g. through data mining software), accounting checks and adjustments at the end of the relevant financial period, company transactions and critical estimates.

The combination of all these controls ensure the reliability of financial results. Regular internal and external audits also contribute to financial reporting quality.

In identifying those risks that may affect the achievement of financial reporting objectives, the management takes into account the possibility of misreporting associated with fraud and takes appropriate action where internal control needs to be strengthened. Internal Audit performs specific audits based on the risk assessment for potential fraud, with a view to avoiding and preventing any instances of fraud, and data mining software is used in areas susceptible to fraud.

— Information and communication

Elia communicates relevant information to its employees to enable them to fulfil their responsibilities and achieve their objectives. Financial information is needed for budgeting, forecasts and ensuring compliance with the regulatory framework. Operational information is also vital for the production of various reports, essential for the well-functioning of the company. As such, Elia records recent and historical data needed for corporate risk assessments. Multiple communication channels are used: manuals, memos, emails, bulletin boards and intranet applications.

Established information systems are used to structure information from a range of different sources so as to ensure: (i) transactions are recorded and monitored in real time; (ii) data is entered within a time-frame and at a level of detail that meets risk management requirements; (iii) the quality of information through discussions at different levels: the information owner validates the relevant data before publication, the management checks its accuracy and reliability, and IT risks (such as the quality of IT developments or the stability of data transmission) are followed up by action plans.

Financial results are reported internally and validated at different levels. The management responsible for financial reporting regularly meets other internal departments (operational and control departments) to identify financial reporting data. It validates and documents the critical assumptions underpinning booked reserves and the company's accounts.

At Group level, consolidated results are broken down into segments and validated by means of a comparison with historical figures and a comparative analysis between forecasts and actual data. This financial information is reported monthly to the Management Committee and is discussed quarterly with the Audit Committee. The Chairman of the Audit Committee then reports to the Board of Directors.

— Monitoring

Elia continually re-evaluates the adequacy of its risk management approach. Monitoring procedures include a combination of monitoring activities carried out as part of normal business operations, in addition to specific ad-hoc assessments on selected topics.

Monitoring activities include (i) monthly reporting of strategic indicators to the Management Committee and the management; (ii) follow-up on key operational indicators at departmental level; (iii) a monthly financial report including an assessment of variations as compared with the budget, comparisons with preceding periods and events liable to affect cost controlling.

Consideration is also given to third-party feedback from a range of sources, such as (i) stock market indices and reports by ratings agencies; (ii) share value; (iii) reports by federal and regional regulators on compliance with the legal and regulatory framework; (iv) reports by security and insurance companies.

Comparing information from external sources with internally generated data and ensuing analyses allows Elia to keep on making improvements.

Internal Audit also plays a key role in monitoring activities by conducting independent reviews of key financial and operational procedures in view of the various regulations applicable to Elia. The findings of those reviews are reported to the Audit Committee to help it monitor internal control and risk management systems and corporate financial reporting procedures.

The Group's legal entities are also subject to external audits, which generally entail an evaluation of internal control and remarks on (annual and quarterly) statutory and consolidated financial results. External auditors make recommendations for improving internal control systems. The recommendations, action plans and their implementation are reported annually to the Audit Committee, which in turn reports to the Board of Directors on the independence of the auditor or statutory audit firm and drafts a motion for a resolution on the appointment of external auditors.

— Regulatory and income risks

International

The two transmission system operators in the Elia Group strive to proactively anticipate European legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian and German law in order to minimise uncertainties.

Elia and 50Hertz are European leaders when it comes to the components of the European Commission's third package of directives aimed at developing a single electricity and gas market, as regards both the independence and impartiality of the management.

The provisions of the third package were transposed into Belgian and German law. Under these provisions, Elia System Operator and 50Hertz are subject to new procedures, such as certification as a full-owned unbundled TSO. The application of these new procedures may include regulatory risks for both companies. Both Elia and 50 Hertz have received certification as ownership unbundled transmission system operator but need to constantly stay in line with the obligations of such a certification. In addition, both Elia and 50Hertz continue to actively participate in projects designed to arrive to the Single European Energy Market, as envisaged by the European Commission.

While this authorisation is not limited in time, it can be revoked if Elia or 50Hertz do not have, inter alia, the personnel, technical and/or financial means to guarantee the continuous and reliable operation of the network in accordance with the applicable legislation, as well as the unbundling obligations as described in article 9 of the EU Electricity Directive. Such a revocation will have an adverse material impact on Elia and/or 50Hertz.

Elia and 50Hertz are also founding members of the European Network of Transmission System Operators for Electricity (ENTSO-E), which was set up in December 2008 and brings together 41 transmission system operators from 34 countries, including the EU Member States. Amongst other things, ENTSO-E performs the role of the European Network of Transmission System Operators provided for in the third package.

National

The Belgian legal framework was established when the first EU Directive on the internal electricity market was transposed by the Electricity Act of 29 April 1999. The amendment from 8 January 2012 adapted the Electricity Act to comply with the third package of European directives.

The company's net profit is largely determined by a fair return mechanism. In addition, and for the period 2012-2015, there exist two 'incentive' components spread over four years. Elia's result is therefore influenced annually by changes to Belgian linear bonds (10-year OLOs), by its ability to achieve and/or exceed the efficiency improvement factor, and by the federal regulator's analysis of the various budget items.

On 22 December 2011, the tariffs and mechanisms determining Elia's profitability as Belgium's transmission system operator were approved by CREG for a new four-year tariff period, effective 1 January 2012. The methodology used by CREG to adopt that approval was provisional since the third package of European directives had not been transposed into Belgian law by that date.

Following the annulment of the tariffs approved by CREG by the Brussels Court of Appeal in February 2013, the CREG has approved the adjusted tariff proposal submitted by Elia on the basis of the adapted transmission tariff calculation method on May 16th 2013. These new tariffs led to a new appeal by other third parties, which is still pending. There is in general a legislative and regulatory uncertainty which Elia takes into consideration.

With its decision of 18 December 2014 pertaining the tariff methodology for the transmission grid and electricity grid having a transmission function, the CREG has established a stable methodology. This methodology will be used to set the transmission tariffs for the next regulatory period(s) from 2016-2019. Elia will need to provide a tariff proposal in 2015, which will enable it to fulfil its obligations.

Elia's turnover also depends on the energy transported through its grid, and therefore on the level of business activity of its customers and the society it serves at large, including the fast increase in decentralised electricity generation being directly injected to the distribution networksThe decline in residential and industrial electricity consumption prompted by the slowdown in economic activity since 2009 may result in differences between actual electricity volumes being transmitted and those estimations built into the 2012-2015 tariffs as approved by the regulator.

Any deficit and/or extra costs incurred as a result, such as additional financing needs, must be offset by the tariffs for the next regulatory period, under prevailing legislation. The impact on the electricity consumption and injection of Elia's various customer segments and the uncertainty surrounding the outlook for improving levels of business activity amongst industrial clients pose a risk to Elia's cash flow.

Elia's income is influenced by the dividends received from companies in which it has shareholdings, in particular those of 50Hertz, via Eurogrid International.

The tariffs charged by 50Hertz are subject to regulation by the German federal regulatory agency, Bundesnetzagentur (BNetzA). Decisions made and actions taken by the BNetzA under the current regulatory framework may have a substantial impact on 50Hertz.

Furthermore, the German regulatory framework governing the activities of 50Hertz is subject to extensive European, national and regional legislation and regulation. Even though 50Hertz tries to anticipate European legislation, new directives and regulations in preparation at the European level or existing regulations and directives awaiting transposition into national law (such as those included in the Third Energy Package) may always cause uncertainties.

The legislation and directives regarding the renewable energy sources may also have a great impact on 50Hertz's liquidity. Changes in the legislation may lead to significant variations on the current regulatory and/or liquidity risk.

Regional

The regulatory framework entails risks at regional level in Belgium. For instance, contradictions between the various regulations, including the grid codes, can hinder the exercise of the company's activities. The further development of and changes to these regulations may also impact the company's liability in the event of a power outage on the grid or – in the context of a reform of the State – the division of powers between federal and regional authorities, including the power to approve transmission tariffs.

In addition, the regulatory uncertainty surrounding certain surcharges linked to, among other things, the green certificates mechanism means a risk that may affect cash flow and investment requirements.

— Operational risks

Energy balance

Every year, Elia and 50Hertz Transmission seek to contract the reserves needed to ensure continual balance between production and consumption in their respective zones. To that end, they analyze, both at national and European level, how the growing proportion of intermittent renewable energy generation units can be safely integrated without compromising the energy balance. The growth across Europe in the number of cogeneration and renewable energy units connected to distribution systems and the future connection of large offshore wind farms also create new challenges for operational grid management and require the further development of their infrastructure.

A new and important development during 2014 has been the negative evolution of Belgium's national electricity production, as a result of closures and mothballing of production units, resulting in an overall decrease in the production capacity available to Belgian consumers.
A consequence of this supply conditions has been the creation of Strategic Reserves of electricity for the 2014-2015 winter period. These reserves consist of earmarked and reserved electricity generation capacity sitting outside the electricity market, to be called upon by the TSO, in case shortages of electricity supply occur.

During 2015 Elia expects the closure and mothballing of electricity production units to continue, worsening an already severe situation on the supply side, and hence the need to continue using Strategic Reserves to levels considered prudent.

In addition, changing trends in offtake and injection and the enhancement of interconnection capacity between EU member states are dependent on securing permits and approvals from local, regional, national and international authorities. The need to obtain such approvals and permits within certain timeframes represents a critical challenge to timely implementation. Moreover, these approvals and permits can be contested in the relevant courts.

Finally, in addition to increased volumes of decentralised, intermittent electricity production and a weaker centralised electricity production capacity, Elia is simultaneously facing an ageing asset base. All three factors make the maintenance of energy balance more complex.

Power outages

The reliability of the transmission systems operated by Elia and 50Hertz is among the best in Europe. Nonetheless, unforeseen events, such as unfavourable weather conditions, may occur to a degree which interrupts the smooth operation of one or more infrastructure components. In most cases, these incidents have no impact on consumers' power supply because the meshed structure of the grids operated by Elia and 50Hertz means that consumers can be reached via a number of different connections. However, in extreme cases an incident in the electricity system may lead to a local or widespread outage (known as a blackout). Such outages may be caused by natural phenomena, unforeseen incidents or operational problems, either in Belgium or abroad. The Elia Group regularly holds crisis management drills so that it is ready to deal with the most unexpected and extreme situations. In the event of an error attributable to Elia, the general terms and conditions of its contracts limit the liability of Elia and 50Hertz to a reasonable level, while its insurance policy is designed to limit some of the financial repercussions of these risks.

Risks associated with electronic, it and telecommunication equipment

The incorporation and embedding of electronic, IT and telecommunication technologies in electricity transmission systems for the purposes of operational management, communication and surveillance (such as smart grids) modifies the nature of electricity systems and infrastructure used by TSOs such as Elia and 50Hertz.

Failures in the telecommunications network or IT systems used to operate the electricity system may harm the latter's performance. Elia takes appropriate measures to back up the IT network and associated systems to the maximum extent allowed by technical and financial considerations.
It has drawn up and regularly tests recovery plans for the most critical IT systems. However, component failures in the telecommunication network and IT systems are impossible to rule out. Where systems do fail, Elia will strive to minimise the impact on customers.

Environmental risk

Elia's results may be affected by outgoings needed to keep up with environmental legislation, including costs associated with implementing preventive or corrective measures or settling third-party claims. The company's environmental policy is developed and monitored in such a way as to manage these risks. Where Elia or 50Hertz might in any way be liable for decontamination, the appropriate provisions are set aside. Analyses are under way for both classical environmental risks and electric and magnetic fields, and they could lead to a revision of existing provisions or the adoption of new provisions.

Permitting risk

Both Elia and 50Hertz work have a duty to build an electricity grid consistent with the energy needs of its respective client base and the move by the energy industry into decentralised electricity generation, which necessitates a reinforced electrical grid.

To this effect, electrical installations need to be upgraded or built new, which means obtaining building permits. Occasionally, obtaining permits takes place after lengthy dialogue with local populations and authorities, which may delay the building of such grid.

Risk of legal disputes

Although the company operates in such a way as to minimise the risk of legal disputes, it may nonetheless become involved in such disputes. Where necessary, the appropriate provisions are laid aside for this.

Safety and welfare

The Elia Group operates facilities where accidents or external attacks may cause bodily harm to persons.. Persons working in or near electricity transmission facilities may be exposed, in the event of an accident, error or negligence, to the risk of electrocution. The safety and welfare of individuals (both Elia personnel and third parties) is a daily preoccupation for the Elia Group's management, supervisory staff and personnel. Elia has in place a health and safety policy, undertakes safety analyses and promotes a safety culture.

Risks associated with inefficient internal control mechanisms

All internal processes can have an impact on the company's results in some way. The multi-year tariff mechanism increases the need for year-on-year increases in the company's overall efficiency. To this end, the efficiency of internal processes is monitored regularly, using performance indicators and/or audits, to ensure they are kept under proper control. This is overseen by the Audit Committee, which controls and monitors the work of the Internal Audit & Enterprise Risk Management Department.

— Financial risks

The Group is exposed to various financial risks in the exercise of its activities : market risk (namely interest rate risk, inflation risk, tax risk and limited exchange risk), liquidity risk and credit risk. The risks the company faces are identified and analysed in order to establish appropriate limits and controls and monitor risks and compliance with such limits. To this end, the Group has defined responsibilities and procedures specifically for the financial instruments to be used and the operating limits for managing them. These procedures and related systems are revised on a regular basis to reflect any changes in market conditions and the activities of the Group. The financial impact of these risks is limited, as Elia and 50Hertz are operating under the Belgian or German regulatory framework. See the 'Regulatory framework' section for further details.

To finance its investments and to achieve its short- and long-term strategic goals, Elia and 50Hertz turn to the capital markets. At the time of writing, the economic and financial environment in Europe continues to negatively affect banks and the economies of the EU member states. This European economic underperformance creates tensions on the capital and credit market in a highly interdependent financial system, and may have an impact on their ability to extend loans to companies. If this external condition of generally reduced access to credit sources would continue, it may in some cases reduce the financing capacity of Elia and/or 50Hertz. This situation could have an adverse effect on Elia's and 50Hertz's growth and on the pursuit of their objectives. Elia is partly financed by credit facilities at variable interest rates. Although a financing policy has been approved that strives to achieve an optimal ratio between fixed and variable interest rates and appropriate financial instruments are used to mitigate the financial risk, a change in interest rates can have an impact on financial charges passed on in a subsequent regulatory tariff period (or in the same period in the event of an exceptional change in charges). Financial charges are also related to the credit rating of the company. Elia cannot guarantee total protection in the event of significant movements in interest rates or in the event of a downgrading of its rating, or Eurogrid GmbH's rating. For more information, see the section on 'Financial risk and financial derivatives' in the annual report.

With the advent of new Belgian laws and regulations governing the decentralised production of renewable energy, notably via photovoltaic solar panels and windmills, the federal and regional governments have authorised the issuance of so-called 'green certificates', which are used as a financial support instrument for the renewable energy. The obligation for Elia to buy these certificates at a guaranteed minimum price poses a cash-flow risk, as 'green certificates' are effectively used as 'call' options and hence its execution is uncertain. Consequently, Elia is subject to unforeseeable influxes of large numbers of 'green certificates', which Elia is obliged to purchase, representing a risk to Elia's cash flow. However, Elia has the possibility to ask the CREG to adapt the tariffs so as to recover possible shortcomings between the expenses due to public service obligations and the cash-flow generated by the approved surcharges meant to cover such expenses. In order to try to avoid a large increase onthis tariff, the Walloon government created and confirmed the legal possibility for Elia to ask for the placement of green certificates to an approved external party with the objective of temporarily limit the amount of green certificates to be purchased.

Elia has in place regulatory and cash-planning Grid mechanisms which allows it to partially reduce the cash impact that this risk may pose. The unforeseeable nature of the execution of the 'call' options prevents Elia from guaranteeing total protection in the event of significant variations in either the guaranteed minimum price or the volume of 'green certificates', the market prices for 'green certificates', or the evolution in the legal and regulatory environments at Federal and Regional levels.

Similarly, 50Hertz is exposed to a cash-flow risk as it is obliged to buy the electricity generated by renewable sources for a fixed price, but to sell it at variable prices dictated by the market.

— Atlantic Wind Connection

This project relates to the future construction of the first direct current high-voltage offshore grid, located off the East Coast of the United States. Elia is part of the consortium of companies that own the project. Elia takes account of the risks inherent in a business activity in a country whose legislative and regulatory framework and whose permitting procedures are different, while also factoring in the project's financial aspects and governance.

— Contextual factors

Macro-economic risks

For some time now, all European economies have faced greater uncertainty and volatility, while the economic recovery expected after the multifaceted financial crisis that emerged in 2007/2008 has not materialised, leaving European economies in a vulnerable condition.

Six years after the start of the financial crisis, economic stagnation and a historically highly leveraged and weak financial system persist. Deficient aggregate demand remains, at different degrees, in all economies. Investment and consumption are not yet buoyant enough to generate economic growth at levels that can create employment, repay debt and regenerate a virtuous economic cycle.

At the same time, the financial system in Europe remains fragile, with a concentration of banking and financing institutions not preventing a generally high ratio of assets to equity. Towards the end of 2014, signs were appearing that deflation may be setting in and spreading, reminiscent of Japan's two lost decades of underwhelming economic performance. Unlike Japan however, Europe, despite high levels of economic integration, remains a group of intermeshed national economies with very diverging economic strength, diverging household savings ratios and a monetary union that, although stronger than in 2012, remains partially complete.

Just as importantly, political unity among European member states regarding the long-awaited economic recovery is being tested as per the end of 2014. Political disagreements persist at domestic and intra-european levels on the best set of economic policies for the foreseeable future, which can prevent a swift and complete economic recovery. In particular, concerns about the management of Greece's debt spilling over the financial markets and the monetary union remain high.

Although oil prices have returned somewhat closer to its historical mean, and there are expectations that the European Central Bank may activate in 2015 some version of US Federal Reserve and Bank of England's 'quantitative easing', which consist essentially in buying financial assets to inject liquidity into the system.

A period of economic stagnation, the risk of deflation and bouts of volatility in the financial markets cannot be ruled out for the foreseeable future. This condition would be pernicious to the economic strength of the individuals and societies on which ultimately utility companies such as Elia depend on.

Finally, geopolitical tensions in Ukraine between Western Europe and Russia remain high, representing a risk to the reliability of Russian gas flows. Although there is a strong argument that at ca.$50-€60 a barrel of oil, Russia needs to compensate loss of oil income with gas income, interruptions of gas flows for reasons other than economic, cannot be ruled out. If this risk were to materialise, and given the European dependence on Russian gas, it could have negative effects on the overall capacity in Europe to feed the European grid, at a time when nuclear-based spare capacity continues to decrease.

Human resources risk

Elia pursues an active branding and recruitment policy to maintain an appropriate level of expertise and know-how in a tight labour market. This is an ongoing risk, bearing in mind the highly specialised and complex nature of its business.

Image risk

Generally speaking, circumstances may arise that have a negative impact on the company's image. Elia has an internal control mechanism to guarantee the confidentiality of data. Despite this, external parties may pass on information in their possession that could have an impact on The Company's Share Price.

Miscellaneous

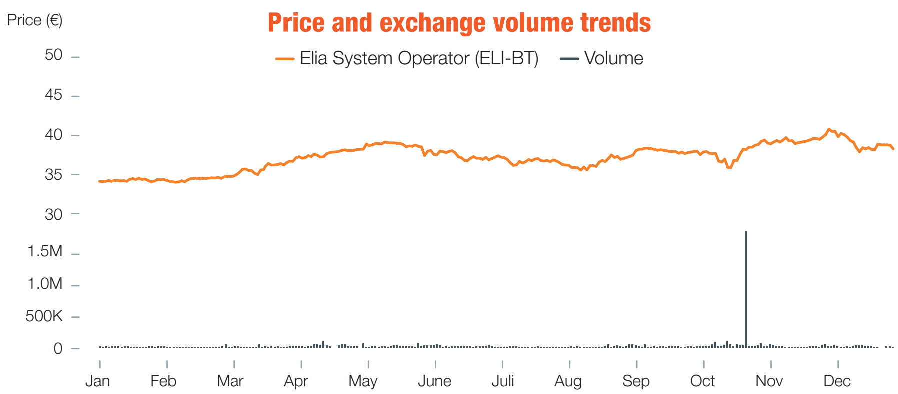
Elia realises that there might be other risks of which the company is not yet aware. Some risks may seem limited today but increase in the future. The subdivisions used give no indication of the potential consequences of the listed risks.

The Elia share in 2014

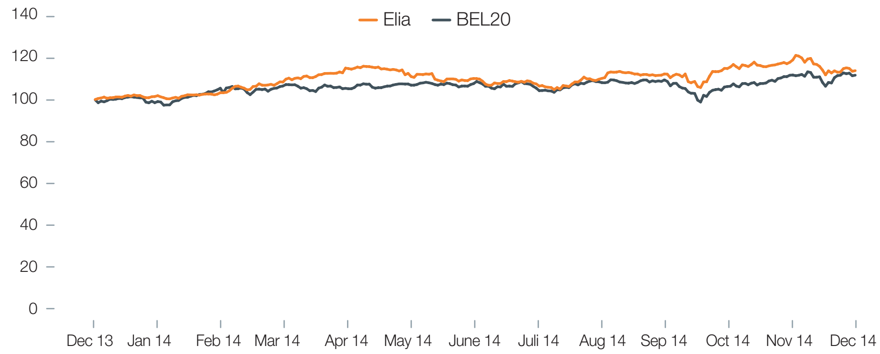
Elia on the stock exchange

The share price followed a positive trend in the first half of the year. After the dividend payment in June, the share was affected by the crisis before peaking in December.

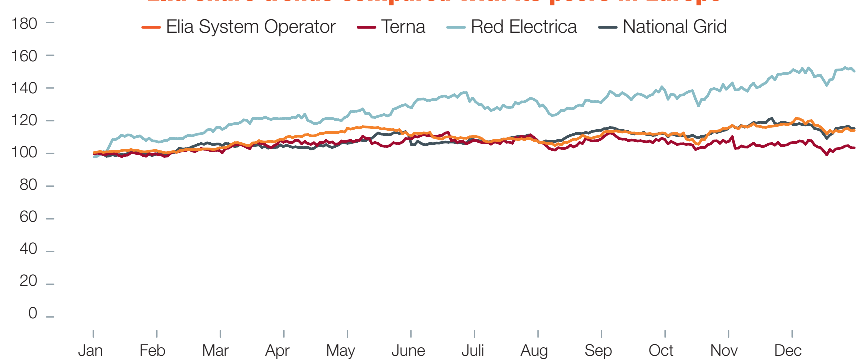
Price and exchange volume trends



Elia share trends compared with the Bel20 index



Elia share trends compared with its peers in Europe



The Elia share's closing price at the end of 2014 was €38.51, compared with €33.70 at the end of 2013, a rise of 14.3%.

The lowest price in 2014 was €33.53 on 5 February, while the highest price was €41.23 on 2 December.

The liquidity of the share rose by 95.6% (from 38,142 shares per day on average in 2013 to 74,623 in 2014). This was mainly owing to the impact of the transaction by Katoen Natie in late October 2014.

With 60,738,264 shares issued, the market capitalisation was €2,068,102,179 at the end of December. In 2014, 11,048,793 Elia shares were traded on the Euronext Brussels market, i.e. 40.4% of the free float.

On 31 December 2014, the Elia share was included in the BEL20 index. On that date, the Elia share accounted for 1.10%, ranking it 17th in the index.

Appointment of three liquidity providers for the Elia share

In late 2009 Elia concluded a liquidity provider contract with KBC Securities and Bank Degroof, both of which are officially recognised by NYSE Euronext. In 2014, a third contract was concluded with Belfius Bank. These three financial institutions have been continually are present in the order book for the Elia share and are involved in both sales and purchases.

Dividend

On 26 February 2015, the Elia Board of Directors decided to propose to the general meeting of shareholders of 19 May 2015, in accordance with the dividend policy and subject to approval of the profit appropriation by the annual general meeting of shareholders, a normal dividend of €93.5 million, or €1.54 per share (gross).

This gives a net dividend of €1.155 per share.

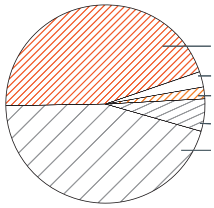
The following paying agents will pay out dividends to shareholders: BNP Paribas Fortis, ING Belgium, CBC and Belfius. Dividend payouts for shares held in a stock account will be settled automatically by the bank or stockbroker. Elia will pay out dividends on registered shares directly to shareholders.

Dividend policy

Elia is obliged by its articles of association to pay out at least 85% of profits earned in Belgium, after retaining 5% for the legal reserve. This represents a payout ratio of 53.8% of the IFRS profit stated in the report.

Following the introduction of multi-year tariffs, part of the net profit derived from offsetting decommissioning gains in the tariffs must be reserved under equity.

Shareholder structure on the closing date



55 %

the contribution of Germany to the Group's IFRS results

€ 1.54

gross dividend per share

INVESTORS

For any questions regarding Elia and its share, please contact:

Elia
Investor Relations Department
Boulevard de l'Empereur 20
1000 Brussels
Belgium
Tel.: +32 2 546 75 79
Fax: +32 2 546 71 80
E-mail: investor.relations@elia.be

Financial calendar

Event	Date
2014 annual report available on the website	Early April 2015
Interim statement for Q1 2015	15 May 2015
General meeting of shareholders	19 May 2015
Payment of 2014 dividend	Early June 2015
Publication of half-yearly results for 2015	28 August 2015
Interim statement for Q3 2015	13 November 2015

Information about the Group (press releases, annual reports, share prices, disclosures, etc.) can be found on the Elia website www.elia.be in three languages (French, Dutch and English).

Consolidated financial statements

Consolidated statement of financial position

(in millions EUR)	Notes	31 December 2014	31 December 2013 restated[1]	31 December 2013
ASSETS				
NON CURRENT ASSETS		**5,192.2**	**4,994.2**	**5,662.3**
Property, plant and equipment	(7.1)	2,478.9	2,322.5	3,629.8
Intangible assets and goodwill	(7.2)	1,735.0	1,735.0	1,758.4
Non-current tax receivables	(7.3)	138.2	131.6	132.4
Investments in equity-accounted investees	(5.1+5.2)	731.5	693.1	23.4
Other financial assets (incl. derivatives)	(7.4)	87.2	84.6	89.4
Deferred tax assets	(7.5)	21.4	27.4	28.9
CURRENT ASSETS		**504.8**	**561.5**	**869.9**
Inventories	(7.6)	14.8	14.1	16.4
Trade and other receivables	(7.7)	302.8	293.0	402.0
Current tax assets		5.0	3.3	4.7
Cash and cash equivalents	(7.8)	171.1	242.7	437.7
Deferred charges and accrued revenues	(7.7)	11.1	8.4	9.1
TOTAL ASSETS		**5,697.0**	**5,555.7**	**6,532.2**

(in millions EUR)	Notes	31 December 2014	31 December 2013 restated[1]	31 December 2013
EQUITY AND LIABILITIES				
EQUITY		**2,285.9**	**2,209.1**	**2,209.1**
Equity attributable to owners of the Company	(7.9)	2,285.1	2,209.1	2,209.1
Share capital		1,512.4	1,506.9	1,506.9
Share premium		9.9	8.8	8.8
Reserves		116.5	97.2	97.2
Hedging reserve		(16.8)	(18.1)	(18.1)
Retained earnings		663.1	614.3	614.3
Non-controlling interests		0.8	0.0	0.0
NON CURRENT LIABILITIES		**2,811.2**	**2,454.5**	**2,845.6**
Loans and borrowings	(7.10)	2,646.4	2,299.8	2,598.0
Employee benefits	(7.11)	109.3	100.4	106.9
Derivatives	(8.2)	25.4	27.5	27.5
Provisions	(7.12)	21.9	17.9	62.3
Deferred tax liabilities	(7.5)	5.7	6.4	32.8
Other liabilities	(7.13)	2.5	2.5	18.1
CURRENT LIABILITIES		**599.9**	**892.1**	**1,477.5**
Loans and borrowings	(7.10)	63.9	571.3	573.5
Provisions	(7.12)	6.5	5.8	21.6
Trade and other payables	(7.14)	301.2	201.8	506.9
Current tax liabilities		0.8	0.5	76.9
Accruals and deferred income	(7.15)	227.5	112.7	298.6
TOTAL EQUITY AND LIABILITIES		**5,697.0**	**5,555.7**	**6,532.2**

1. The companies previously consolidated proportionately are now accounted for using the equity method, and comparative figures have been restated accordingly. For more details we refer to note 3.2.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in millions EUR)	Notes	Share capital	Share premium	Hedging reserves	Foreign currency translation	Reserves	Retained earnings	Total	Non controlling interests	Total equity
BALANCE AT 1 JANUARY 2013		1,506.5	8.8	(24.3)	0.1	83.7	533.7	2,108.5		2,108.5
Profit for the period							**175.8**	**175.8**		**175.8**
OCI: cash-flow hedges	(6.7)			6.1				6.1		6.1
OCI: actuarial gain/(loss)	(7.11)						7.3	7.3		7.3
OCI: exchange differences					(0.1)			(0.1)		(0.1)
Total comprehensive income for the period, net of tax				**6.1**	**(0.1)**		**183.1**	**189.1**		**189.1**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	(7.9)	0.3	0.1					0.4		0.4
Share-based payment expenses	(6.3.2)	0.1						0.1		0.1
Transfer to legal reserve	(7.9)					13.5	(13.5)			
Dividends	(7.9)						(89.0)	(89.0)		(89.0)
Total transactions with Owners		**0.4**	**0.1**			**13.5**	**(102.5)**	**(88.5)**		**(88.5)**
BALANCE AT 31 DECEMBER 2013		**1,506.9**	**8.9**	**(18.2)**		**97.2**	**614.3**	**2,209.1**		**2,209.1**
BALANCE AT 1 JANUARY 2014		1,506.9	8.9	(18.2)		97.2	614.3	2,209.1		2,209.1
Profit for the period							**172.6**	**172.6**	**(0.2)**	**172.4**
OCI: cash-flow hedges	(6.7)			1.3				1.3		1.3
OCI: actuarial gain/(loss)	(7.11)						(10.6)	(10.6)		(10.6)
OCI: exchange differences					(0.6)			(0.6)		(0.6)
Total comprehensive income for the period, net of tax				**1.3**	**(0.6)**		**162.0**	**162.7**	**(0.2)**	**162.5**
Transactions with owners, re-corded directly in equity										
Contributions by and distributions to Owners										
Shares issued	(7.9)	4.2	1.1					5.3		5.3
Share-based payment expenses	(6.3.2)	1.3						1.3		1.3
Transfer to legal reserve	(7.9)					19.3	(19.3)			
Dividends	(7.9)						(93.3)	(93.3)		(93.3)
Total contributions and distributions		**5.5**	**1.1**			**19.3**	**(112.6)**	**(86.7)**		**(86.7)**
Changes in ownership interests										
Establishment of subsidiary with non-controlling interests	(8.5)								1.0	1.0
Total changes in ownership interests									1.0	1.0
Total transactions with Owners		5.5	1.1			19.3	(112.6)	(86.7)	1.0	(85.7)
BALANCE AT 31 DECEMBER 2014		**1,512.4**	**9.9**	**(16.8)**	**(0.6)**	**116.5**	**663.7**	**2,285.1**	**0.8**	**2,285.9**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in millions EUR)	Notes	**31 December 2014**	31 December 2013 restated[1]	31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the period		**172.4**	**175.8**	**175.8**
Adjustments for:				
Net finance costs		100.6	109.2	108.5
Other non-cash items		1.4	0.1	0.1
Income tax expense		14.5	16.7	87.3
Profit or loss of equity accounted investees, net of tax		(97.1)	(99.0)	(0.4)
Depreciation of PPE and amortisation of intangible assets		107.6	104.5	149.7
Gain on sale of PPE and intangible assets		12.7	6.4	7.7
Impairment losses of current assets		0.8	0.4	13.0
Change in provisions		(0.6)	(0.7)	(5.7)
Change in fair value of derivatives		(0.2)	(1.5)	(1.4)
Change in deferred taxes		9.3	6.6	(25.9)
Cash flow from operating activities		**321.4**	**318.5**	**508.7**
Change in inventories		(1.4)	(1.5)	(1.8)
Change in trade and other receivables		(7.0)	(59.2)	215.4
Change in other current assets		(3.1)	(4.4)	(4.4)
Change in trade and other payables		100.0	18.2	56.6
Change in other current liabilities		112.3	(19.0)	90.6
Changes in working capital		**200.8**	**(65.9)**	**356.4**
Interest paid		(125.3)	(125.3)	(134.3)
Interest received		1.5	2.7	3.2
Income tax paid		(15.9)	(16.1)	(51.3)
Net cash from operating activities		**382.5**	**114.0**	**682.8**
Cash flows from investing activities				
Acquisition of intangible assets		(7.9)	(7.6)	(10.1)
Acquisition of property, plant and equipment		(262.1)	(210.6)	(450.2)
Acquisition of subsidiary net of cash acquired		0.0	0.2	0.0
Acquisition of equity accounted investees		0.0	(0.1)	(0.1)
Acquisition of investments		0.0	0.0	(3.7)
Proceeds from sale of property, plant and equipment		0.0	0.0	1.6
Proceeds from sales of investments		0.0	11.6	11.6
Dividend received from equity-accounted investees		55.2	42.4	0.0
Net cash used in investing activities		**(214.8)**	**(164.1)**	**(450.9)**
Cash flow from financing activities				
Proceeds from issue of share capital		5.3	0.4	0.4
Expenses related to issue share capital		(0.1)	0.0	0.0
Dividends paid (-)		(93.8)	(89.3)	(89.3)
Repayment of borrowings (-)		(500.0)	(500.0)	(619.7)
Proceeds from withdrawal borrowings (+)		346.8	748.2	748.2
Other cash flows from financing activities	(8.1)	2.5	0.0	0.0
Net cash flow from (used in) financing activities		**(239.3)**	**159.3**	**39.6**
Net increase (decrease) in cash and cash equivalents		**(71.6)**	**109.3**	**271.5**
Cash & Cash equivalents at 1 January		242.7	133.4	166.2
Cash & Cash equivalents at 31 December		171.1	242.7	437.7
Net variations in cash & cash equivalents		**(71.6)**	**109.3**	**271.5**

1. The companies previously consolidated proportionately are now accounted for using the equity method, and comparative figures have been restated accordingly. For more details we refer to note 3.2.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in millions EUR)	Notes	**31 December 2014**	31 December 2013
Profit for the period		**172.4**	**175.8**
Other comprehensive income (OCI)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(6.7)	2.0	9.2
Related tax	(6.7)	(0.7)	(3.1)
Foreign currency translation differences of foreign operations		(0.6)	(0.1)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(7.11)	(15.9)	11.0
Related tax	(7.11)	5.3	(3.7)
Other comprehensive income for the period, net in tax		(9.9)	13.3
Total comprehensive income for the period		**162.5**	**189.1**
Total comprehensive income attributable to:			
Owners of the Company		162.7	189.1
Non-controlling interests		(0.2)	0.0
Total comprehensive income for the period		**162.5**	**189.1**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated income statement

(in millions EUR)	Notes	**31 December 2014**	31 December 2013 restated[1]	31 December 2013
Continuing operations				
Revenue	(6.1)	785.5	787.5	1,323.0
Raw materials, consumables and goods for resale	(6.3.1)	(5.3)	(5.2)	(32.2)
Other income	(6.2)	53.4	45.2	66.5
Services and other goods	(6.3.1)	(358.0)	(355.6)	(665.3)
Personnel expenses	(6.3.2)	(135.2)	(137.1)	(178.9)
Depreciations, amortizations and impairments	(6.3.3)	(108.3)	(104.9)	(150.0)
Changes in provisions	(6.3.3)	(4.6)	0.4	8.5
Other expenses	(6.3.4)	(27.8)	(20.9)	(26.2)
Results from operating activities		**199.7**	**209.4**	**345.4**
Share of profit of equity accounted investees, net of tax	(5.1+5.2)	97.0	99.0	0.4
EBIT[2]		296.7	308.3	345.8
Net finance costs	**(6.4)**	**(100.6)**	**(109.2)**	**(108.5)**
Finance income		10.7	13.7	14.5
Finance costs		(111.3)	(122.9)	(123.0)
Profit before income tax		196.1	199.1	237.3
Income tax expense	(6.5)	(23.8)	(23.3)	(61.5)
Profit from continuing operations		**172.4**	**175.8**	**175.8**
Profit for the period		**172.4**	**175.8**	**175.8**
Profit attributable to :				
Owners of the Company		172.6	175.8	175.8
Non-controlling interests		(0.2)	0.0	0.0
Profit for the period		**172.4**	**175.8**	**175.8**
Earnings per share (EUR)				
Basic earnings per share	(7.9)	2.84	2.90	2.90
Diluted earnings per share	(7.9)	2.84	2.90	2.90

@ Find the complete consolidated financial statements on http://annualreport.elia.be/2014

1. The companies previously consolidated proportionately are now accounted for using the equity method, and comparative figures have been restated accordingly. For more details we refer to note 3.2.
2. EBIT = Results from operating activities and share of profit of equity accounted investees, net of tax.

The accompanying notes are an integral part of these consolidated financial statements.

Reporting parameters

Registered office

This report is limited to Elia System Operator and Elia Asset, which operate as a single economic entity under the names Elia and 50Hertz Transmission.

The registered office of
Elia System Operator and **Elia Asset**
is located at
Boulevard de l'Empereur 20
1000 Brussels, Belgium

The registered office of
50Hertz GmbH
is established at
Eichenstraße 3A
12435 Berlin, Germany

The registered office of
Eurogrid International
is located at
Avenue de Cortenbergh 71
1000 Brussels, Belgium

Reporting period

This annual report covers the period from 1 January 2014 to 31 December 2014.

Contact

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Boulevard de l'Empereur 20
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Info@elia.be

This report was produced with the support of many members of the Elia Group. We would like to thank them all, and hope that we have not missed anyone out:

Adeline Larue, Alexandre Torreele, Antonio Caliaro, Aude Gaudy, Barbara Verhaegen, Bianca Berger, Benjamin Genêt, Céline Allaigre, Christel Stroobants, Christian da Cruz, Claire Tomasina, Eddy Baele, Els Celens, Frank Wellens, Frédérique Henrottin, Harald Van Outryve d'Ydewalle , Gregory Huon, Henk Vanquathem, Ingvild Van Lysebetten, Isabelle Deswez, Isabelle Gerkens, Jeroen Maes, Johan Mortier, Joost Busschaert, Julien Damilot, Katharina Fröhlich, Kristof Debrabandere, Laurent Beguin, Manuel Galvez, Marianne Celis, Marie Van den Hove, Mario Vandeputte, Martine Verelst, Olivier Feix, Patricia Haemers, Philip Janssens, Michel Antoine, Philippe Legrand, Philippe Vanden Eynde, Raphael Bourgeois, Sophie De Baets, Stefan Natis, Steven Mertens, Sareh Shahraki, Sophie De Baets, Thomas Oldenhove, Tom Schockaert, Valérie Daloze, Valérie Legat, Vincent Du Four, Viviane Illegems, Walter Geelen, Werner Brusselmans, Wim Buyse

Editing and coordination: Axelle Pollet

Summary

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DECLARATION BY RESPONSIBLE PERSONS

The undersigned Chairman of the Management Committee and Chief Executive Officer ad interim François Cornélis and Chief Financial Officer Catherine Vandenborre declare that to the best of their knowledge:

a. the consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and give a true and fair view of the consolidated financial position and results of the Elia Group and of its subsidiaries included in the consolidation;

b. the annual report for the year ended 31 December 2014 gives, in all material aspects, a true and fair view of the evolution of the business, the results and the situation of the Elia Group and of its entities included in the consolidation, as well as a description of the most significant risks and uncertainties with which the Elia Group is confronted.

Brussels, 26 March 2015

Catherine Vandenborre
Chief Financial Officer

François Cornélis[1]
CEO and President of the Management Committee *ad interim*

1. Permanent Representative of Monticello SPRL

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

(in million EUR) - Year ended 31 December	Notes	2014	2013 restated*	2013
Continuing operations				
Revenue	(6.1)	785.5	787.5	1,323.0
Raw materials, consumables and goods for resale	(6.3)	(5.3)	(5.2)	(32.2)
Other income	(6.2)	53.4	45.2	66.5
Services and other goods	(6.3)	(358.0)	(355.6)	(665.3)
Personnel expenses	(6.3)	(135.2)	(137.1)	(178.9)
Depreciations, amortizations and impairments	(6.3)	(108.3)	(104.9)	(150.0)
Changes in provisions	(6.3)	(4.6)	0.4	8.5
Other expenses	(6.3)	(27.8)	(20.9)	(26.2)
Results from operating activities		**199.7**	**209.4**	**345.4**
Share of profit of equity accounted investees, net of tax	(5.1+5.2)	97.0	99.0	0.4
EBIT		**296.7**	**308.3**	**345.8**
Net finance costs	(6.4)	**(100.6)**	**(109.2)**	**(108.5)**
Finance income		10.7	13.7	14.5
Finance costs		(111.3)	(122.9)	(123.0)
Profit before income tax		**196.1**	**199.1**	**237.3**
Income tax expense	(6.5)	(23.8)	(23.3)	(61.5)
Profit from continuing operations		**172.4**	**175.8**	**175.8**
Profit for the period		**172.4**	**175.8**	**175.8**
Profit attributable to:				
Owners of the Company		172.6	175.8	175.8
Non-controlling interests		(0.2)	0.0	0.0
Profit for the period		**172.4**	**175.8**	**175.8**
Earnings per share (EUR)				
Basic earnings per share	(7.9)	2.84	2.90	2.90
Diluted earnings per share	(7.9)	2.84	2.90	2.90

* The companies previously consolidated proportionately are now accounted for using the equity method, and comparative figures have been restated accordingly. For more details we refer to note 3.2.

** EBIT = Results from operating activities and share of profit of equity accounted investees, net of tax

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in million EUR) - Year ended 31 December	Notes	2014	2013
Profit for the period		**172.4**	**175.8**
Other comprehensive income (OCI)			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(6.7)	2.0	9.2
Related tax	(6.7)	(0.7)	(3.1)
Foreign currency translation differences of foreign operations		(0.6)	(0.1)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(7.11)	(15.9)	11.0
Related tax	(7.11)	5.3	(3.7)
Other comprehensive income for the period, net in tax		**(9.9)**	**13.3**
Total comprehensive income for the period		**162.5**	**189.1**
Total comprehensive income attributable to:			
Owners of the Company		162.7	189.1
Non-controlling interests		(0.2)	0.0
Total comprehensive income for the period		**162.5**	**189.1**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

(in million EUR)	Notes	31 December 2014	31 December 2013 restated*	31 December 2013
ASSETS				
NON CURRENT ASSETS		**5,192.2**	**4,994.2**	**5,662.3**
Property, plant and equipment	(7.1)	2,478.9	2,322.5	3,629.8
Intangible assets & goodwill	(7.2)	1,735.0	1,735.0	1,758.4
Non-current tax receivables	(7.3)	138.2	131.6	132.4
Investments in equity-accounted investees	(5.1+5.2)	731.5	693.1	23.4
Other financial assets (including derivatives)	(7.4)	87.2	84.6	89.4
Deferred tax assets	(7.5)	21.4	27.4	28.9
CURRENT ASSETS		**504.8**	**561.5**	**869.9**
Inventories	(7.6)	14.8	14.1	16.4
Trade and other receivables	(7.7)	302.8	293.0	402.0
Current tax assets		5.0	3.3	4.7
Cash and cash equivalents	(7.8)	171.1	242.7	437.7
Deferred charges and accrued revenues	(7.7)	11.1	8.4	9.1
Total assets		**5,697.0**	**5,555.7**	**6,532.2**
EQUITY AND LIABILITIES				
EQUITY		**2,285.9**	**2,209.1**	**2,209.1**
Equity attributable to owners of the Company	(7.9)	2,285.1	2,209.1	2,209.1
Share capital		1,512.4	1,506.9	1,506.9
Share premium		9.9	8.8	8.8
Reserves		116.5	97.2	97.2
Hedging reserve		(16.8)	(18.1)	(18.1)
Retained earnings		663.1	614.3	614.3
Non-controlling interests		0.8	0.0	0.0
NON CURRENT LIABILITIES		**2,811.2**	**2,454.5**	**2,845.6**
Loans and borrowings	(7.10)	2,646.4	2,299.8	2,598.0
Employee benefits	(7.11)	109.3	100.4	106.9
Derivatives	(8.2)	25.4	27.5	27.5
Provisions	(7.12)	21.9	17.9	62.3
Deferred tax liabilities	(7.5)	5.7	6.4	32.8
Other liabilities	(7.13)	2.5	2.5	18.1
CURRENT LIABILITIES		**599.9**	**892.1**	**1,477.5**
Loans and borrowings	(7.10)	63.9	571.3	573.5
Provisions	(7.12)	6.5	5.8	21.6
Trade and other payables	(7.14)	301.2	201.8	506.9
Current tax liabilities		0.8	0.5	76.9
Accruals and deferred income	(7.15)	227.5	112.7	298.6
Total equity and liabilities		**5,697.0**	**5,555.7**	**6,532.2**

* The companies previously consolidated proportionately are now accounted for using the equity method, and comparative figures have been restated accordingly. For more details we refer to note 3.2.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in million EUR)	Notes	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	Total	Non controlling interests	Total equity
Balance at 1 January 2013		1,506.5	8.8	(24.3)	0.1	83.7	533.7	2,108.5		2,108.5
Profit for the period							175.8	175.8		175.8
OCI: cash-flow hedges	(6.7)			6.1				6.1		6.1
OCI: actuarial gain/(loss)	(7.11)						7.3	7.3		7.3
OCI: exchange differences					(0.1)			(0.1)		(0.1)
Total comprehensive income for the period, net of tax				**6.1**	**(0.1)**		**183.1**	**189.1**		**189.1**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	(7.9)	0.3	0.1					0.4		0.4
Share-based payment expenses	(6.3)	0.1						0.1		0.1
Transfer to legal reserve	(7.9)					13.5	(13.5)			
Dividends	(7.9)						(89.0)	(89.0)		(89.0)
Total transactions with Owners		0.4	0.1			13.5	(102.5)	(88.5)		(88.5)
Balance at 31 December 2013		**1,506.9**	**8.9**	**(18.2)**		**97.2**	**614.3**	**2,209.1**		**2,209.1**
Balance at 1 January 2014		1,506.9	8.9	(18.2)		97.2	614.3	2,209.1		2,209.1
Profit for the period							172.6	172.6	(0.2)	172.4
OCI: cash-flow hedges	(6.7)			1.3				1.3		1.3
OCI: actuarial gain/(loss)	(7.11)						(10.6)	(10.6)		(10.6)
OCI: exchange differences					(0.6)			(0.6)		(0.6)
Total comprehensive income for the period, net of tax				**1.3**	**(0.6)**		**162.0**	**162.7**	**(0.2)**	**162.5**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	(7.9)	4.2	1.1					5.3		5.3
Share-based payment expenses	(6.3)	1.3						1.3		1.3
Transfer to legal reserve	(7.9)					19.3	(19.3)			
Dividends	(7.9)						(93.3)	(93.3)		(93.3)
Total contributions and distributions		5.5	1.1			19.3	(112.6)	(86.7)		(86.7)
Changes in ownership interests										
Establishment of subsidiary with non-controlling	(8.5)								1.0	1.0
Total changes in ownership interests									1.0	1.0
Total transactions with Owners		5.5	1.1			19.3	(112.6)	(86.7)	1.0	(85.7)
Balance at 31 December 2014		**1,512.4**	**9.9**	**(16.8)**	**(0.6)**	**116.5**	**663.7**	**2,285.1**	**0.8**	**2,285.9**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in million EUR) - Year ended 31 December	Notes	2014	2013 restated*	2013
Cash flows from operating activities				
Profit for the period		**172.4**	**175.8**	**175.8**
Adjustments for:				
Net finance costs		100.6	109.2	108.5
Other non-cash items		1.4	0.1	0.1
Income tax expense		14.5	16.7	87.3
Profit or loss of equity accounted investees, net of tax		(97.1)	(99.0)	(0.4)
Depreciation of PPE and amortisation of intangible assets		107.6	104.5	149.7
Gain on sale of PPE and intangible assets		12.7	6.4	7.7
Impairment losses of current assets		0.8	0.4	13.0
Change in provisions		(0.6)	(0.7)	(5.7)
Change in fair value of derivatives		(0.2)	(1.5)	(1.4)
Change in deferred taxes		9.3	6.6	(25.9)
Cash flow from operating activities		**321.4**	**318.5**	**508.7**
Change in inventories		(1.4)	(1.5)	(1.8)
Change in trade and other receivables		(7.0)	(59.2)	215.4
Change in other current assets		(3.1)	(4.4)	(4.4)
Change in trade and other payables		100.0	18.2	56.6
Change in other current liabilities		112.3	(19.0)	90.6
Changes in working capital		**200.8**	**(65.9)**	**356.4**
Interest paid		(125.3)	(125.3)	(134.3)
Interest received		1.5	2.7	3.2
Income tax paid		(15.9)	(16.1)	(51.3)
Net cash from operating activities		**382.5**	**114.0**	**682.8**
Cash flows from investing activities				
Acquisition of intangible assets		(7.9)	(7.6)	(10.1)
Acquisition of property, plant and equipment		(262.1)	(210.6)	(450.2)
Acquisition of subsidiary net of cash acquired		0.0	0.2	0.0
Acquisition of equity accounted investees		0.0	(0.1)	(0.1)
Acquisition of investments		0.0	0.0	(3.7)
Proceeds from sale of property, plant and equipment		0.0	0.0	1.6
Proceeds from sales of investments		0.0	11.6	11.6
Dividend received from equity-accounted investees		55.2	42.4	0.0
Net cash used in investing activities		**(214.8)**	**(164.1)**	**(450.9)**
Cash flow from financing activities				
Proceeds from issue of share capital		5.3	0.4	0.4
Expenses related to issue share capital		(0.1)	0.0	0.0
Dividends paid (-)		(93.8)	(89.3)	(89.3)
Repayment of borrowings (-)		(500.0)	(500.0)	(619.7)
Proceeds from withdrawal borrowings (+)		346.8	748.2	748.2
Other cash flows from financing activities	(8.1)	2.5	0.0	0.0
Net cash flow from (used in) financing activities		**(239.3)**	**159.3**	**39.6**
Net increase (decrease) in cash and cash equivalents		**(71.6)**	**109.3**	**271.5**
Cash & Cash equivalents at 1 January		242.7	133.4	166.2
Cash & Cash equivalents at 31 December		171.1	242.7	437.7
Net variations in cash & cash equivalents		**(71.6)**	**109.3**	**271.5**

* The companies previously consolidated proportionately are now accounted for using the equity method, and comparative figures have been restated accordingly. For more details we refer to note 3.2.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Established in Belgium, Elia System Operator SA (the 'Company' or 'Elia') has its registered office at Boulevard de l'Empereur 20, B-1000 Brussels. The company's consolidated financial statements for the 2014 financial year include those of the company and its subsidiaries (together referred to as the 'Group') and the Group's interest in joint ventures and associates.

The company is a limited liability company, with its shares listed on NYSE Euronext Brussels, under the symbol ELI.

The Elia Group is organised around two electricity transmission system operators: Elia Transmission in Belgium and (in cooperation with Industry Funds Management) 50Hertz Transmission, one of the four German transmission system operators, active in the north and east of Germany. With more than 1,900 employees and a transmission grid comprising some 18,300 km of high-voltage connections serving 30 million consumers, the Elia Group is one of Europe's top five TSOs. It efficiently, reliably and securely transmits 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 system operator activities in Belgium and Germany, the Elia Group offers businesses a range of consultancy and engineering.

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted for use in the European Union. The Group has applied all new and revised standards and interpretations published by IASB and applicable to the Group's activities which are effective for financial years starting on 1 January 2014.

2.2. Functional and presentation currency

The financial statements are presented in million euro (the functional currency of the Company), rounded to the nearest hundred thousand, unless stated otherwise.

2.3. Basis of measurement

The financial statements have been prepared on a historical-cost basis, except for the financial instruments, which are measured at fair value. Non-current assets and disposal groups held for sale are valued at the lowest of the carrying amount and the fair value less cost to sell, and employee benefits are valued at the present value of the defined benefit obligations, less plan assets. Changes in fair value of financial assets are recorded through profit or loss.

2.4. Use of estimates and judgements

The preparation of 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 which form the basis for making judgements regarding the carrying amounts of assets and liabilities. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects this period, or in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

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 is included in the following notes:

- Deferred tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In making its judgment, management takes into account elements such as long-term business strategy and tax planning opportunities (see note 6.5);
- Tax receivable: recovery of the tax receivables of Elia System Operator is deemed highly probable (see note 7.3);
- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (cf. note 8.2);
- Employee benefits: the Group has defined benefit plans which are disclosed in note 7.11. The calculation of the liabilities or assets related to these plans is based on actuarial and statistical assumptions. This is for example the case for the present value of future pension liabilities. The present value is amongst others impacted by changes in discount rates, and financial assumptions such as future increases in salary. Next to that demographic assumptions, such as average assumed retirement age, also impact the present value of future pension liabilities;
- Provisions for environmental remediation costs: at each year-end an estimate is made of future expenses in respect of soil remediation, based on the advice of an external expert. The extent of remediation costs is dependent on a limited number of uncertainties, amongst others, the identification of new soil contaminations (cf. note 7.12);
- Provisions for "litigation" 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 the duration of the associated process/procedures (cf. note 7.12);
- Impairment: the Group performs impairment tests on goodwill and on cash-generating units at reporting date, and whenever there are indicators that the carrying amount might be higher than the recoverable amount. This analysis is based upon assumptions such as market evolution, market share, margin evolution and discount rates (see note 7.2);
- Hedging: changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly

in other comprehensive income (OCI) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss (see note 8.2).

2.5. Approval by the Board of Directors

These consolidated financial statements were authorised for issue by the Board of Directors on 26 March 2015.

3. Significant accounting policies

3.1 Initial application of new, revised or amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following new, amended or revised IASB pronouncements that have been adopted as of January 1, 2014:

Not all of these standards and amendments impact the Group's consolidated financial statements. If a standard or amendment affects the Group, it is described, together with the impact hereunder.

- Amendments to IFRS 10, IFRS 11, IFRS 12 and IAS 27 – Investment Entities;
  The application of the standards IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities had a material impact on the Group's consolidated financial statements.
  The Group has applied, for the first time, the new standards mentioned above, requiring retrospective application of the change in accounting policies (see chapter 3.3 "Interests in joint arrangements") and retrospective restatement of previous financial statements. The companies previously consolidated proportionately are now accounted for using the equity method (impact of the restatement; see chapter 3.2);
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting.

Elia Group did not early adopt any new IFRS standards, amendments to standards or interpretations.

3.2 Summary of quantitative changes due to IFRS 11

SUMMARY OF QUANTITATIVE IMPACTS ON COMPARATIVE INFORMATION IN THE CONSOLIDATED INCOME STATEMENT

(in million EUR) – Year ended 31 December	2013, as previously reported	Adjustments (IFRS 11)	2013, restated
Continuing operations			
Revenue	1,323.0	(535.5)	787.5
Raw materials, consumables and goods for resale	(32.2)	27.0	(5.2)
Other income	66.5	(21.3)	45.2
Services and other goods	(665.3)	309.7	(355.6)
Personnel expenses	(178.9)	41.8	(137.1)
Depreciations, amortizations and impairments	(150.0)	45.1	(104.9)
Changes in provisions	8.5	(8.1)	0.4
Other expenses	(26.2)	5.3	(20.9)
Result from operating activities	**345.4**	**(136.0)**	**209.4**
Share of profit of equity-accounted investees, net of tax	0.4	98.6	99.0
EBIT	**345.8**	**(37.5)**	**308.3**
Net finance costs	**(108.5)**	**(0.7)**	**(109.2)**
Finance income	14.5	(0.8)	13.7
Finance costs	(123.0)	0.1	(122.9)
Profit before income tax	**237.3**	**(38.2)**	**199.1**
Income tax expense	(61.5)	38.2	(23.3)
Profit from continuing operations	**175.8**	**0.0**	**175.8**
Profit for the period	**175.8**	**0.0**	**175.8**
Profit attributable to:			
Owners of the Company	175.8	0.0	175.8
Non-controlling interests	(0.0)	0.0	0.0
Profit for the period	**175.8**	**0.0**	**175.8**
Earnings per share (EUR)			
Basic earnings per share	2.90	0.00	2.90
Diluted earnings per share	2.90	0.00	2.90

EBIT = Results from operating activities and share of profit of equity accounted investees, net of tax

SUMMARY OF QUANTITATIVE IMPACTS ON COMPARATIVE INFORMATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million EUR)	31 December 2013			31 December 2012		
	As previously reported	Adjustments (IFRS11)	Restated	As previously reported	Adjustments (IFRS11)	Restated
ASSETS						
NON CURRENT ASSETS	**5,662.3**	**(668.1)**	**4,994.2**	**5,370.5**	**(521.7)**	**4,848.8**
Property, plant and equipment	3,629.8	(1,307.3)	2,322.5	3,319.3	(1,108.0)	2,211.3
Intangible assets & goodwill	1,758.4	(23.4)	1,735.0	1,757.0	(22.9)	1,734.1
Non-current tax receivables	132.4	(0.8)	131.6	126.5	(1.3)	125.2
Investments in equity-accounted investees	23.4	669.7	693.1	34.3	613.6	647.9
Other financial assets (including derivatives)	89.4	(4.8)	84.6	90.3	(1.1)	89.2
Deferred tax assets	28.9	(1.5)	27.4	43.1	(2.0)	41.1
CURRENT ASSETS	**869.9**	**(308.4)**	**561.5**	**816.5**	**(433.3)**	**383.2**
Inventories	16.4	(2.3)	14.1	15.0	(2.1)	12.9
Trade and other receivables	402.0	(109.0)	293.0	625.7	(396.3)	229.4
Current tax assets	4.7	(1.4)	3.3	4.7	(1.3)	3.4
Cash and cash equivalents	437.7	(195.0)	242.7	166.2	(32.8)	133.4
Deferred charges and accrued revenues	9.1	(0.7)	8.4	4.9	(0.8)	4.1
Total assets	**6,532.2**	**(976.5)**	**5,555.7**	**6,187.0**	**(955.0)**	**5,232.0**
EQUITY AND LIABILITIES						
EQUITY	**2,209.1**	**0.0**	**2,209.1**	**2,108.5**	**0.0**	**2,108.5**
Equity attributable to owners of the Company	2,209.1	0.0	2,209.1	2,108.5	0.0	2,108.5
Share capital	1,506.9	0.0	1,506.9	1,506.5	0.0	1,506.5
Share premium	8.8	0.0	8.8	8.8	0.0	8.8
Reserves	97.2	0.0	97.2	83.7	0.0	83.7
Hedging reserve	(18.1)	0.0	(18.1)	(24.3)	0.0	(24.3)
Retained earnings	614.3	0.0	614.3	533.8	0.0	533.8
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0
NON CURRENT LIABILITIES	**2,845.6**	**(391.1)**	**2,454.5**	**2,650.2**	**(424.7)**	**2,225.5**
Loans and borrowings	2,598.0	(298.2)	2,299.8	2,351.1	(298.0)	2,053.1
Employee benefits	106.9	(6.5)	100.4	118.6	(6.9)	111.7
Derivatives	27.5	0.0	27.5	36.7	0.0	36.7
Provisions	62.3	(44.4)	17.9	58.4	(43.9)	14.5
Deferred tax liabilities	32.8	(26.4)	6.4	66.0	(59.4)	6.6
Other liabilities	18.1	(15.6)	2.5	19.4	(16.5)	2.9
CURRENT LIABILITIES	**1,477.5**	**(585.4)**	**892.1**	**1,428.3**	**(530.3)**	**898.0**
Loans and borrowings	573.5	(2.2)	571.3	725.9	(157.2)	568.7
Provisions	21.6	(15.8)	5.8	29.6	(20.0)	9.6
Trade and other payables	506.9	(305.1)	201.8	414.9	(231.1)	183.8
Current tax liabilities	76.9	(76.4)	0.5	40.9	(40.9)	0.0
Accruals and deferred income	298.6	(185.9)	112.7	217.0	(81.1)	135.9
Total equity and liabilities	**6,532.2**	**(976.5)**	**5,555.7**	**6,187.0**	**(955.0)**	**5,232.0**

SUMMARY OF QUANTITATIVE IMPACTS ON COMPARATIVE INFORMATION IN CONSOLIDATED STATEMENT OF CASH FLOWS

(in million EUR) – Year ended per 31 December 2013	As previously reported	Adjustments (IFRS11)	Restated
Cash flows from operating activities			
Profit for the period	**175.8**	**0.0**	**175.8**
Adjustments for:			
Net finance costs	108.5	0.7	109.2
Other non-cash items	0.1	0.0	0.1
Income tax expense	87.3	(70.6)	16.7
Share of profit of equity accounted investees, net of tax	(0.4)	(98.6)	(99.0)
Depreciation of PPE and amortisation of intangible assets	149.7	(45.2)	104.5
Gain on sale of PPE and intangible assets	7.7	(1.3)	6.4
Impairment losses of current assets	13.0	(12.6)	0.4
Change in provisions	(5.7)	5.0	(0.7)
Change in fair value of derivatives	(1.4)	(0.1)	(1.5)
Change in deferred taxes	(25.9)	32.5	6.6
Cash flow from operating activities	**508.7**	**(190.2)**	**318.5**
Change in inventories	(1.8)	0.3	(1.5)
Change in trade and other receivables	215.4	(274.6)	(59.2)
Change in other current assets	(4.4)	0.0	(4.4)
Change in trade and other payables	56.6	(38.4)	18.2
Change in other current liabilities	90.6	(109.6)	(19.0)
Changes in working capital	**356.4**	**(422.3)**	**(65.9)**
Interest paid	(134.3)	9.0	(125.3)
Interest received	3.2	(0.5)	2.7
Income tax paid	(51.3)	35.2	(16.1)
Net cash from operating activities	**682.8**	**(568.8)**	**114.0**
Cash flows from investing activities			
Acquisition of intangible assets	(10.1)	2.5	(7.6)
Acquisition of property, plant and equipment	(450.2)	239.6	(210.6)
Acquisition of subsidiary net of cash acquired	0.0	0.2	0.2
Acquisition of equity accounted investees	(0.1)	0.0	(0.1)
Acquisition of investments	(3.7)	3.7	0.0
Proceeds from sale of property, plant and equipment	1.6	(1.6)	0.0
Proceeds from sales of investments	11.6	0.0	11.6
Dividend received from equity-accounted investees	0.0	42.4	42.4
Net cash used in investing activities	**(450.9)**	**286.8**	**(164.1)**
Cash flow from financing activities			
Proceeds from issue share capital	0.4	0.0	0.4
Expenses related to issue share capital	0.0	0.0	0.0
Dividends paid (-)	(89.3)	0.0	(89.3)
Repayment of borrowings (-)	(619.7)	119.7	(500.0)
Proceeds from withdrawal borrowings (+)	748.2	0.0	748.2
Net cash flow from (used in) financing activities	**39.6**	**119.7**	**159.3**
Net increase (decrease) in cash and cash equivalents	**271.5**	**(162.2)**	**109.3**
Cash & Cash equivalents at 1 January	166.2	(32.8)	133.4
Cash & Cash equivalents at 31 December	437.7	(195.0)	242.7
Net variations in cash & cash equivalents	**271.5**	**(162.2)**	**109.3**

3.3 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 that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary 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 doing so causes the non-controlling interests to have a deficit balance.

ASSOCIATED COMPANIES

Associated companies are those companies in which the company has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised profits and losses of associated companies on the basis of the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of the losses exceeds its interest in an associated company, the Group's 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 associated company.

INTERESTS IN JOINT ARRANGEMENTS

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, as opposed to joint operations whereby 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 recognised initially at cost. 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 joint control ceases. When the Group's share of the losses exceeds its interest in joint ventures, the Group's 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.

LOSS OF CONTROL

Upon the loss of control, the Group derecognizes 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 recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

Intra-Group balances and any unrealised gains or losses or revenue and expenses arising from intra-Group transactions are eliminated when preparing the consolidated financial statements.

Unrealised gains from transactions with associated companies 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 for impairment.

3.4 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 balance sheet 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, associate, an interest in a joint arrangement or branch of the reporting entity, the activities of which 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 different from the Group's presentation currency are translated into the presentation currency as follows:

- Balance sheets are translated at the exchange rate at reporting date,
- Income statements are translated at the average exchange rate of the year,
- Shareholder's equity is translated at historical exchange rate.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, interests in joint arrangements and associates at closing exchange rates are included in shareholder's equity under "OCI: exchange differences" as part of the "Other comprehensive income". At (partial) disposal of foreign subsidiaries, joint ventures and associates, (part of) cumulative translation adjustments are recognized in the income statement as part of the gain/loss of the sale.

3.5 Financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

The Group sometimes uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate 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 recognised initially at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the income statement. Where derivative financial instruments qualify for hedge accounting, the reflection of any resultant 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 other comprehensive income (“OCI”) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. 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 terminates, 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.

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 of foreign currency gains and losses.

3.6 Balance sheet items

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Items of property, plant and equipment are stated at cost (including the directly allocated costs such as finance costs) less accumulated depreciation and impairment losses (see chapter “Impairment”). The cost of self-produced assets comprises the cost of materials, of direct labour and, where relevant, of the initial estimate of the costs of dismantling and removing the assets and restoring the site where 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.**

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, 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 table hereafter.

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

• Administrative buildings	2.00%
• Industrial buildings	2.00 – 4.00%
• Overhead lines	2.00 – 4.00%
• Underground cables	2.00 – 5.00%
• Offshore cables	2.50 – 5.00%
• Substations (facilities and machines)	2.50 – 6.67%
• Remote control	3.33 – 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%

Dismantling obligation

Provision is made for decommissioning and environmental costs, based on future estimated expenditures, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditures that relate to property, plant or equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated economic useful lives; otherwise such changes are recognised in the income statement.

The unwinding of the discount is included within the income statement as a financing charge.

De-recognition

An asset is no longer recognised on the balance sheet when the asset is subject to disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the de-recognition of the asset from the balance sheet (which is 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 / other expenses, during the year in which the asset was derecognised from the balance sheet.

INTANGIBLE ASSETS

Business combinations and goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates 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 at 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 achieved 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 bargain purchase gain 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.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination 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 re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment (see chapter "Impairment"). In the case of associated companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associated company.

Computer software

Software licences acquired by the Group are stated at cost less accumulated amortisation (see hereafter) and impairment losses (see chapter "Impairment").

Expenditure for research activities undertaken with the prospect of developing software within the Group is recognised in profit or loss as expenditure as incurred. Expenditure for 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 likely;
- the Group plans - and has sufficient resources - to complete development;
- the Group plans to use the software.

The capitalised expenditure includes 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 incurred.

Licenses, 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 expenditure as 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 is 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.

INVESTMENTS

Each type of investment is recognised on the date of the transaction.

Investments in equity securities

Investments in equity securities are undertakings in which the Group does not have significant influence or control. This is the case in undertakings where the Group owns less than 20% of the voting rights. Such investments are designated as available-for-sale financial assets and are measured at fair value. Any resulting changes in fair value, except those related to impairment losses, are recognised directly in other comprehensive income ("OCI"). On disposal of an investment, the cumulative gain or loss previously recognised directly in OCI is recognised in profit or loss.

The equity investees are measured at cost if there is no quoted price in an active market and the fair value cannot be measured reliably.

Investments in debt instruments

Investments in debt securities classified as held for trading purposes or as being available-for-sale are carried at fair value, with any resulting gain or loss respectively recognised in profit or loss or directly in equity. The fair value of these investments is determined as the quoted bid price at the end of the reporting period. Impairment charges and foreign exchange gains and losses are recognised in profit or loss. Investments in debt securities classified as held to maturity are measured at amortised cost.

Other investments

Other investments held by the Group are classified as available-for-sale and are measured at fair value, with any resulting gain or loss recognised directly in equity. Impairment charges are recognised in OCI (see chapter "Impairment").

TRADE AND OTHER RECEIVABLES

Construction work in progress

Construction work in progress is stated at cost price plus profit based on progress made to date, less a provision for foreseeable losses and less progress billing. The cost price comprises all expenditure directly related to specific projects, plus an allocation of fixed and variable overheads incurred during the Group's contract activities based on normal operating capacity.

Trade and other receivables

Trade receivables and other receivables are measured at amortized cost, less the appropriate allowance for amounts regarded as unrecoverable.

INVENTORIES

Inventories (spare parts) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less 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.

CASH AND CASH EQUIVALENTS

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

IMPAIRMENT – NON FINANCIAL ASSETS

The carrying amount of the Group's assets, excluding inventories (see chapter "Inventories") and deferred taxes (see chapter "Income taxes"), are 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 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 adjusted for the future.

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 to sell or 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 flow that is independent from other assets and the recoverable amount is therefore determined for the cash-generating unit (i.e. the entire high-voltage network) to which the asset belongs. This is also the level at which the Group administers its goodwill and reaps the economic benefits of acquired goodwill.

Reversals of impairment

An impairment loss in respect of 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.

IMPAIRMENT – FINANCIAL ASSETS

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investments securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current value, less any impairment loss recognized previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

SHARE CAPITAL

Transaction costs

Transaction costs in respect of the issuing of capital are deducted from the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

INTEREST-BEARING LOANS

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

EMPLOYEE BENEFITS

Defined-contribution plans

Obligations related to contributions to defined-contribution pension plans are recognised as an expense in profit or loss as incurred.

Defined-benefit plans

For defined-benefit plans, the pension expenses are assessed on an annual basis by accredited actuaries separately for each plan by using the projected unit credit method. The estimated future benefit that employees have earned in return for their service in the current and prior 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 as at the end of the reporting period on high-quality bonds which have maturity dates that approximate 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 recognizes 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 of 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’.

Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits, other than pension plans, is assessed on an annual basis by accredited actuaries. The net obligation is calculated using the projected unit credit 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 as at the end of the reporting period on high-quality bonds having maturity dates that approximate 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 as 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 past service provided by the employee and the obligation can be estimated reliably.

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.

If the Group expects to recover some or all of the provisions from a third party, the compensation is only included as a separate asset if it is virtually certain that said compensation will be awarded. The cost connected to a provision is included in profit or loss net of any compensation.

The total estimated cost of dismantling and disposal of an asset are, if applicable, recognised as property, plant and equipment and depreciated over the asset's entire useful life. The total estimated cost of dismantling and of disposal of the asset, is posted as provisions for the discounted current value. If the amount is discounted, the increase of the provision due to the lapse of time is classified as finance expenses.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost.

GOVERNMENT GRANTS

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

3.7 Income statement items

REVENUE

Revenue is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably and recovery of the compensation due is likely.

Revenues include the changes in the settlement mechanism (see note 7.15).

Revenue represents the fair value of the consideration received in the ordinary course of the Group's activities.

Goods sold and services rendered

Revenue from services and the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Construction work in progress

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. An expected loss on a contract is immediately recognised in profit or loss.

Transfer of assets from customers

The revenue from customers (financial contribution) for the construction of connections and related grid enhancement to the high-voltage grid is recognised in profit or loss on the basis of the stage reached in recovery of the underlying property, plant and equipment.

Other income

Other income is recognized when it is earned or when the related service is performed.

EXPENSES

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received to conclude the leasing agreement are recognised in profit or loss as an integral part of the total lease expenses.

FINANCE INCOME AND EXPENSES

Finance expenses comprise interest payable on borrowings, calculated using the effective interest rate method, foreign exchange losses, gains on currency hedging instruments offsetting 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 for trading purposes and impairment losses on available-for-sale financial assets as well as any losses from hedge ineffectiveness. Net finance expenses comprise interest on loans, calculated using the effective interest rate method and foreign exchange gains and losses.

Finance income includes amongst others interest receivables on bank deposits, recognised in profit or loss as it accrues using the effective interest rate method.

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 to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on taxable income of the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of 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 arrangements to the extent that it is probable that they will not reverse 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 they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend 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.

3.8 Standards and Interpretations issued but not yet effective

The standards, interpretations or amendments listed hereafter are published on the date of approval of these consolidated financial statements but are not yet effective, and the Group did not opt for early adoption:

- **IFRS 9** Financial instruments (effective 1 January 2018) reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group is reviewing the potential impact on its financial statements resulting from the application of IFRS 9;
- **IFRIC 21** Levies, initially expected to be applied as of 1 January 2014, is only applicable to financial years commencing on or after 17 June 2014. This IFRIC is not expected to have a material impact on the Group's consolidated financial statements as per 31 December 2015;
- **Amendments to IAS 19** Employee Benefits – Defined Benefit Plans: Employee Contributions introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments which become mandatory for the Group's 2015 consolidated financial statements, are not expected to have a material impact on the Group's consolidated financial statements;
- **IFRS 14** Regulatory Deferral Accounts (effective 1 January 2016) is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing IFRS preparer, this standard would not apply.);
- **Amendments to IFRS 11** Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016) The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments are not expected to have any impact to the Group;

- **Amendments to IAS 16 and IAS 38** Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016) The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments will have no impact to the Group, since the Group does not use a revenue-based method to calculate depreciations;
- **Amendments to IAS 16 and IAS 41** Agriculture: Bearer Plants (effective 1 January 2016) These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. These amendments will have no impact to the Group, since the Group has no bearer plants;
- **IFRS 15** Revenue from Contracts with Customers (effective 1 January 2017) establishes a new comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group is reviewing the potential the impact on its financial statements resulting from the application of IFRS 15
- **Annual Improvements to IFRS 2010-2012 cycle** is a collection of minor improvements to 6 existing standards. This collection, which becomes mandatory for the Group's 2015 consolidated financial statements, is not expected to have a material impact on the Group's consolidated financial statements;
- **Annual Improvements to IFRS 2011-2013 cycle** is a collection of minor improvements to 4 existing standards. This collection, which becomes mandatory for the Group's 2015 consolidated financial statements, is not expected to have a material impact on the Group's consolidated financial statements.

4. Segment reporting

4.1 Basis for segmentation

The Group has opted for a geographical segmentation since this segmentation forms the basis of the Company's internal management reporting and enables the Chief Operating Decision-Maker (CODM) to evaluate and assess the type and financial profile of its 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 Elia System Operator and the companies of which activities are directly linked to the role of Belgian transmission system operator (i.e. group before the acquisition of 50Hertz);
- 50Hertz Transmission (Germany), which comprises Eurogrid International SCRL and companies of which activities are directly linked to the role of transmission system operator in Germany.

The two operating segments also have been identified as the cash generating units of the group, as the group of assets managed by both segments independently generates cash flows.

The Chief Operating Decision-Maker (CODM) has been identified by the Group as being the Boards of Directors, the CEO's and the Management Committees of each segment. The Chief Operating Decision-Maker periodically reviews the Group's segments performance against a certain number of indicators such as revenue, EBITDA and operating profit.

The Company's geographical segments are mainly characterized by common revenue and cost drivers and the same public service mission in their respective geographical area, but they distinguish themselves mainly at the level of the specific country related regulatory frameworks. For more details around this topic we refer to the chapter on "Regulatory framework and tariffs".

The information presented to the CODM follows the IFRS accounting policies of the Group, therefore no reconciling items have to be disclosed. Intergroup transactions are concluded on an at arm's length basis.

As described by IFRS 8 the Group is required to report segment information about each operating segment that exceeds certain quantitative thresholds. Since the operational activities of Atlantic Grid and EGI (Elia Grid International NV/SA and Elia Grid International GmbH) do not exceed the threshold, the operations of Atlantic Grid have been aggregated in the reporting segment 50Hertz Transmission (Germany) and the operations of EGI in the reporting segment of Elia Transmission (Belgium), because their activities are regularly evaluated by the respective CODM's of those segments.

4.2 Elia Transmission (Belgium)

The table hereafter shows the 2014 results of Elia Transmission (Belgium)

Results Elia Transmission (in million EUR) - Year ended 31 December	2014	2013	Difference (%)
Total revenues and other income	838.9	832.7	0.7%
Depreciation, amortization, impairment and changes in	(112.8)	(104.5)	7.9%
Results from operating activities	199.7	209.3	(4.6%)
Share of profit of equity accounted investees, net of tax	2.8	0.4	600.0%
EBIT	202.6	209.7	(3.4%)
EBITDA	315.4	314.3	0.3%
Finance income	10.7	13.7	(21.9%)
Finance costs	(111.3)	(122.9)	(9.4%)
Income tax expenses	(23.8)	(23.3)	2.1%
Profit attributable to the Owners of the Company	78.4	77.1	1.7%
Consolidated statement of financial position (in million EUR)	**31 December 2014**	**31 December 2013**	**Difference (%)**
Total assets	4,989.6	4,885.9	2.1%
Capital expenditures	276.7	223.2	24.0%
Net financial debt	2,539.2	2,628.4	(3.4%)

EBITDA = EBIT + depreciation/amortisation + changes in provisions

In 2014, Elia Transmission's revenue in Belgium remained stable compared with the same period last year. The table below provides more details of changes in the various revenue components.

Total revenues and other income (in million EUR)	2014	2013	Difference (%)
Grid connection revenue	41.5	41.1	1.0%
Grid use revenue	608.5	495.8	22.7%
International revenue	56.0	67.8	(17.5%)
Ancillary services revenue	173.9	143.6	21.1%
Transfers of assets from customers	7.7	7.9	(2.3%)
Other revenue	8.1	4.3	89.2%
Other income	53.1	45.2	17.4%
Subtotal revenues & other income	**948.9**	**805.9**	**17.7%**
Settlement mechanism: to be refunded to the tariffs of current period	(36.6)	31.6	n/a
Settlement mechanism: deviations from approved budget	(73.4)	(4.7)	n/a
Total revenues and other income	**838.9**	**832.7**	**0.7%**

Grid connection revenue remained stable compared with 2013 at €41.5 million.

Grid use revenue and **ancillary services revenue** increased by respectively 22.7% and 21.1% owing to the 2013 adjustment of the costs charged to generators following introduction of the new tariffs approved by CREG in 2013. Following the Court of Appeal ruling of 6 February 2013, which annulled the earlier decision approving the transmission tariffs for 2012–2015, CREG approved an adjusted tariff proposal on 16 May 2013. In the adjusted proposal, the tariff components for generators were revised downwards and offset in the tariff components for consumers. The new tariffs for ancillary services and system operation, which are applied to the offtake of energy, took effect on 1 June 2013. The new tariffs for grid use, which are applied to power, came into effect on 1 January 2014. The excess costs charged to generators since the start of the regulatory period 2012–2015 have been reimbursed and will be recovered through the new tariffs over the period 1 June 2013 to 31 December 2015.

International revenue decreased by €11.8 million (down 17.5%), mainly due to the price evolution on the Belgian market compared to the surrounding CWE markets, which mainly impacted the revenue from the cross border exchanges between Belgium and the Netherlands.

The **revenue** from customer contributions to investments (**"transfers of assets from customers"**) remained with €7.7 million in line with 2013.

Other revenue increased by €3.8 million compared with 2013, which is a result of the increased projects for third parties Elia was engaged with in 2014. The **other income** increased by 17.4% mainly as a result of the activation of the costs made for Elia's new responsibility of the strategic reserves.

The **settlement mechanism** encompasses deviations from the **budget approved by CREG** with regard to the non-controllable costs and revenue. The operational result was up by €73.4 million, primarily as a result of higher international revenue (€46.3 million), the lower actual average OLO (€27.4 million), lower costs for ancillary services (€15.4 million) and lower net financial charges (€19.2 million). This was partly offset by the higher amount passed in the tariffs for decommissioning of fixed assets (down €3.1 million), the higher realisation of the incentive on replacement CAPEX (down €2.0 million) and the lower tariff sales (down €32.6 million) following introduction of the new tariffs approved by CREG (see above). There was also a temporary tariff surplus (€36.6 million), which is being carried forward within the current tariff period.

EBITDA (up 0.3%) remained stable at €315.4 million. The further decline in the fair remuneration due to evolution in the OLO, which decreased from 2.43% in 2013 to 1.72% in 2014, was offset by the increase in the amount passed on in the tariffs for decommissioning of fixed assets and the positive impact of the recalculations of IAS 19 and the relating amount recoverable in future tariffs. **EBIT** (down 3.4%) decreased in 2014 compared with 2013, mainly due to increased depreciations on the fixed assets.

Net **finance costs** (down 7.9%) fell by €8.6 million compared with 2013, mainly as a result of the decreased long term financial debt outstanding. In 2014 a bond of €500 million has been refinanced by the issuance of a €350 million 15-year Eurobond.

The increase in the **income tax expense** (up 1.7%) was a result of the evolution in the profit before taxes.

Consolidated profit after income tax increased by 1.7% from €77.1 million in 2013 to €78.4 million in 2014 mainly due to the following items[1]:

- decrease in regulated profit due to lower OLO (down €9.4 million);
- increase in the amount passed on in the tariffs for decommissioning of fixed assets (up €3.0 million);
- increase in the incentive on replacement investments (up €1.2 million);
- lower incentive on cost savings and revenue (down €1.2 million);
- adjustment of the provisions for employee benefits and the relating amount recoverable in future tariffs (up €7.9 million)

Total assets increased by 2.1% to €4,989.6 million, while **net financial debt** decreased by €89.2 million (down 3.4%).

4.3 50Hertz Transmission (Germany)

The table hereafter shows the 2014 results of 50Hertz Transmission's transmission system operator activities in Germany:

Results 50Hertz Transmission (Germany) (in millions EUR) - Year ended 31 December *	**2014**	**2013**	**Difference (%)**
Total revenues and other income	1,022.8	929.3	10.1%
Depreciation, amortization, impairment and changes in provisions	(62.9)	(61.7)	1.9%
EBIT	281.2	226.8	24.0%
EBITDA	344.1	288.5	19.3%
Finance income	3.7	1.5	146.7%
Finance costs	(33.5)	(0.3)	n/a
Income tax expenses	(94.5)	(63.6)	48.6%
Profit attributable to the Owners of the Company	156.8	164.4	(4.6%)
Consolidated statement of financial position (in million EUR)	**31 December 2014**	**31 December 2013**	**Difference (%)**
Total assets	3,538.8	2,744.1	29.0%
Capital expenditures	591.1	412.8	43.2%
Net financial debt	(24.9)	175.8	n/a

* Income, expenses, assets and liabilities are reported in the table at 100% (previously reported, until 31 December 2013, proportionately to the Group's 60% share in its joint ventures).
** 60% of the profit attributable to the owners of the Company is included in the Share of profit of equity accounted investees (net of income tax) of the Group.

50Hertz Transmission's revenue was up 10.1% compared with the same period last year. This increase is mainly due to higher volumes of investment and lower offsetting of regulatory deficits and surpluses from the past. These effects were partially offset by the disappearance of the double recovery of investment costs. In 2013 costs for new investments were recovered twice, namely for 2011 and for 2013, as a result of the change in the regulatory system, which took effect in 2012. All costs for new investments are recovered in the year they occur, whereas before 2012 there was a time lag of two years. Total revenues are detailed in the table below.

Total revenues and other income (in million EUR)	**2014**	**2013**	**Difference (%)**
Vertical grid revenues	883.8	906.1	(2.5%)
Horizontal grid revenues	79.9	82.8	(3.5%)
Ancillary services revenues	74.8	84.5	(11.5%)
Transfer of assets from customers	6.0	1.4	328.6%
Other income	47.6	37.3	27.6%
Subtotal revenue and other income	**1,092.1**	**1,112.1**	**(1.8%)**
Settlement mechanism: deviations from approved budget	(69.3)	(182.8)	n/a
Total revenues and other income	**1,022.8**	**929.3**	**10.1%**

Vertical grid revenue (tariffs end customers) decreased by €22.3 million (down 2.5%) primarily as a result of the decrease in the total allowed revenues by the regulator. The rise in the allowed controllable costs to be passed on as a result of the start of the new regulatory period in 2014 and the increase in the investment costs to be passed on, as a result of the increased investment activities, were more than offset by a fall in planned energy costs and by the end of the double recovery of investment costs for new investments.

1 Items 1-4 relate to the regulatory framework in Belgium.

Horizontal grid revenue (tariffs to TSOs) decreased (down 3.5%) mainly due to lower amounts of energy traded between Poland and Germany. This effect has partly been offset by the higher investment costs that need to be passed on to the other three TSO's. In Germany all offshore connection investment costs are shared across the four German transmission system operators. This means that 50Hertz bears around 20% of these costs and passes on 80% of its own connection costs to the other three TSOs.

Ancillary services revenue (down 11.5%) decreased by €9.7 million, primarily due to a fall in revenue from imbalances.

Other revenue increased by €10.3 million, primarily due to the increase in the own work capitalized which is triggered by the high investment activities.

The **settlement mechanism** includes at 50Hertz, on the one hand, the annual offsetting of deficits and surpluses arising before 2014 (€49.4 million) and, on the other, the deviations in 2014 between the costs allowed to be passed on and the actual costs (-€118.7 million). The significant operational deviation in 2014 is mainly due to the low energy costs and the higher volumes invoiced compared with the budgeted volumes.

The sharp rise in **EBITDA** (up 19.3%) and **EBIT** (up 24.0%) is mainly due to investment and some one-off effects. At the end of Q2 2014, the company received the official German Federal Network Agency (BNetzA) decision regarding the previous regulatory period. This encompassed the costs passed on in the past, allowing 50Hertz to release the recognized regulatory provisions. Furthermore, a provision relating to a court case was cancelled following a positive court judgment. These effects were partly compensated by the disappearance of the double recovery of investment costs for new investments.

Net **finance costs** were negatively influenced by both a substantial discount effect on long-term provisions (€11.8 million) and the disappearance of the one-off positive result in 2013 (€10.8 million). In 2013, the German Federal Network Agency (BNetzA) decided that congestion and auction revenue no longer needed to be incorporated into tariffs within two years but could instead be spread over a 30-year period. This is because since 2012, congestion and auction revenue has to be used to fund investment which results in better congestion management. Due to this decision the congestion and auction revenue for 2012 and 2013, which need to be passed on in the tariffs, were discounted for the first time in 2013, resulting in an important and largely one-off financial income. This year, considering the decreased interest rates, the discounting is negatively influencing the net finance costs.

The increase in **income tax expense** is a mainly a result of the change in pre-tax profit. Secondly, the final tax settlement of the tax audit for the years 2006 to 2009 led to an increased income tax expense.

The rise in the EBIT was annulled by the higher net finance cost together with the exceptional tax expense, resulting in a slight decrease in the **net profit** (down 4.6%). The decrease of €7.6 million mainly consists of the following items:

- disappearance of the double recovery of investment costs, incurred in 2012 and 2013 (down €33.6 million);
- one-off effects (up €29.8 million) (see above);
- increased cost recovery for onshore investments (up €9.6 million);
- increased cost recovery for offshore investments (up €25.9 million);
- increased allowed base year costs (up €29.5 million);
- increased OPEX (down €7.0 million);
- increased net finance costs (down €31.0 million);
- increased taxes (down €30.5 million).

Total assets rose by 29.0% to €3,538.8 million, while there was significant improvement in terms of **net financial debt** – a result of the positive inflow from the EEG mechanism (a deficit of €45.5 million at the end of 2013 as opposed to a surplus of €575 million at the end of 2014).

4.4 Reconciliation of information on segments with consolidated figures

Consolidated results (in millions EUR) - Year ended per 31 December	2014 Elia Transmission (Belgium) (a)	2014 50Hertz Transmission (Germany) (b)	2014 Consolidation entries (c)	2014 Elia Group (a)+(b)+(c)
Total revenues and other income	838.9	1,022.8	(1,022.8)	838.9
Depreciation, amortization, impairment and changes in provisions	(112.8)	(62.9)	62.9	(112.8)
Results from operating activities	199.7	281.2	(281.2)	199.7
Share of profit of equity accounted investees, net of tax	2.8	0.0	94.3	97.1
EBIT	202.6	281.2	(187.0)	296.8
EBITDA	315.4	344.1	(249.8)	409.7
Finance income	10.7	3.7	(3.7)	10.7
Finance costs	(111.3)	(33.5)	33.5	(111.3)
Income tax expenses	(23.8)	(94.5)	94.5	(23.8)
Profit attributable to the Owners of the Company	**78.4**	**156.8**	**(62.6)**	**172.6**

Consolidated statement of financial position (in million EUR)	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Total assets	4,989.6	3,538.8	(2,831.3)	5,697.1
Capital expenditures	276.7	591.1	(591.1)	276.7
Net financial debt	2,539.2	(24.9)	24.9	2,539.2

Consolidated results (in millions EUR) - Year ended per 31 December	2013 Elia Transmission (Belgium) (a)	2013 50Hertz Transmission (Germany) (b)	2013 Consolidation entries (c)	2013 Elia Group (a)+(b)+(c)
Total revenues and other income	832.7	929.3	(929.3)	832.7
Depreciation, amortization, impairment and changes in provisions	(104.5)	(61.7)	61.7	(104.5)
Results from operating activities	209.3	226.8	(226.8)	209.3
Share of profit of equity accounted investees, net of tax	0.4	0.0	98.6	99.0
EBIT	209.7	226.8	(128.2)	308.3
EBITDA	314.3	288.5	(190.0)	412.8
Finance income	13.7	1.5	(1.5)	13.7
Finance costs	(122.9)	(0.3)	0.3	(122.9)
Income tax expenses	(23.3)	(63.6)	63.5	(23.4)
Profit attributable to the Owners of the Company	**77.1**	**164.4**	**(65.7)**	**175.8**

Consolidated statement of financial position (in million EUR)	31.12.2013	31.12.2013	31.12.2013	31.12.2013
Total assets	4,885.9	2,744.1	(2,074.3)	5,555.7
Capital expenditures	223.2	412.8	(412.8)	223.2
Net financial debt	2,628.4	175.8	(175.8)	2,628.4

The Group has no concentration of customers in neither of the operating segments.

5. Equity-accounted investees

5.1. Joint Arrangements

Eurogrid International CVBA is the only joint arrangement of the Group. The company has been established by the Group together with IFM (Industry Funds Management) to acquire 50Hertz Transmission GmbH, one of the four German transmission system operators. The Group has a stake of 60% in the joint arrangement. Eurogrid International is a private entity that is not listed on any public exchange.

Eurogrid International and its subsidiaries (see note 8.5) form together the segment 50Hertz Transmission (Germany), see note 4.3.)

The following table summarizes the financial information of the joint arrangement, based on its IFRS financial statements, and reconciliation with the carrying amount of the Group's interest in consolidated financial statements.

(in million EUR) – Year ended per 31 December	2014	2013
Percentage ownership interest	**60.00%**	**60.00%**
Non current assets	2,742.4	2,229.7
Current assets	796.4	514.4
Non current liabilities	784.5	651.5
Current liabilities	1,575.5	976.4
Equity	1,178.8	1,116.2
Group's carrying amount of the investment	**707.3**	**669.7**
Revenues and other income	1,022.8	929.4
Depreciation and amortisation	(78.7)	(75.1)
Finance costs	(29.8)	(0.2)
Profit before income tax	251.3	228.1
Income tax expenses	(94.5)	(63.6)
Profit of the year	156.8	164.5
Total comprehensive income for the year	156.8	164.5
Group's share of profit of the year	**94.0**	**98.7**
Dividends received by the Group	53.9	42.5

5.2. Associates

The Group has 4 associates, all of which are equity-accounted investees.

The Group has an interest of 36.8% in Ampacimon NV/SA, which is a Belgian company active in developing innovative monitoring systems which are put at the disposal of TSO's, in order for them to be able to anticipate more quickly on changes in energy demands and offer.

APX is a provider of power exchange and clearing services for the wholesale market, operating transparent platforms in the Netherlands, the United Kingdom and Belgium. The Group has a stake of 29.2% in APX.

The Group has an interest of 28.5% in Coreso NV/SA, a company which provides coordination services for the secure operation of the high-voltage electricity system in 5 countries.

HGRT SAS is a French company who has a stake of 53.3% in Powernext, which designs and operates trading platforms for spot and derivatives markets in the European energy sector. The Group itself has a stake of 24.5% of HGRT.

None of these companies are listed on any public exchange.

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

(in million EUR)	Ampacimon		APX		Coreso		HGRT	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Percentage ownership interest	**36.8%**	**36.8%**	**29.2%**	**29.2%**	**28.5%**	**28.5%**	**24.5%**	**24.5%**
Non current assets	0.0	0.0	24.4	23.2	1.3	1.7	36.1	35.8
Current assets	1.5	0.6	459.7	595.8	2.4	1.9	2.0	0.0
Non current liabilities	0.0	0.0	3.5	4.0	0.0	0.0	0.0	0.0
Current liabilities	0.7	0.2	451.8	584.0	1.9	2.0	0.0	0.2
Equity	0.8	0.4	28.8	31.0	1.8	1.6	38.1	35.6
Group's carrying amount of the investment	**0.3**	**0.1**	**14.1**	**14.2**	**0.5**	**0.4**	**9.3**	**8.7**
Revenues and other income	1.7	0.7	26.9	27.3	7.8	6.2	0.0	0.0
Profit before income tax	0.4	(0.4)	4.5	4.2	0.4	0.3	(0.5)	(0.2)
Income tax expenses	0.0	0.0	1.1	0.4	0.2	0.1	0.0	0.0
Profit of the year	0.4	(0.4)	3.4	3.8	0.2	0.2	2.0	2.9
Total comprehensive income for the year	0.4	(0.4)	3.4	3.8	0.2	0.2	2.0	2.9
Group's share of profit of the year	**0.2**	**(0.2)**	**2.0**	**0.3**	**0.2**	**0.0**	**0.6**	**0.3**

6. Items of the consolidated income statement and other comprehensive income

6.1. Revenue

(in million EUR)	2014	2013
Revenue	777.8	779.5
Transfers of assets from customers	7.7	7.9
Total revenue	**785.5**	**787.5**

We refer to the segment reporting for a breakdown of the significant categories within the revenue of the Belgian (Note 4.2).

6.2. Other income

The following table details the “Other income”:

(in million EUR)	2014	2013
Services and technical expertise	(0.3)	1.6
Own production	17.0	16.3
Changes in other financial assets	2.6	(4.6)
Optimal use of assets	12.9	12.0
Other	20.7	19.7
Gain on sale PPE	0.5	0.2
Other operating income	**53.4**	**45.2**

The group’s own production represents the valuation of time worked on investment projects.

The optimal use of assets represents mainly income generated from contracts with Telecom operators for making available high voltage towers to several telecom operators as supporting structure for their mobile network antennas.

The section “Other” consists of recoverable amounts of claims paid by insurance companies, etc.

6.3. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in million EUR)	2014	2013
Raw materials, consumables and goods for resale	5.3	5.2
Purchase of ancillary services	164.5	163.9
Services and other goods (excl. purchase of ancillary services)	193.5	191.7
Total	**363.3**	**360.8**

The “purchase of ancillary services” includes the costs for services which enable the Group to balance generation with demand, to maintain voltage levels and to manage congestions on its grids.

The “services and other goods” are related to maintenance of the grid, services provided by third parties, insurance, consultancy, etc.

PERSONNEL EXPENSES

(in million EUR)	2014	2013
Salaries and wages	89.6	87.8
Social security contributions	26.1	25.9
Pension costs	6.2	7.6
Other personnel expenses	6.9	7.2
Share based payment expenses	1.4	0.1
Employee benefits (excl. pensions)	5.0	8.6
Total	**135.2**	**137.1**

The personnel expenses remained fairly stable as compared to 2013. The decrease is mainly the result of the decrease in employee benefit expenses, slightly compensated by the higher share-based payments expenses.

In October 2014 the Elia Group gave its personnel in Belgium the opportunity to subscribe to an Elia System Operator SA capital increase (tax and non-tax tranches). The number of shares outstanding rose by 170,035 shares without nominal value. The personnel are granted a 16.6% reduction on the quoted share price, for a total amount of €1.4 million.

For more information regarding employee benefits, see Note 7.11 Employee Benefits.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in million EUR)	2014	2013
Amortisation of intangible assets	6.5	6.8
Depreciation of property, plant and equipment	101.1	97.8
Total depreciation & amortisation	**107.6**	**104.6**
Impairment of inventories and trade receivables	0.7	0.4
Total impairment	**0.7**	**0.4**
Environmental provisions	0.9	(2.9)
Provisions for litigations	3.7	2.5
Changes in provisions	**4.6**	**(0.4)**
Total	**112.9**	**104.5**

The variance for impairment in respect of receivables during the year can be found in note 8.2 “Financial risk and derivative management”.

A detailed description is provided in other sections for intangible assets (see 7.2), Property plant and equipment (see 7.1) and provisions (see 7.12).

OTHER EXPENSES

(in million EUR)	2014	2013
Taxes other than income tax	15.2	12.9
Loss on disposal/sale of property, plant and equipment	12.6	6.6
Bonus-malus settlement of previous year	0.0	1.5
Impairment on receivables	0.1	0.0
Other operating expenses	**27.8**	**20.9**

The taxes other than income tax line mainly exist of property taxes and taxes on pylons. The increase in Loss on disposal/sale of property, plant and equipment is mainly due to the disposal of a recent transformator after a fire in the high-voltage substation of Monceau.

6.4. Net finance costs

(in million EUR)	2014	2013
Finance income	**10.7**	**13.7**
Interest income on investment trust, bank deposits, cash and cash equivalents	0.7	1.2
Other financial income	10.0	12.4
Finance costs	**(111.3)**	**(122.9)**
Interest expense on eurobonds and other bank borrowings	(105.6)	(112.0)
Interest expense on derivatives	(8.2)	(8.3)
Other financial costs	2.6	2.6
Net finance costs	**(100.6)**	**(109.2)**

The other financial income consists mainly of the moratorium interests which are computed on the tax claim (we refer to Note 6.5 below).

The interest expenses on Eurobonds and other bank borrowings decreased as a result of the lower outstanding loan amounts and lower interest rates. In 2014 a Eurobond of €500.0 million expired and a new Eurobond was issued for a lower amount (€350.0 million) and at a lower interest rate. We refer to Notes 4.2 and 8.2.

For more details on net debt and loans, see Note 7.10.

6.5. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in million EUR)	2014	2013
Current year	14.5	16.7
Adjustments for prior years	(0.0)	0.1
Total current income tax expenses	**14.5**	**16.7**
Origination & reversal of temporary differences	9.3	6.6
Total deferred taxes	**9.3**	**6.6**
Total income taxes recognised in profit and loss	**23.8**	**23.3**

RECONCILIATION OF THE EFFECTIVE TAX RATE

The tax on the company'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 as follows:

(in million EUR)	2014	2013
Profit before income tax	196.1	199.1
Income tax expenses	**23.8**	**23.3**
Income tax using the domestic corporation tax rate	66.7	67.7
Domestic corporate income tax	33.99%	33.99%
Effect of the foreign tax rate	0.1	0.0
Share of profit of equity accounted investees, net of tax	(33.0)	(33.7)
Non-deductible expenses	2.1	2.9
Adjustments prior years	(0.0)	0.1
Gain on disposal of shares	0.0	(0.9)
Tax incentives (notional interest deduction)	(18.1)	(18.7)
Utilization of DTA on NID carried forward	2.3	3.6
Fairness tax	1.6	1.7
Other tax free income	0.0	(0.1)
Other	2.0	1.9
Total income tax expenses in profit or loss	**23.8**	**23.3**

1 DTA = Deferred tax asset ; NID = Notional Interest Deduction

Deferred income taxes are further discussed in Note 7.5 ('Changes in deferred tax assets and liabilities resulting from movements in temporary differences during the financial year').

6.6. Basic earnings per share

The basic earnings per share (EPS) are calculated by dividing the net profit attributable to the shareholders of the company (€174.1 million) by the weighted average number of ordinary shares outstanding during the year (60,573,819).

Weighted average number of ordinary shares	2014	2013
Issued ordinary shares on 1st of January	60,568,229	60,555,809
Impact of the shares issued in March 2013		9,732
Impact of the shares issued in December 2014	5,590	
Weighted average number of shares on 31st of December	**60,573,819**	**60,565,541**

DILUTED EARNINGS PER SHARE

Diluted earnings per share (EPS) 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, nor convertible bonds.

Share capital and reserves per share

Share capital and reserves per share totalled €37.6 per share on 31 December 2014, compared with a value of €36.5 per share at the end of 2013.

6.7. Other comprehensive income

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

The deferred taxes and the changes in fair value booked in equity by item of other comprehensive income are as follows:

(in million EUR)	2014	2013
Derivatives	(0.7)	(3.1)
Actuarial gains (losses) on employee benefits	5.3	(3.7)
Total	**4.6**	**(6.9)**

The OCI decreased with an amount of €16.0 million due to the defined benefit plan actuarial gains and losses, less the deferred taxes amounting to -€5.3 million, which can mainly be explained by the lower discount rate.

(in million EUR)	2014	2013
Net changes in fair value of interest rate swaps	(1.3)	(6.1)
Finance income	**(1.3)**	**(6.1)**
Recognised in:		
Hedging reserve	(1.3)	(6.1)

The decrease in market value of the Group's IRS (currently still 2 running) by €2 million net of tax, can mainly be explained by the lower coupon rates as compared to end of 2013.

The hedging reserve is discussed in detail in Note 8.2.

7. Items of the consolidated statement of financial position

7.1. Property, plant and equipment

(in million EUR)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total
ACQUISITION VALUE						
Balance at 1 January 2013	149.1	4,240.1	124.1	11.6	193.8	4,718.7
Additions	9.6	39.2	11.6	0.0	155.2	215.6
Disposals	0.0	(30.6)	(2.8)	0.0	0.0	(33.4)
Transfers from one heading to another	14.8	83.5	0.0	1.6	(100.0)	0.0
Balance at 31 December 2013	**173.5**	**4,332.2**	**132.9**	**13.2**	**249.0**	**4,900.9**
Balance at 1 January 2014	173.5	4,332.2	132.9	13.2	249.0	4,900.9
Additions	7.3	66.3	11.4	1.3	182.3	268.6
Disposals	(0.1)	(43.5)	(3.1)	(2.1)	0.0	(48.8)
Transfers from one heading to another	2.7	120.7	0.2	1.4	(125.1)	0.0
Balance at 31 December 2014	**183.5**	**4,475.8**	**141.4**	**13.8**	**306.2**	**5,120.7**
DEPRECIATION AND IMPAIRMENT						
Balance at 1 January 2013	(23.6)	(2,360.2)	(113.7)	(10.1)		(2,507.6)
Depreciation	(1.4)	(91.5)	(4.1)	(0.8)		(97.8)
Disposals	0.0	24.2	2.8	0.0		27.0
Transfers from one heading to another	(0.0)	1.4	(0.0)	(1.4)		0.0
Balance at 31 December 2013	**(24.9)**	**(2,426.1)**	**(115.0)**	**(12.3)**		**(2,578.4)**
Balance at 1 January 2014	(24.9)	(2,426.1)	(115.0)	(12.3)		(2,578.4)
Depreciation	(1.9)	(93.7)	(5.4)	(0.2)		(101.1)
Disposals	0.0	32.9	3.0	1.8		37.7
Transfers from one heading to another	0.0	1.1	(0.0)	(1.1)		0.0
Balance at 31 December 2014	**(26.8)**	**(2,485.7)**	**(117.4)**	**(11.9)**		**(2,641.8)**
CARRYING AMOUNT						
Balance at 1 January 2013	125.5	1,879.9	10.4	1.5	193.8	2.211.1
Balance at 31 December 2013	148.6	1,906.1	17.9	0.9	249.0	2,322.5
Balance at 1 January 2014	148.6	1,906.1	17.9	0.9	249.0	2,322.5
Balance at 31 December 2014	156.7	1,990.1	24.0	1.9	306.2	2,478.9

An amount of €268.6 million was invested in 2014, mainly in upgrading high-voltage substations and laying high-voltage cables. For instance, the high-voltage substations at Zeebrugge (380 kV), Horta (380 kV), Van Eyck (380 kV), Hoogstraten (150 kV), André Dumont (Genk) (380 kV), Schoondale (150 kV) among others were initiated, upgraded, decontaminated and/or renovated. Furthermore, new cables were laid between Rijkevorsel, Hoogstraten and Meer (150 kV & 36 kV), between Zedelgem and Lichtervelde (36 kV) and the high-voltage lines between Van Eyck and Zutendaal (380 kV) were upgraded. Finally there were also important investment costs for a new administrative building in the Namur region.

During 2014, an amount of €6.6 million borrowing costs have been capitalised on the 2014 acquisition of the assets using an average interest rate of 4.149%.

Other liabilities relating to new investments are described in Note 8.3.

7.2. Intangible assets and Goodwill

(in million EUR)	Goodwill	Development costs software	Licences / Concessions	Total
ACQUISITION VALUE				
Balance at 1 January 2013	1,707.8	60.7	1.9	1,770.4
Acquired, own construction capitalised	0.0	7.4	0.2	7.6
Balance at 31 December 2013	**1,707.8**	**68.1**	**2.1**	**1,777.9**
Balance at 1 January 2014	1,707.8	68.1	2.1	1,777.9
Acquired, own construction capitalised	0.0	8.0	0.1	8.1
Disposals		(1.6)	0.0	(1.6)
Balance at 31 December 2014	**1,707.8**	**74.5**	**2.1**	**1,784.4**
DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2013	(0.0)	(34.9)	(1.2)	(36.1)
Amortisation		(6.5)	(0.3)	(6.8)
Balance at 31 December 2013	**(0.0)**	**(41.4)**	**(1.5)**	**(42.9)**
Balance at 1 January 2014	(0.0)	(41.4)	(1.5)	(42.9)
Amortisation		(6.2)	(0.2)	(6.5)
Balance at 31 December 2014	**(0.0)**	**(47.7)**	**(1.7)**	**(49.4)**
CARRYING AMOUNT				
Balance at 1 January 2013	1,707.8	25.8	0.7	1,734.3
Balance at 31 December 2013	1,707.8	26.6	0.6	1,735.0
Balance at 1 January 2014	1,707.8	26.6	0.6	1,735.0
Balance at 31 December 2014	1,707.8	26.8	0.4	1,735.0

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

See Note 6.3 for the impact of depreciations in intangible assets on profit or loss.

The goodwill, which is allocated to the CGU Elia Transmission (Belgium), amounting to €1,707.8 million, relates to the following past transactions:

(in million EUR)	2014	2013
Acquisition of participations in Elia Asset by Elia System Operator - 2002	1,700.1	1,700.1
Acquisition of participations in Elia Engineering by Elia Asset - 2004	7.7	7.7
Total	**1,707.8**	**1,707.8**

IMPAIRMENT TEST FOR CASH-GENERATING UNIT ELIA TRANSMISSION (BELGIUM) CONTAINING GOODWILL

In 2002, the acquisition of Elia Asset by the company for an amount of EUR 3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference is the result of the difference between acquisition value of this economic entity and carrying amount of the assets of Elia Asset. This difference consists of different elements 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 Elia is the owner of the whole very-high-voltage network and is the owner of (or has the right to use) 94% of the high-voltage network, and hence only Elia is entitled to propose a development plan, and (iii) Elia had the TSO know-how.

At the date of acquisition, the qualification or the quantification in euro of these elements could not be performed on an objective, transparent and reliable basis and therefore, the difference could not be allocated to specific assets and was considered unallocated. Therefore, this difference has been recognised as goodwill since the first adoption of IFRS at 1 January 2005. The regulatory framework, in particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable as from 2008 onwards, did not have an impact on this accounting treatment. The goodwill, as 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 the 'regulated activity in Belgium', which will also be considered as one cash-generating unit.

As a result, the company assigned the carrying amount of the goodwill to one unit, the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and did not result in recognition of any impairment losses. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually as the higher of their fair value less cost to sell or value in use, applying the assumptions hereafter and using the following valuation methods.

The impairment test was conducted by an independent expert and was based on the following valuation methods and applying the following assumptions (according to fair value less cost to sell methodology):

- discounting of future cash flows and using the “Regulated Asset Base” or “RAB” as the basis for the estimation of the terminal value;
- discounting of future dividends;
- comparison between the previously mentioned impairment methods and those used by some comparable West European listed companies, such as Red Electrica España, Enagas, Terna, Snam Rete Gas, National Grid and Fluxys;
- market valuation based on the company’s share price.

The future cash flows and future dividend methods are based on the business plan for the period 2012-2020 of Elia Transmission Belgium.

The key assumptions used for this valuation are

- risk-free rate of 3.5%, based on Belgian 10-year bond rates;
- cost of debt of 4.0%;
- tax rate of 33.99%;
- market risk premium of 5.5%;
- perpetual growth rate of 1.0%.

The independent analysis did not result in the identification of an impairment of goodwill in 2014.

With regard to the assessment of the recoverable amount, management believes, based on the analysis of an external expert, and the current knowledge, that no reasonably possible change in any of the above key assumptions would cause material impairment losses.

7.3. Non-current tax receivables

(in million EUR)	2014	2013
Tax receivables	138.2	131.6
Total	**138.2**	**131.6**

The amount of tax receivables consists of the basic amount of tax receivable (€93.8 million) and the cumulative moratorium interests (€44.4 million) that the company could recover in the future. A detailed description can be found hereunder.

TAX ASSESSMENT

Elia received a tax assessment in early 2008 in view of taxation of the remaining tariff surpluses as at 31 December 2004. The income taxes paid total €93.8 million, including an administrative charge of 10% and an increase due to insufficient prepayments. Having consulted its tax advisor and CREG and given that similar tariff surpluses accounted for by other companies in the sector were not taxed, Elia management decided to file a complaint that was rejected by the tax authorities. By matter of consequence, Elia filed a judicial claim for the full amount, including moratorium interest.

In 2009, the tax authorities made a similar decision on the increase of tariff surpluses in 2005 and 2006. Elia received a tax assessment of €35.8 million, including an administrative charge of 10% and an increase due to insufficient prepayments, and decided to file a complaint about this in line with the case of 2004.

The tariff surpluses that led to the additional assessment are systematically settled in tariffs over the years to come (refund to consumers) in accordance with CREG decision, meaning that this solely is a matter of a timing difference between a surplus generated in the past and a refund in the subsequent years.

If Elia's complaint is rejected, the corporate income tax paid on the remaining surpluses will automatically be offset by 'recoverable taxes' on the refund given to consumers in 2005, 2006 and 2007 and subsequent periods. In that way the basic amount of the corporate income tax can be recovered in full. If a balance is still outstanding, it will be settled using the tariff mechanism.

On Friday 23 December 2011, the Brussels Court of First Instance ruled in favour of Elia in its tax dispute with the Belgian tax authorities. As a result of the ruling, the tax authorities must reimburse Elia €118.4 million, consisting of €80.2 million in taxes that were paid twice and which therefore must be reimbursed with 100% certainty, €5.1 million in prepayments, €8.5 million in administrative tax increase and €24.6 million in interest. However the tax authorities lodged appeal on 6 February 2012, thus suspending the ruling by the Court of First Instance. The Court of Appeal is not expected to rule on the case until 2016 at the earliest.

7.4. Other financial assets

(in million EUR)	2014	2013
Immediately claimable deposits	13.3	13.3
Available for sale assets	0.3	0.3
Other	73.7	71.0
Total	**87.2**	**84.6**

'Immediately claimable deposits' measured at fair value for which the changes in fair value are recognised in OCI. The risk profile of these investments is discussed in Note 8.2.

The item 'Others' is related to a recoverable amount of a portion of the pension liability - see Note 7.11. No impairment was recognized on the available for sale assets.

7.5. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million EUR)	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	1.2	(21.3)	0.9	(16.8)
Intangible assets		(9.0)		(9.0)
Inventories		(1.0)		(0.9)
Interest-bearing loans and other non-current financial liabilities	7.2		8.2	
Employee benefits	37.0		33.7	
Provisions	0.1		0.1	
Other items	0.4	(30.7)		(30.6)
Notional interest deduction carried forward - previous accounting years	31.9		35.4	
Tax asset / liability before set off	**77.8**	**(62.0)**	**78.3**	**(57.3)**
Offsetting of tax	(56.4)	56.4	(50.9)	50.9
Net tax asset / (liability)	**21.4**	**(5.7)**	**27.4**	**(6.4)**

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

(in million EUR)	Opening balance	Recognised in income statement	Recognised in comprehensive income	Closing Balance
2013				
Property, plant and equipment	(11.8)	(4.1)		(15.9)
Intangible assets	(8.8)	(0.2)		(9.0)
Inventories	(1.0)	0.2		(0.9)
Interest-bearing loans and other non-current financial liabilities	12.1	(0.8)	(3.1)	8.2
Employee benefits	37.5	0.0	(3.7)	33.7
Provisions	0.1	0.0		0.1
Other items	(32.5)	1.9		(30.6)
Notional interest deduction carried forward - previous accounting years	39.0	(3.6)		35.4
Total	**34.5**	**(6.6)**	**(6.9)**	**21.0**
2014				
Property, plant and equipment	(15.9)	(4.1)		(20.0)
Intangible assets	(9.0)	0.0		(9.0)
Inventories	(0.9)	(0.2)		(1.0)
Interest-bearing loans and other non-current financial liabilities	8.2	(0.2)	(0.7)	7.2
Employee benefits	33.7	(1.6)	4.8	37.0
Provisions	0.1	(0.0)		0.1
Other items	(30.6)	0.3		(30.3)
Notional interest deduction carried forward - previous accounting years	35.4	(3.5)		31.9
Total	**21.0**	**(9.3)**	**4.1**	**15.7**

UNRECOGNISED DEFERRED TAX ASSETS

As per 31 December 2014 there are no unrecognized deferred tax assets.

7.6. Inventories

(in million EUR)	2014	2013
Raw materials and consumables	28.4	27.1
Write-downs	(13.6)	(12.9)
Total	**14.8**	**14.1**

The warehouse primarily stores replacement and spare parts for maintenance and repair work on the Group's high-voltage substations, overhead lines and underground cables. Write-downs are recorded following the non-utilization of stock-items during a period as of 1 year. In 2014 the total amount of write-downs recognized in income statement amounts to €0.7 million (see note 6.3).

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

(in million EUR)	2014	2013
Work in progress	4.3	0.8
Other trade receivables and advance payments	136.4	163.2
Levies	141.8	115.1
VAT and other taxes	13.9	3.7
Other	6.5	10.1
Deferred charges and accrued revenues	11.1	8.4
Total	**314.0**	**301.4**

Trade receivables are non-interest bearing and are generally on terms of 10 to 30 days.

The increase in VAT and other taxes can mainly be allocated to increased outstanding VAT receivables.

The increase in levies is mainly due to:

- increase of the outstanding balance of green certificates of the Walloon region, where the cash-out for purchasing certificates was higher than the tariff recharged for it (+ €35.6 million to €119.2 million);
- new levy to cover the costs for the Strategic Reserve, the applicable tariff will be charged as of 1 January 2015 (€9.5 million);
- New levy compensated by the Federal levy for green certificates, with a payable balance end of 2014, compared to a recoverable balance of €25.5 million per 31.12.2013.

The item 'Other' mainly consists of:

- receivables on insurance companies (€1.5 million Elia Asset and €2.8 million in Elia Re);
- subsidy amounts to receive (€1.7 million).

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are shown in Note 8.2.

At 31 December, the ageing analysis of the other trade receivables and advance payments is as follows:

(in million EUR)	2014	2013
Not past due	134.5	141.6
Past due 0-30 days	1.1	19.2
Past due 31-60 days	(0.3)	0.7
Past due 61 - one year	0.3	1.9
More than one year	0.4	(0.5)
Total (excl. impairment)	**136.1**	**162.9**
Doubtful amounts	1.5	1.5
Amounts write offs	(1.2)	(1.2)
Total	**136.4**	**163.2**

7.8. Cash and cash equivalents

(in million EUR)	2014	2013
Call deposits	42.1	96.5
Balance at bank	129.0	146.3
Total	**171.1**	**242.7**

The cash and cash equivalents of the Group decreased, partly as a result of the repayment of one of the Eurobonds amounting to €500 million; which was only partially refinanced through a new Eurobond issued in 2014 for an amount of €350 million.

Short-term deposits are invested for periods that vary from a few days and a few weeks to several months (not exceeding 3 months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for the short-term deposits. The interest rate of interest-bearing investments at the end of the reporting period varies from 0.14% to 0.67%.

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

7.9. Shareholders' equity

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2014	2013
Outstanding on 1 January	60,568,229	60,555,809
Issued against cash payment	170,035	12,420
Number of shares (end of period)	**60,738,264**	**60,568,229**

In March 2013 the second tranche of the capital increase for her Belgian personnel as decided in 2012 took place, following on above capital increase transaction, resulting in a €0.3 million increase in the share capital and simultaneously in a €0.04 million increase of share premium; the number of shares outstanding rose by 12,420 without nominal value.

The capital of Elia System Operation SA increased by €0.4 million from €1,506.5 million to €1,506.9 million in 2013, taking into account the costs for the capital increase and the share premium account increased from €8.8 million to €8.83 million.

The extraordinary shareholder meeting of May 20 2014 decided to execute a capital increase (in two steps/periods: one in 2014 for maximum €5.3 million and one in 2015 for maximum €0.7 million) for a total maximum amount of €6.0 million for its Belgian personnel.

In October 2014 the Elia Group gave its personnel in Belgium the opportunity to subscribe to an Elia System Operator SA capital increase (tax and non-tax tranches) which resulted in a €5.5 million increase (including the cost for the capital increase) in the share capital and simultaneously in a €1.1 million increase of share premium; the number of shares outstanding rose by 170,035 shares without nominal value.

RESERVES

In accordance with Belgian legislation, 5% of the parent company's statutory net profit must be transferred to the legal reserve each year until the legal reserve represents 10% of the capital.

Within the tariff mechanism, Elia must reserve in shareholders' equity the realised surplus passed on the tariffs as a result of decommissioning fixed assets (decrease in Regulated Asset Base).

In 2013, this amounted to €19.3 million. The General Meeting of 20 May 2014 decided to include that amount in the legal reserve.

As per 31 December 2014 the Group's legal reserve amounts to €116.5 million.

The Board of Directors can propose the payment of a dividend to shareholders up to a maximum of the available reserves and the profit carried forward from previous financial years of the parent company, including the profit of the financial year ended 31 December 2014. 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 in respect of hedged transactions that have not yet occurred.

DIVIDEND

After the balance sheet date, the Board of Directors put forward the dividend proposal indicated hereafter.

Dividend	2014	2013
Per ordinary share entitled to dividend	1.54	1.54

At the General Meeting of Shareholders on 20 May 2014, the Board of Directors proposed payment of a gross dividend of €1.54 per share, which yields a net dividend of €1.155 per share, yielding a total amount of €93.3 million.

The Board of Directors' meeting of 26 February 2015 proposed a gross dividend of €1.54 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 19 May 2015 and is not included as a liability in the consolidated financial statements of the Group.

The total dividend will be calculated on the number of shares outstanding on 26 February 2015, which corresponds to a total of €93.5 million.

The net profit also includes the realised surplus as a result of decommissioning of fixed assets of €22.3 million to be booked in equity. The Board of Directors' meeting of 26 February 2015 decided to suggest to the Annual General Meeting that this amount be allocated to the legal reserve. The amount has not yet been posted in the legal reserve on 31 December 2014.

7.10. Interest-bearing loans and borrowings

(in million EUR)	2014	2013
Non-current borrowings	2,646.4	2,299.8
Subtotal non-current borrowings	**2,646.4**	**2,299.8**
Current borrowings	0.0	500.0
Accrued interests	63.9	71.3
Subtotal current loans and borrowings	**63.9**	**571.3**
Total	**2,710.3**	**2,871.1**

Information concerning the terms and conditions of the outstanding interest-bearing loans and borrowings is given below:

(in million EUR)	Maturity	Amount	Interest rate before hedging	Interest rate after hedging	Current proportion - fixed	Current proportion - variable
Shareholders Loan	2022	495.8	1.35%	3.07%	40.34%	59.66%
Eurobond issues 2004 / 15 years	2019	499.3	5.25%	5.25%	100.00%	0.0%
Eurobond issues 2009 / 7 years	2016	499.6	5.63%	5.63%	100.00%	0.0%
Eurobond issues 2013 / 15 years	2028	546.7	3.25%	3.25%	100.00%	0.0%
Eurobond issues 2013 / 20 years	2033	199.3	3.50%	3.50%	100.00%	0.0%
Eurobond issues 2014 / 15 years	2029	345.8	3.00%	3.00%	100.00%	0.0%
European Investment Bank	2016	40.0	4.27%	4.27%	100.00%	0.0%
European Investment Bank	2017	20.0	4.79%	4.79%	100.00%	0.0%
Total		**2,646.4**			**88.82%**	**11.18%**

Information concerning the contractual maturities of the Group's interest-bearing loans and borrowings (current and non-current) is given hereafter.

(in million EUR)	Face value	Less than 1 year	1 - 2 years	3 - 5 years	More than 5 years
Shareholders Loan	495.8	0.0	0.0	0.0	495.8
Eurobond issues	2,100.0	0.0	500.0	500.0	1,100.0
European Investment Bank	60.0	0.0	40.0	20.0	0.0
Total	**2,655.8**	**0.0**	**540.0**	**520.0**	**1,595.8**

Following covenants are required for the Eurobonds issued under the €3 billion EMTN programme:

(i) The Issuer will not grant any Security Interest (a Security Interest means any mortgage, charge, pledge, lien or other form of encumbrance or security interest. A personal guarantee or suretyship does not constitute a "Security Interest") to secure any Relevant Debt of any person or to secure any guarantee of or indemnity in respect of any Relevant Debt of any person.

(ii) The Issuer shall procure that none of its Material Subsidiaries will grant any Security Interest to secure any Relevant Debt of any person or to secure any guarantee of or indemnity in respect of any Relevant Debt of any person.

(iii) The Issuer will and shall procure that its Material Subsidiaries will procure that no other person grants any Security Interest to secure any of the Issuer's or any of its Material Subsidiaries Relevant Debt or to secure any guarantee of or indemnity in respect of any of the Issuer's or any of its Material Subsidiaries' Relevant Debt.

7.11. Employee benefits

In Belgium collective agreements regulate the rights of company employees in the electricity and gas industries. These agreements provides so called "pension supplements" based on the annual salary and the career within the company of the employee. If the employee deceases, the supplements are partially revertible to the heritor (wife/orphan). The benefits granted are linked to Elia's operating result. There is neither an external pension fund nor group insurance for these liabilities, which means that no reserves are constituted with third parties. The obligations are qualified as a defined benefit.

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

Personnel remunerated based on a 'salary scale' recruited after 1 June 2002 and management staff recruited after 1 May 1999 are covered by two defined-contribution pension plans (Powerbel and Enerbel). For payments made after 1 January 2004, the law requires an average annual return over the career of at least 3.25% for the employer's contributions and at least 3.75% for employees' contributions, with any deficit being covered by the employer. The insurer confirmed as per end of 2014 that the annual return is at least 3.25%, and therefore no provision has been established to cover any deficit.

Below we briefly describe both defined contribution plans:

- **Enerbel**

This scheme is intended for salaried employees hired after 1 June 2002.
The employee contribution is a step rate formula equal to 0.875% of the portion of the salary below a ceiling plus 2.625% of the portion of the salary above this ceiling. This contribution is deducted monthly from the salary of the affiliates.
The employer contribution is equal to 3 times the employee contribution.

- **Powerbel**

This scheme is intended for managers hired as of 1 May 1999, and for those who asked to be transferred to this scheme when given the opportunity in 2007.
The employee contribution is a step rate formula equal to 0.6% of the portion of the salary below a ceiling plus 4.6% of the portion of the salary above this ceiling. This contribution is deducted monthly from the salary of the affiliates.
The employer contribution is equal to 4 times the employee contribution.

The Group used the "Intrinsic Value" method, which consists of calculating, for each member separately, the minimum guaranteed reserve (taking into account an interest rate of 3.75% for employee contributions and an interest rate of 3.25% for employer contributions) and the mathematical reserve, both at the financial reporting date. The guaranteed reserve is equal to the maximum between the minimum guaranteed reserve and the mathematical reserve.

A deficit occurs when the guaranteed reserve is higher than the mathematical reserve.
The two main arguments in favour of this choice are as follows:

- A strict application of the "Projected Unit Credit Method" (PUC Method), as currently prescribed by IAS 19, would require an assumption about the evolution of the minimum guaranteed return on future contributions in order to determine a best estimate of the projected benefits. If the best estimate of the expected rate of return is the currently applicable guaranteed rate of return, this assumption could be viewed as incompatible with the other assumptions in a period of low discount rate;
- The application of the PUC method also requests that the benefits could be determined on a projected basis. Unfortunately, this is not the case since the return on contributions is equal to the maximum between the minimum guaranteed rate of return and the return realized by the fund. Further the minimum guaranteed return may also vary on legislative decision.

Quantitative disclosures:

(in million EUR)	Powerbel	Enerbel
Sum of the minimum guaranteed reserves:		
Active members:	10.9	1.9
Deferred members:	2.0	0.2
Total:	**13.0**	**2.2**
Sum of the mathematical reserves:		
Active members:	12.3	2.2
Deferred members:	2.8	0.3
Total:	**15.1**	**2.5**
Sum of the Difference:		
Active members:	1.3	0.3
Deferred members:	0.8	0.1
Total:	**2.1**	**0.4**

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

Based on above quantitative disclosures the Group concluded there is no shortfall in the plans compared to the minimum guaranteed return on contributions. In the event of a shortfall, the group will recognize a provision, representing the shortfall in the plans compared to the minimum guaranteed return on contributions.

The expenses related to these plans were €3.8 million in 2014 and €4.7 million in 2013.

Elia Transmission Belgium also has early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and price subsidies, as well as other long- term benefits (seniority payments). Not all of these benefits are funded.

The total net liability for employee benefits obligations are as follows:

(in million EUR)	2014	2013
Defined benefit plans	46.4	46.0
Post-employment benefits other than pensions	62.8	54.3
Subtotal	**109.3**	**100.2**
Other provisions - employee benefits	0.0	0.2
Total provisions for employee benefits	**109.3**	**100.4**

In following tables the detail is shown of the outstanding provision for employee benefits, with the split between pension cost ("Pensions") and non-pension costs ("Other"), which exists of healthcare costs, tariff benefits, jubilee benefits...

(in million EUR)	**Pensions**		**Other**	
	2014	**2013**	**2014**	**2013**
Present value of funded defined benefit obligation	(176.3)	(169.3)	(63.5)	(54.9)
Fair value of plan assets	129.9	123.2	0.7	0.7
Net employee benefit liability	**(46.4)**	**(46.0)**	**(62.8)**	**(54.1)**

Movement in the present value of the defined benefit obligation	**Pensions**		**Other**	
(in million EUR)	**2014**	**2013**	**2014**	**2013**
At the beginning of the period	**(169.3)**	**(184.4)**	**(54.9)**	**(46.8)**
Current service cost	(3.9)	(4.0)	(1.6)	(1.5)
Interest cost/income	(4.0)	(4.7)	(1.6)	(1.8)
Contributions from plan participants	(0.6)	(0.6)		
Cost of early retirement	(0.7)	(0.9)		
Includes remeasurement gains/(losses) in OCI and Income Statement, arising from				
Changes in demographic assumptions		12.1		(0.9)
Changes in financial assumptions	(17.5)	4.1	(9.7)	(7.6)
Changes from experience adjustments	4.6	(4.0)	1.0	0.2
Past service cost		(0.5)		
Payments from the plan	15.0	13.7	3.2	3.5
At the end of the period	**(176.3)**	**(169.3)**	**(63.5)**	**(54.9)**

Movements in the fair value of the plan assets	**Pensions**		**Other**	
(in million EUR)	**2014**	**2013**	**2014**	**2013**
At the beginning of the period	**123.2**	**119.1**	**0.7**	**0.8**
Interest income	2.9	3.2	0.0	0.0
Remeasurement gains/ losses in OCI arising from				
Return of plan assest (excluding amounts included interest)	5.6	1.9	(0.0)	(0.1)
Contributions from employer	12.6	12.2	3.2	3.5
Contributions from plan participants	0.6	0.6		
Benefit payments	(15.0)	(13.7)	(3.2)	(3.5)
At the end of the period	**129.9**	**123.2**	**0.7**	**0.7**
Actual return on plan assets	**8.5**	**5.0**	**(0.0)**	**(0.0)**

Amounts recognized in comprehensive income (in million EUR)	Pensions 2014	2013	Other 2014	2013
Service cost				
Current service cost	(4.5)	(4.6)	(1.6)	(1.5)
Cost of early retirement	(0.7)	(0.9)		
Past service cost		(0.5)		
Actuarial gains/(losses) on defined benefit obligation			(1.8)	(5.3)
Net interest on the net defined benefit liability/(asset)				
Interest cost on defined benefit obligation	(4.0)	(4.7)	(1.6)	(1.8)
Interest income on plan assets	2.9	3.2	0.0	0.0
Other				
Defined benefit costs recognized in profit or loss	**(6.2)**	**(7.6)**	**(5.0)**	**(8.6)**
Actuarial gains(losses) on defined obligation arising from				
1/ Changes in demografic assumptions		12.1		0.8
2/ Changes in financial assumptions	(17.5)	4.1	(7.8)	(3.4)
3/ Changes from experience adjustments	4.6	(4.0)	1.0	(0.5)
Return on plan assets (excluding interest income on plan assets)	5.6	1.9		
Remeasurements of net defined benefit(liability)/asset recognized in Other Comprehensive Income (OCI)	**(7.3)**	**14.0**	**(6.8)**	**(3.0)**
Total	**(13.5)**	**6.4**	**(11.8)**	**(11.6)**

(in million EUR)	2014	2013
Breakdown of defined benefit obligation by type of plan participants	**(225.9)**	**(212.0)**
Active plan participants	(147.7)	(138.1)
Terminated plan participants with def. benefit entitlements	(2.9)	(2.7)
Retired plan participants and beneficiaries	(75.2)	(71.2)
Breakdown of defined benefit obligation by type of benefits	**(225.9)**	**(212.0)**
Retirement and death benefits	(164.5)	(159.1)
Other post-employment benefits (medical and tariff reduct.)	(41.9)	(35.3)
Seniority payments	(19.5)	(17.6)

In 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 “shocks” with probabilities of occurrence of 0.5%.

The members (mostly) contribute to the financing of the retirement benefits by paying a personal contribution of type 'defined contribution' (step rate formula a%t1 + b%t2) deducted monthly from their salaries.
The annual balance of the defined benefit lump sum is financed by the employer by a recurrent allocation expressed as a percentage of the total payroll of the affiliates. This percentage is defined by the aggregate cost method and is reviewed annually. This method of financing consists to smooth future costs over the remaining period of the plan. The costs are estimated on projected bases (salary growth and inflation taken into account). The assumptions related to salary increase, inflation, employee turnover and age-term are defined on basis of historical statistics of the company. The mortality tables used are the ones corresponding to the observed experience within the financing vehicle. The group calculates the net interest on the net defined benefit liability (asset) using the same high quality bond discount rate (cfr above) used to measure the defined benefit obligation (the net interest approach). These assumptions are challenged on a regular basis.
Exceptional events (such as modification of the plan, change of assumptions, too short degree of coverage...) can eventually 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 determined to 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 investment presented as follows:

Fair value of the plan assets per major category	2014	2013
Investments quoted in an active market	**82.26%**	**79.32%**
Shares - Eurozone	15.20%	14.61%
Shares - outside Eurozone	13.08%	11.57%
Government bonds - Eurozone	5.39%	4.21%
Other bonds - Eurozone	39.50%	43.97%
Other bonds - outside Eurozone	9.09%	4.96%
Unquoted investments	**17.74%**	**20.68%**
Qualifying insurance contracts		
Property	4.20%	4.76%
Cash and cash equivalents	0.79%	1.60%
Other	12.75%	14.32%
Total (in %)	**100.00%**	**100.00%**
Total (in million EUR)	117.5	114.4

Due to the long-term nature of the plan liabilities, the board of the pension fund, of which Elia Transmission (Belgium) is a member, considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.

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 debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality 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.
For the Belgian Defined benefit plans a study has been performed in 2013 in order to determine the mortality tables that fit the best the historical observation of the portfolio. The resulting mortality tables are the MR/FR tables for the pensioners and the MR (corrected with 5 years) / FR (without correction) for the active people.
For the German defined benefit plans no changes to the mortality table were deemed necessary (we refer to the actuarial assumptions table below for more details).

Salary risk

The present value of the defined benefit plan liability is calculated by reference to 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 %)	2014	2013
Discount rate		
- Pensions	1.55	2.92
- Other	1.89	3.24
Expected average salary increase (excluded inflation)	2.00	2.00
Expected inflation	1.75	2.00
Expected increase of health benefits (included inflation)	2.75	3.00
Expected increase of tariff advantages	1.75	2.00
Average assumed retirement age		
- Employee	62	62
- Manager	63	63
Mortality table used		
- Active personnel	MR(-5)/FR	MR(-5)/FR
- Inactive personeel	MR/FR	MF/FR
Life expectancy in years of a pensioner retiring at age 65:		
For a Person aged 65 at closing date:		
- Male	22.5	22.5
- Female	22.0	22.0

(in years)	2014	2013
Weighted average duration of the defined benefit obligation	10	9

The actual return on plan assets in % for 2014 for the Belgian segment corresponded to 6.70 %.

The Group expects to contribute €10.2 million to its defined benefit pension plans and €3.0 million to its defined contribution plans in 2015.

SENSITIVITY ANALYSIS

(in million EUR)	Increase (+) / Decrease (-)
Impact of the net defined benefit obligation of an increase in:	
Discount rate (0.5% movement)	(12.7)
Average salary increase - excl. inflation (0.5% movement)	(10.6)
Inflation (0.25% movement)	(5.6)
Increase of healthcare care benefits (1.0% movement)	(4.2)
Increase of tariff advantages (0.5% movement)	(1.4)
Life expectancy of pensions (1 year)	(3.9)

REMEASUREMENTS OF POST-EMPLOYMENT BENEFIT OBLIGATIONS

(in million EUR)	2014	2013
Cumulative amount at 1 January	(6.7)	(13.9)
Recognised in the period	(10.6)	7.3
Cumulative amount at 31 December	**(17.3)**	**(6.7)**

The remeasurements of post-employment benefits include the portion of 50Hertz Transmission (Germany) (Joint Arrangement) amounting to €2.2 million, net of tax.

Below table represents the actuarial gains and losses recognized in other comprehensive income per nature of Elia Transmission (Belgium):

Remeasurements of defined benefit obligation arising from	Pensions		Other	
(in million EUR)	2014	2013	2014	2013
1/ Changes in demographic assumptions	0.0	4.0	0.0	0.3
2/ Changes in financial assumptions	(17.5)	4.1	(7.8)	(3.4)
3/ Changes from experience adjustments	4.6	4.0	1.0	0.1
Return on plan assets (excl interest income on plan assets)	5.6	1.9	0.0	0.0
Remeasurements of net defined benefit (liability)/asset recognised in Other Comprehensive Income (OCI)	**(7.3)**	**14.0**	**(6.8)**	**(3.0)**

RECOVERABLE AMOUNT IN FUTURE TARIFFS

In accordance with a study report issued by the CREG, management is of the opinion that it is virtually certain that the defined benefit obligation existing as at 31 December 2001 (which represents and amount of €73.7 million as at 31 December 2014) have been accepted by the CREG as reasonable expenses in the regulatory framework in Belgium once the premiums are paid out, and will therefore be passed on in future tariffs. This amount has therefore been included underother financial assets (see Note 7.4).

7.12. Provisions

(in million EUR)	Environment	Litigation	Total
Balance at 1 January 2013	18.9	5.2	24.1
Increase in provisions	1.6	2.9	4.5
Reversals of provisions	(1.1)	(0.2)	(1.3)
Utilization of provisions	(3.4)	(0.2)	(3.6)
Balance at 31 December 2013	**16.1**	**7.7**	**23.7**
Long term portion	10.3	7.7	17.9
Short term portion	5.8	0.0	5.8
Balance at 1 January 2014	16.1	7.7	23.7
Increase in provisions	3.1	6.4	9.5
Reversals of provisions	(1.6)	(2.6)	(1.6)
Utilization of provisions	(0.6)	(0.2)	(3.3)
Balance at 31 December 2014	**17.0**	**11.3**	**28.3**
Long term portion	10.5	11.3	21.9
Short term portion	6.5	0.0	6.5

The utilization of provisions for environment is mainly related to further soil research and remediation on certain sites in Flanders, Brussels and Wallonia for a total amount of €0.6 million. On the one hand, a reversal for an amount of €1.6 million was recorded for sites in the Brussels region and in Wallonia; and on the other hand an increase for an amount of €3.1 million, for sites in Wallonia and Flanders, following on new estimates.
The estimates are based on the appraisal of an external expert bearing in mind the BATNEEC (Best Available Techniques Not Entailing Excessive Costs) principle.

The provision for litigation has been established to cover likely payment as a result of cases in which legal proceedings have been instituted against the Group by a third party or in which the Group is involved in a legal dispute.

These estimates are based on the value of 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 procedures.

The changes in provisions are presented in Note 6.3.

7.13. Other non-current liabilities

(in million EUR)	2014	2013
Investment grants	2.5	2.5
Total	**2.5**	**2.5**

The investment grants consist of deferred income for capital subsidies received from the European Union and the Brussels region.

7.14. Trade and other payables

(in million EUR)	2014	2013
Trade debts	198.8	109.7
VAT, other taxes	9.1	2.2
Remuneration & social security	27.2	26.4
Dividend	1.5	2.0
Levies	47.4	48.1
Other	17.3	13.4
Total	**301.2**	**201.8**

The outstanding payable position for levies can be split into federal green certificates (€33.6 million), federal certificates for offshore wind energy (€7.7 million) and levy for financing the connection of offshore windparks (€6.1 million).
The section “Other” consists mainly of cash guarantees received from customers and advance payments for projects.

7.15. Accruals and deferred income

(in million EUR)	2014	2013
Accruals and deferred income	11.4	6.8
Settlement mechanism Belgium	216.1	105.9
Total	**227.5**	**112.7**

The settlement mechanism is described under section “Regulatory Framework and tariffs”. The change in the settlement mechanism in Belgium is described in Note 4.1.

The settlement mechanism of Belgium 2014 is set out in the table here below:

(in million EUR)	Belgium
To be refunded to the tariffs of current period	(4.9)
To be reimbursed by the tariffs of the current period	176.7
Discount future tariffs	**171.8**
Moratorium interest on income tax	44.3
Settlement mechanism	**216.1**

7.16. 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 EUR)	Carrying amount						Fair value			
	Designated at fair value	Fair value - hedging instruments	Held-to-maturity investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2013										
Other financial. assets	13.5					13.5	13.3		0.3	13.5
Trade and other receivables				292.7		292.7				0.0
Cash and cash equivalents				242.7		242.7				0.0
Interest rate swaps used for		(27.5)				(27.5)		(27.5)		(27.5)
Unsecured financial bank loans and other					(627.0)	(627.0)		(627.0)		(627.0)
Unsecured bond issues					(2,244.0)	(2,244.0)		(2,244.0)		(2,244.0)
Trade and other payables					(201.7)	(201.7)				0.0
Total	**13.5**	**(27.5)**	**0.0**	**535.4**	**(3,072.8)**	**(2,551.3)**	**13.3**	**(2,898.6)**	**0.3**	**(2,885.0)**
31 December 2014										
Other financial assets	13.6					13.6	13.3		0.3	13.6
Trade and other receivables				302.8		302.8				0.0
Cash and cash equivalents				171.1		171.1				0.0
Interest rate swaps used for		(25.4)				(25.4)		(25.4)		(25.4)
Unsecured financial bank loans and other					(619.7)	(619.7)		(619.7)		(619.7)
Unsecured bond issues					(2,090.6)	(2,090.6)		(2,427.9)		(2,427.9)
Trade and other payables					(301.2)	(301.2)				0.0
Total	**13.6**	**(25.4)**	**0.0**	**473.9**	**(3,011.5)**	**(2,549.5)**	**13.3**	**(3,072.9)**	**0.3**	**(3,059.4)**

Above tables do not include fair value information for financial assets and liabilities not measured at fair value, such as cash and cash equivalents, major portion of trade and other receivables, trade and other payables as their carrying amount is a reasonable approximation of fair value.

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 balance sheet at fair value, the disclosure of fair value measurements by level of 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 as 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 by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value 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.

FAIR VALUE

As the loan has a variable interest rate, the carrying amount of the loan is equal to the fair value.

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

FAIR-VALUE HIERARCHY

The fair value of 'sicavs' belongs to level 1, i.e. valuation is based on the (unadjusted) listed market price on an active market for identical instruments.

The fair value of interest rate swaps belongs to level 2, which entails that valuation is based on input from other prices than the stated prices, where these other prices can be observed for assets or liabilities. This category includes instruments valued on the basis of listed market prices on active markets for such instruments; listed prices for identical or similar instruments on markets that are deemed less than active; or other valuation techniques arising directly or indirectly from observable market data.

ESTIMATE OF FAIR VALUE

Derivatives

Brokers' statements are used for interest-rate swaps. The statements are controlled using valuation models or techniques based on discounted cash flows.
The models incorporate various inputs including the credit quality of counterparties and interest rate curves at the end of the reporting period. As at 31 December 2014 the counterparty risk is nihil as a result of the negative market value of the IRS. The Group's own non-performance risk has been estimated to be close to nihil as well.

Interest-bearing loans

The fair value is calculated on the basis of the discounted future redemptions and interest payments.

8. Miscellaneous

8.1. Effect of new acquisitions/sales of shares

ACQUISITIONS IN SEGMENT ELIA TRANSMISSION (BELGIUM)

Incorporation of EGI

On 28 March 2014, the subsidiaries Elia Grid International SA and Elia Grid International GmbH ("EGI") were established. Both companies 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.
Elia Grid International SA holds all the shares in Elia Grid International GmbH. The shares in Elia Grid International SA are held by Elia System Operator (50.01% of the shares) and 50Hertz Transmission (49.99% of the shares). Hence, the Group owns 80% of Elia Grid International SA, while the other 20% is held by Industry Funds Management Luxembourg (IFM) (through its stake in 50Hertz Transmission, which in turn holds 49.99% of the shares in Elia Grid International SA). EGI is accounted for by the Group as a subsidiary (full consolidation with minority interest).

Acquisition of 36.81% stake in Ampacimon in 2013

The group holds a stake of 36.81% in Ampacimon NV, a Belgian company active in developing innovative monitoring systems which are put at the disposal of TSO's, in order for them to be able to anticipate more quickly on changes in energy demands and offer.
Elia System Operator converted her long term debt, which was provided to Ampacimon d.d. 24 June 2011, amounting to €200,000 into 2,200 shares, and paid an additional €120,000, good for 600 shares, to hold a stake of 36.81% since July 1 2013.

Sale of portion of apx shares following partial demerger of the company

As of 1 March 2013 APX-ENDEX has been split into a "power spot and clearing entity (APX)" and "a derivatives and spot gas entity (Endex)", which has been sold to Intercontinental Exchange Inc (ICE). As a result of this transaction, the amount invested in APX decreased from €25.5 million to €16.9 million but Elia System Operator SA/NV's stake in the share capital increased from 23.07% on 31 December 2012 to 29.2%. The remaining shares are held by TenneT Holding B.V. (70.8%).
Both activities (power and gas) were valued in order to be able to demerge both activities. Taking into account the valuations and the sales price we received for the gas activity (€11.6 million), the stake decreased by €11.2 million compared to 2012.

ACQUISITIONS IN SEGMENT 50HERTZ TRANSMISSION (GERMANY)

Incorporation of FSCNET Services

50Hertz Transmission GmbH acquired in a share of 10.00% of the newly incorporated company TSCNET Services GmbH for a total amount of €0.1 million.
TSCNET Services GmbH was registered on the 10th November 2014, one year after opening the TSC TSOs – Joint Office. Since 2013, experts dispatched from TSC member TSOs work in Munich day and night (24/7), providing tailor-made coordination services for operational planning, forecast data merging, congestion assessment and capacity calculation for the control centres of TSOs in continental Europe using the common IT platform CTDS. Its member TSOs are 50Hertz (Germany), Amprion (Germany), APG (Austria), ČEPS (Czech Republic), ELES (Slovenia), Energinet.dk (Denmark), HOPS (Croatia), MAVIR (Hungary), PSE (Poland), Swissgrid (Switzerland), TenneT TSO (Germany), TenneT TSO (the Netherlands) and TransnetBW (Germany).

Acquisition of extra share in EEX

In 2014, 50Hertz Transmission acquired extra shares in the European Energy Exchange (EEX) worth €5.0 million and therefore now holds 4.3% of the shares in EEX, amounting to €10.4 million in total. In accordance with the Group's accounting policies, EEX is measured at cost value because there is no quoted price on an active market and the fair value cannot be reliably measured;

Acquisition of 2.25% stake in European Energy Exchange (EEX) in 2013

On 3 May 2013 50Hertz acquired 700,000 shares in the European Energy Exchange (EEX) for €4.2 million and an additional 200,000 shares for €1.2 million in December 2013. As a result of these acquisitions 50Hertz held 2.25% of EEX. Additional acquisitions in 2014 were planned, to increase share above 4.2 %

8.2. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group aims to identify each risk and set out strategies to control the economic impact on the Group's results.
The Internal Audit & Risk Management Department defines the risk management strategy, monitors the risk analysis and reports to the 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 risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates considerably restricts their effects on profit or loss (see the 'Regulatory framework and tariffs' chapter). The major impact of increased interest rates, credit risk, etc. can be settled in the tariffs, in accordance with the applicable legislation.

CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the company in relation to lending, hedging, settlement and other financial activities. The company is exposed to credit risk from its operating activities and treasury activities. In respect of its operating activities, the Group has a credit policy in place, which takes into account the risk profiles of the customers. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to deliver bank guaranties from the counter- party 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 of each financial asset, including derivative financial instruments.

(in million EUR)	2014	2013
Loans and receivables	138.4	131.6
Cash and cash equivalents	171.1	242.7
Immediately claimable deposits	13.3	13.3
Interest rate swaps used for hedging:		
Liabilities	(25.4)	(27.5)
Total	**297.4**	**360.1**

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

(in million EUR)	Bad debtors	Impairment losses	Remaining balance
Opening balance	1.5	(1.2)	0.3
Balance at 31 December 2013	**1.5**	**(1.2)**	**0.3**
Opening balance	1.5	(1.2)	0.3
Balance at 31 December 2014	**1.5**	**(1.2)**	**0.3**

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

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 foreign investments or activities and less than 1% of its costs are expressed in currencies other than the euro.

LIQUIDITY RISK

Liquidity risk is the risk that the Group may not be able 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 program, 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.

Referring to the bond issues in 2009, 2010, 2013 and 2014, access to sources of funding should sufficiently be available.

(in million EUR)	Closing Balance	Expected cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**3,072.8**	**(3,767.1)**	**(810.8)**	**(4.0)**	**(90.8)**	**(772.2)**	**(2,089.2)**
Unsecured bond issues	2,244.0	(2.854.2)	(533.0)	0.0	(79.3)	(681.7)	(1,560.2)
Unsecured financial bank loans and other loans	627.0	(711.0)	(76.0)	(4.0)	(11.5)	(90.5)	(529.0)
Trade and other payables	201.8	(201.8)	(201.8)				
Derivative financial liabilities	**27.5**	**(31.0)**	**(4.0)**	**(4.1)**	**(7.7)**	**(15.3)**	**0.0**
Interest rate swaps used for hedging	27.5	(31.0)	(4.0)	(4.1)	(7.7)	(15.3)	
Total at 31 December 2013	**3,100.3**	**(3,798.1)**	**(814.8)**	**(8.1)**	**(98.5)**	**(787.5)**	**(2,089.2)**
Non-derivative financial liabilities	**3,011.5**	**(3,756.2)**	**(395.2)**	**(4.8)**	**(640.5)**	**(730.7)**	**(1,984.9)**
Unsecured bond issues	2,090.6	(2,766.6)	(28.0)	0.0	(589.5)	(684.9)	(1,464.2)
Unsecured financial bank loans and other loans	619.7	(688.4)	(66.0)	(4.8)	(51.0)	(45.9)	(520.7)
Trade and other payables	301.2	(301.2)	(301.2)				
Derivative financial liabilities	**25.4**	**(24.4)**	**(4.2)**	**(4.3)**	**(8.0)**	**(7.9)**	**0.0**
Interest rate swaps used for hedging	25.4	(24.4)	(4.2)	(4.3)	(8.0)	(7.9)	
Total at 31 December 2014	**3,036.9**	**(3,780.5)**	**(399.5)**	**(9.1)**	**(648.5)**	**(738.6)**	**(1,984.9)**

Elia Transmission successfully issued a €350 million 15-year Eurobond as part of its €3 billion EMTN programme. Investors reacted very positively during the development of the order book, with more than €1.7 billion being received in offers from over 150 investors from 32 countries. This transaction once again highlights Elia's quality and attractiveness on the bond market. The credit margin for the transaction was set at 82 bp above the mid-swap rate for 15-year bonds, resulting in a 3.0% coupon. The proceeds from the bond issue were used to pay back loans that came to maturity in May and for general corporate purposes.

In June, Elia Transmission concluded five bilateral long-term credit facilities with the banks BNP Paribas Fortis, JP Morgan, KBC, Rabobank and ING. These credit facilities (with a term of three years) are part of the refinancing of a €500 million bond loan due in April 2016.

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

(in million EUR)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Confirmed credit line	30/06/2017	125.0	Euribor + 0.30%	0.0	125.0
Confirmed credit line	30/06/2017	125.0	Euribor + 0.30%	0.0	125.0
Confirmed credit line	30/06/2017	100.0	Euribor + 0.30%	0.0	100.0
Confirmed credit line	30/06/2017	100.0	Euribor + 0.30%	0.0	100.0
Confirmed credit line	30/06/2017	100.0	Euribor + 0.30%	0.0	100.0
Uncommitted credit line facility	unlimited	100.0	Euribor + marge when concluding the deal	0.0	100.0
Belgian dematerialised treasury notes	unlimited	250.0	Euribor + marge when concluding the deal	0.0	250.0
Total		**900.0**		**0.0**	**900.0**

Following conditions are required in respect to the 5 confirmed credit lines:

- Rating shall at least be BBB-;
- Negative pledge: (i) the borrower will not, neither will its material subsidiaries, create, grant or permit to subsist any Security Interest upon, or with respect to, the whole or part of its business, undertaking, assets or revenues present or future to secure any Relevant debt of any person, including the borrower or any of its Material subs, or any guarantee of or indemnity in respect of any relevant Debt of any person, incl Borrower or Material subs;
- Elia keeps its licence as transmission grid operator;
- Utilization of the credit lines needs to be spread over all the banks proportionally to the amounts of the credit line;
- Elia keeps at least 75% in Elia Asset;
- Equity/debt-ratio near 33%/67%;
- Compliance Certificate must be provided to all banks on a 6 monthly basis.

The group ensures above mentioned covenants are not breached, through periodic assessment.

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 the Group's long-

term debt obligations with floating interest rates.
The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

The table (see Note 7.10) shows the average interest rate at the balance sheet date.

SENSITIVITY ANALYSIS

Changes in the interest rates will not affect the consolidated result in the short and long term as the Group operates within a regulatory framework where the consequences of fluctuations in financial expenses are mainly recovered in tariffs, except for the items which are directly recognized through OCI.

FAIR VALUE SENSITIVITY ANALYSIS FOR INTEREST RATE SWAPS

A change of 100 basis points in interest rates would have increased (decreased) other comprehensive income by the amounts shown below:

(in million EUR)	100 bp increase	100 bp decrease
Interest rate swaps - Impact in equity	(5.8)	5.8

HEDGING

All financial derivatives the Group enters into relate to an underlying transaction or forecasted exposure, depending on the expected impact on the income statement, and if the stringent IAS 39 criteria are met, the Group decides on a case-by-case basis whether hedge accounting will be applied. The following paragraphs describe the transactions whereby hedge accounting is applied. At 31 December 2014 the Group has no transactions which do not qualify for hedge accounting.

In accordance with the hedge accounting rules, all derivative financial instruments are designated as cash-flow hedges and valued at fair value. Consequently, the portion of the gain or loss on the derivative financial instrument that can be considered an effective hedge is reflected directly in equity (hedging reserves net of tax).

Interest-rate swaps have an interest rate varying from 4.4% to 4.41%. As at 31 December 2014, the Group held hedging instruments with a contracted reference value of €200.0 million. The net fair value of the swaps as at 31 December 2014 totalled €25.4 million and was entirely composed of liabilities. The amounts are included as derivatives at fair value.

As at 31 December 2014, no financial expenses resulting from ineffective cash-flow hedges are included in profit or loss.

CAPITAL RISK MANAGEMENT

The purpose of the Group's capital structure management is to maintain the debt and equity ratios related to the regulated activities in line with the requirement of the regulatory framework (one-third equity and two-thirds debt capital). This approach allows the Group to manage the security of the liquidity at all times via flexible access to capital markets, so as to be able to finance strategic projects and to offer an attractive remuneration to shareholders.

The company's dividend policy involves optimising dividend payments while still bearing in mind that there is a requirement to reserve a part of the profit resulting from decommissioning of fixed assets, included in the tariff. Reserving this part of the profit as equity boosts the company's self-financing capacity needed to carry out its legal mission.

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

8.3. Commitment and contingencies

OPERATING LEASE COMMITMENTS – GROUP AS A LESSEE

The Group entered into commercial leases on motor vehicles, IT equipment and office buildings. The leases related to cars and IT equipment have an average life of three years; the contracts regarding the buildings have a normal term of nine years, with the possibility of renewing the lease after that. Renewals are at the option of the specific entity that holds the lease.

Future minimum rentals payable under non-cancellable operating leases are as follow:

(in million EUR)	<1 year	1–5 years	>5 years
Buildings	2.9	6.6	0.0
Cars, it equipment and others	6.0	10.0	0.0
Balance at 31 December 2013	**8.9**	**16.6**	**0.0**
Buildings	4.0	3.2	0.0
Cars, it equipment and others	5.3	9.9	0.0
Balance at 31 December 2014	**9.3**	**13.1**	**0.0**

The following expenses related to these lease contracts were recognised in the income statement:

(in million EUR)	2014	2013
Buildings	4.3	4.5
Cars, it equipment and others	5.8	6.2
Total	**10.1**	**10.7**

OPERATING LEASE COMMITMENTS – GROUP AS A LESSOR

The Group has entered into commercial property leases on certain elements of property, plant and equipment, mainly consisting of optimising use of sites and high-voltage pylons. These leases have remaining terms of a minimum of nine years.
Future minimum rental receivables are as follows:

(in million EUR)	<1 year	1–5 years	>5 years
Telecom	12.0	10.2	15.9
Buildings	0.2	0.3	0.0
Balance at 31 December 2013	**12.2**	**10.5**	**15.9**
Telecom	12.7	9.8	14.2
Buildings	0.2	0.3	0.0
Balance at 31 December 2014	**12.8**	**10.2**	**14.2**

The following revenue related to these lease contracts was recognised in the income statement:

(in million EUR)	2014	2013
Telecom	12.8	11.8
Buildings	0.2	0.2
Total	**13.0**	**11.9**

CONTINGENT RENTS – PURCHASE OPTION

The Group has no contracts which include contingent rental payments.
No purchase options were agreed in the significant lease contracts.

CAPITAL COMMITMENT

As at 31 December 2014, the Group has a commitment of €917.5 million relating to the purchase and installation of property, plant and equipment for further grid extensions. These capital commitments include the capital commitments of the German segment for an amount of €1,045.9 million (at 60% stake of Elia).

OTHER COMMITMENTS

As at 31 December 2014, the Group has a commitment of €120.9 million relating to different topics (e.g. repair commitments, operational purchase commitments, maintenance). These commitments include the commitments of the German segment for an amount of €9.4 million (at 60% stake of Elia).

CONTINGENCIES

Settlement mechanism

A calculation of the amount is given in the ‘Regulatory framework and tariffs’ chapter.

The group operates in a regulated context which states that tariffs must make it possible to realise total revenue consisting of:

1. a reasonable return on invested capital,

2. all reasonable costs which are incurred by the Group.

Since the tariffs are based on estimated figures, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged to cover all reasonable costs of the system operator and to provide shareholders with a reasonable profit margin on their investment.

If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to consumers/the general public could have been respectively lower or higher (and vice versa). The Group is convinced that a surplus or deficit arising from the settlement mechanism must not be classified as revenue or an expense, or as an item under equity.

On a cumulative basis, it could be argued that the public has made an advance payment (=surplus) for its future use of the network. As such, the surplus (deficit) is not a commission for a future loss (recovery) of income but instead a deferred/accrued revenue to (with regard to) consumers. On the basis of the Regulatory framework, the Group believes that the surplus (deficit) does not represent an item of revenue (cost). Consequently, the Group booked these amounts under section ‘Accruals and deferred income’ (see Note 7.15).

8.4. Related parties

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The key management includes members of the Board of Directors and Elia's Management Committee.

The members of the Board of Directors are no employees of the Group. The remuneration of their mandate is detailed in the Corporate Governance Statement of this annual report.

The members of Elia's Management Committee are hired as employees and the components of their remuneration are set out below. Members of the Management Committee do not receive stock options, special loans or other advances from the Group.

(in million EUR)	2014	2013
Short term employee benefits	**2.0**	**2.5**
Basic remuneration	1.5	1.7
Variable remuneration	0.5	0.8
Post-employment benefits	**0.3**	**0.5**
Other variable remuneration	**0.6**	**0.7**
Total gross remuneration	**2.9**	**3.6**
Number of persons (in units)	6	7
Average gross remuneration per person	0.5	0.5
Number of shares (in units)	22,128	32,160

In addition 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-presidents of the Management Committee, etc.). Significant transactions occurred in 2014, all at arms' length, with some distribution system operators. The total amount of realized sales equals to €98.0 million. The total amount of expenses equals to €6.3 million. As per 31 December 2014 there was an outstanding trade receivable position of €0.2 million and no significant outstanding trade debt position.

The disclosures relating to the Belgian Governance Code are included in the Corporate Governance Statement of this annual report.

TRANSACTIONS WITH JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

Transactions between the company and its subsidiaries which are related parties were eliminated during consolidation and therefore are not recognised in this note. All transactions are at arm's length.

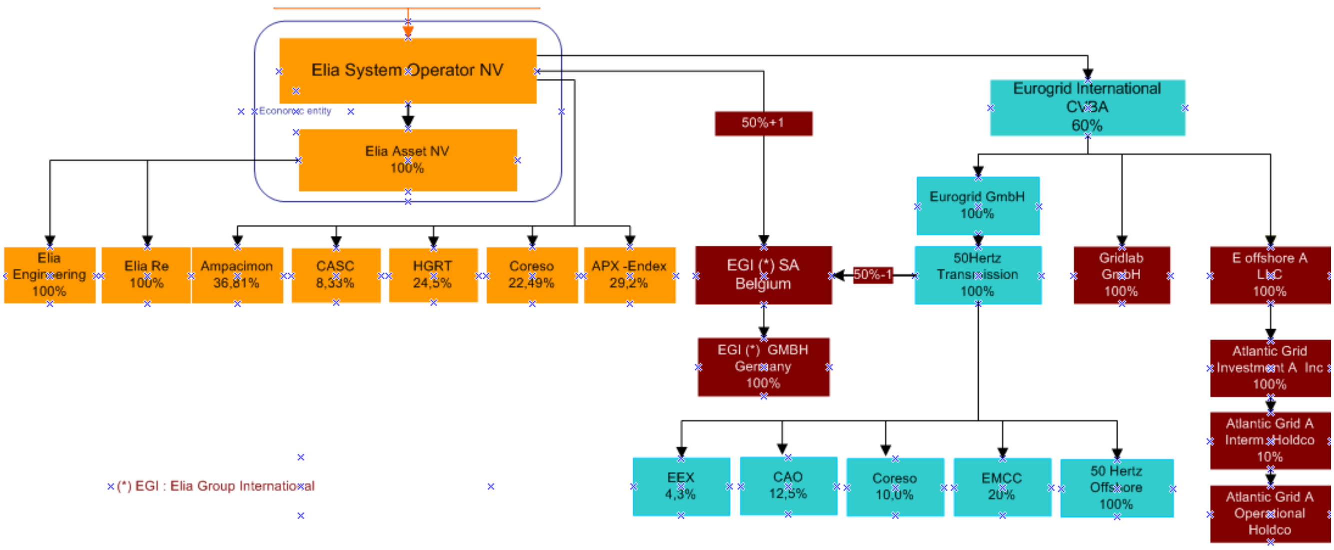
In the 2014 and 2013 financial years, there were no transactions with 50Hertz Offshore, E-Offshore, Atlantic Grid Investment and HGRT.

Details of transactions with other related parties are shown below.

(in million EUR)	2014	2013
Transactions with joint arrangements and associated companies	**1.9**	**10.3**
Sales of goods	1.9	7.1
Purchases of goods	0.0	(3.2)
Interest and similar revenue	0.0	0.0
Outstanding balances with joint arrangements and associated companies	**(16.2)**	**0.1**
Long-term debtors	0.0	0.0
Trade debtors	1.0	0.4
Trade debts	(17.2)	(0.3)

8.5. Subsidiaries, joint arrangements and associates

GROUP STRUCTURE OVERVIEW



SUBSIDIARIES

Elia System Operator SA has direct and indirect control of the subsidiaries listed hereafter.

All the entities keep their accounts in euro (except E-Offshore A LLC, Atlantic Grid Investment A Inc and Atlantic Grid A LLC, whose accounts are held in USD) and have the same reporting date as Elia System Operator SA (except Eurogrid International SCRL).

Name	Country of establishment	Headquarters	Stake % 2014	2013
Elia Asset SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering SA	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	Belgium	Bd de l'Empereur 20,1000 Brussels	80.00	-
Elia Grid International GmBH	Germany	Eichenstraße 3a,12435 Berlin	80.00	-
JOINT ARRANGEMENTS				
Eurogrid International CVBA	Belgium	Bd de l'Empereur 20,1000 Brussels	60.00	60.00
Eurogrid GMBH	Germany	Eichenstraße 3a,12435 Berlin	60.00	60.00
50Hertz Transmission GmbH	Germany	Eichenstraße 3a,12435 Berlin	60.00	60.00
50Hertz Offshore GmbH	Germany	Eichenstraße 3a,12435 Berlin	60.00	60.00
Gridlab GmbH	Germany	Sielowerstraße 5,03044 Cottbus	60.00	60.00
E-Offshore A LLC	U.S.	874, Walker Road, Suite C, 19904 Dover, Delaware	60.00	60.00
Atlantic Grid Investment A Inc	U.S.	1209 Orange Street,19801 Wilmington, Delaware	60.00	60.00
ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD				
H.G.R.T S.A.S.	France	1 Terrasse Bellini,92919 La Défense Cedex	24.50	24.50
Coreso SA	Belgium	Avenue de Cortenbergh 71,1000 Brussels	28.49	28.49
APX Group	Netherlands	Strawinksylaan 729,1077 XX Amsterdam	29.16	29.16
Ampacimon SA	Belgium	Rue des Chasseurs Ardennais 3,4031 Angleur	36.81	36.81
OTHER PARTICIPATIONS				
CASC.EU	Luxembourg	2 Rue de Bitbourg,1273 Luxembourg-Hamm	8.33	8.33
EMCC European Market Coupling	Germany	Hopfenmarkt 3120457 Hamburg	12.00	12.00
CAO Central Allocation Office GmbH	Germany	Gute Änger 15,85356 Freising	6.66	7.50
Altantic Grid A LLC	U.S.	4445, Willard Av, Suite 1050,20815 Chevy Chase, Maryland	6.00	6.00
European Energy Exchange (EEX)	Germany	Augustusplatz 9,04109 Leipzig	4.32	2.25
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3,81673 Munich	10.00	-

8.6. Subsequent events

On January 14, 2015, the Board of Directors ended the collaboration with Jacques Vandermeiren, Chief Executive Officer of the company, due to a divergence in visions. The Board of Directors has appointed François Cornélis[2] as interim Chief Executive Officer. François Cornelis has held several top management posts in leading companies from the energy sector such as Petrofina and Total, both in Belgium and abroad. The procedure to appoint a new CEO is started immediately. The Board of Directors confirms the continuity of the large infrastructure projects and the international development of Elia and 50Hertz.

8.7. Services provided by the auditors

The General Meeting of Shareholders appointed the joint auditors KPMG Bedrijfsrevisoren Burg. CVBA (represented by Benoit Van Roost) and Ernst & Young Bedrijfsrevisoren BCVBA (represented by Marnix Van Dooren) for the audit of the consolidated financial statements of Elia System Operator SA and the audit of the statutory financial statements of Elia System Operator SA, Elia Asset SA and Elia Engineering SA.

The Elia group paid to the joint auditors during the year 2014 an amount of €429,121.00 for the annual audit mandates, of which €252,000.00 has been paid to the statutory auditor of the German activities, Ernst & Young.

The fees paid to the joint auditors for other engagements prescribed by the Belgian Company Law and engagements other than those prescribed by the Belgian Company Law amounted to respectively €80,540.00 and €397,282.50 for the year ended 31 December 2014. The latter services related mainly to Asset Management advice (PAS55) and tax and VAT advice.

In addition an amount of €279,679.17 has been paid in 2014 for non-audit services. These fees can be detailed as follows:

(in EUR)	Ernst & Young	KPMG
Attestation missions	79,480.00	
Tax advisory services		45,090.17
IT advisory services		18,000.00
Due diligence		137,109.00
Total	79,480.00	200,199.17

The services were approved by the Audit Committee.

[2] permanent representative of Monticello BVBA/SPRL

KPMG Bedrijfsrevisoren BCVBA
Bourgetlaan 40
1130 Brussels
Belgium

Ernst & Young Bedrijfsrevisoren BCVBA
De Kleetlaan 2
1831 Diegem
Belgium

Statutory joint auditors' report to the general meeting of Elia System Operator NV/SA as of and for the year ended 31 December 2014

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements as well as our report on other legal and regulatory requirements. These consolidated financial statements include the consolidated statement of financial position as of 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2014 and the notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Elia System Operator NV ("the company") and its subsidiaries (jointly "the group") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to EUR 5.697,0 million and the consolidated income statement shows a profit for the period of EUR 172,4 million.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, , and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory joint auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the internal control relevant to the group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's equity and consolidated financial position as at December 31, 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Emphasis of matter

Without qualifying our opinion, the joint statutory auditors draw attention to note 8.3 and note 7.3 of the consolidated financial statements that provide a description of the uncertainties resulting from the final settlements arising from the tariff regulation mechanisms to be approved by the competent authorities, and of the uncertainties resulting from the outcome of the tax audit.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the report of the board of directors on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The annual report on the consolidated financial statements includes the information required by law, is consistent in all material respects with the consolidated financial statements, and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, March 27, 2015

Joint statutory auditors

KPMG Bedrijfsrevisoren BCVBA
Represented by

Benoit Van Roost
Partner

Ernst & Young Bedrijfsrevisoren BCVBA
Represented by

Marnix Van Dooren
Partner

REGULATORY FRAMEWORK AND TARIFFS

9. Regulatory framework in Belgium

9.1. Federal legislation

The Electricity Act forms the overall basis and 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 trans- position at federal level of the 3rd package of European directives. The new Electricity Act:

- strengthens the unbundling of transmission 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 as regards establishing methods for determining transmission tariffs.

A number of royal decrees implement the regulatory framework in more detail, particularly the Royal Decree on the Federal Grid Code. Similarly, the decisions passed by the regulatory authority supplement this framework to create the regulatory framework

9.2. Regional legislation

The three Belgian Regions are primarily responsible for the local transmission of electricity through grids with a voltage equal to or lower than 70 kV in their respective territories. The Regions are not responsible for setting electricity transmission tariffs, which falls under federal jurisdiction. The Flemish Region, the Brussels-Capital Region and the Walloon Region have also transposed into their legislative framework the provisions of the 3rd European package that apply to them. The regional decrees have been complemented by several other rules on matters such as public services, renewable energy and authorisation procedures for suppliers.

9.3. Regulatory agencies

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

FEDERAL REGULATOR
The Commission for Electricity and Gas Regulation (CREG) is the federal regulator and its powers with regard to Elia include:

- approving the standard terms of the three main contracts used by the company at the 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 methodologies to be observed by the system operator to ensure that the tariffs for connection to and use of the grid and the tariffs for the provision of ancillary services by Elia are approved;
- certifying that the system operator actually owns the infra- structure that it operates and meets the regulatory requirements for independence from generators and suppliers.

REGIONAL REGULATORS
Operation of electricity grids with voltages of 70 kV and less falls within the jurisdiction of the respective regional regulators. Each of them may require any operator (including Elia if it operates such grids) to abide by any specific provision of the regional electricity rules under the threat of administrative fines or other sanctions. The regional regulators are not empowered to set tariffs for grids that perform the function of transmitting electricity, as tariff setting falls under the sole jurisdiction of CREG for these grids.

9.4. Tariff setting

TARIFF REGULATIONS
On 24 November 2011, CREG adopted and published a decree setting out provisional calculation methods and establishing tariff conditions for connection and access to electricity grids performing a transmission function. Based on this provisional methodology, on 22 December 2011 CREG approved the 2012-2015 tariff proposal submitted by Elia on 30 June 2011 and adapted on 13 December 2011.

On 8 January 2012, the new Electricity Act removed the power to draw up tariff methodologies from the government and conferred this responsibility on the federal regulator, in accordance with the procedures and guidelines laid down by law.

On 28 March 2013, CREG modified the tariff method from 24 November 2011 after consulting the market parties, taking account of the developments in the legislation (specifically the publication of the new Electricity Act of 8 January 2012 transposing the provisions of the Third Package of European Energy Directives into Belgian legislation) and the ruling of the Brussels Court of Appeal of 6 February 2013 (which annulled the earlier decision to approve the transmission tariffs for the period 2012-2015). On 16 May 2013, the CREG Management Committee approved the amended tariff proposal for the period 2012-2015 that Elia had submitted on the basis of the modified method.

TARIFF REGULATIONS APPLYING IN BELGIUM

As the operator of grids performing a transmission function (covering the transmission grid and the local and regional transmission grids in Belgium), Elia makes most of its income from the regulated tariffs charged for use of these grids (tariff income), which are approved in advance by CREG. As of 1 January 2008, the prevailing tariff regulation mechanisms provide for the setting of approved tariffs for four-year periods, barring specific circumstances. The provisional tariff methodology established by CREG at the end of 2011 did not change this system. 2012 was therefore the first year of the second four-year regulatory period.

The tariff mechanism is based on accounts stated in accordance with Belgian accounting regulations (Be GAAP). The tariffs are based on budgeted costs, less 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, for the first time, in the case of some costs, of electricity injected into the grid, in accordance with the terms of the provisional tariff methodology drawn up by CREG.

The costs taken into account include the forecast value of the authorised fair remuneration and the predicted values of various cost categories, including those that are not subject to application of a productivity improvement factor ('group 1 costs' resulting in balances allocated to the total revenue of a future regulatory period) and those to which a productivity improvement factor is applied ('group 2 costs' whose budget discrepancies result in an increase or decrease of the gross margin).

FAIR REMUNERATION

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

In that context, the following formula, which has been applied since 1 January 2012, is used to calculate the fair remuneration, when consolidated capital and reserves account for more than 33% of the average regulated asset base, as is the case at present:

- A: [33% x average RAB x [(OLO n)+ (Beta x risk premium)]]; plus
- B: [(S – 33%) x average RAB x (OLO n + 70 base points)]; where
- OLO n is the interest rate for Belgian 10-year linear bonds for the year in question;
- S = consolidated capital and reserves/RAB, in accordance with Belgian accounting standards (BE GAAP);
- Beta is calculated based on Elia share prices, compared with the BEL 20 index, over a seven-year period. The value of the product of the beta parameter and the risk premium cannot be lower than 0.7.

PART A

The rate of remuneration (in %) as set by CREG for year 'n' is equal to the sum of the risk-free rate, i.e. the average rate of Belgian 10-year linear bonds and a premium for share market risk, weighted using the applicable beta factor.

The tariff regulations set the risk premium at 3.5%. The applicable beta factor is calculated based on the beta factor for Elia, compared with the BEL 20 index, over a seven-year period. CREG encourages a ratio between equity and regulated asset base that is as close as possible to 33%. The reference ratio of 33% is applied to Elia's average regulated asset base (RAB) to calculate Elia's reference equity.

PART B

If Elia's actual equity is higher than the reference equity, the surplus amount is balanced out with a rate of remuneration calculated using the following formula: [(OLO n + 70 base points)].

Group 1 costs

Costs that are not subject to application of the productivity and efficiency improvement coefficient ('group 1 costs') are an integral part of the costs taken into account when setting tariffs. The tariffs are set based on the forecast values of these costs. Alongside this, the balances (positive or negative), i.e. the difference between the actual costs and the forecast costs, are established ex-post and, in principle, allocated to the total revenue of a future regulatory period.

Group 2 costs

Group 2 costs are subject to an incentive regulation mechanism: in other words, they are subject to application of a productivity and efficiency improvement coefficient. This coefficient indicates the efforts that Elia must make to control such costs, i.e. the authorised costs used to determine the tariffs following application of this factor. Within the 2012-2015 period, the productivity improvement for 2012 was set at €10 million. The budget discrepancies in relation to group 2 costs (positive or negative), i.e. the difference – established ex-post – between the actual and authorised costs, are in principle either added to or deducted from the gross margin.

Incentive to make replacement investments

The CREG has introduced an incentive to ensure that the investments needed to maintain the quality of service provided by the system operator are carried out appropriately and on time. If the actual investment total for the year exceeds 90% of the reference budget for the investments concerned, an additional gross margin equivalent to the excess amount is awarded to the system operator. This amount is capped at 10% of the reference investment budget. It is also subject to conditions regarding compliance with individual project budgets.

Future tariff regulations

As also mentioned, on 18 December 2014 CREG adopted a new decree setting down the tariff methodology that Elia, as a transmission system operator operating grids that perform the function of transmitting electricity, will have to apply when it draws up its tariff proposal for the next regulatory period (1 January 2016 to 31 December 2019). The new decree contains a number of changes from the current methodology: these mostly concern the parameters to be taken into account when determining the fair margin, the introduction of a number of incentives, and the tariff structure to be used to ensure that all the different costs are covered. These features will take effect on 1 January 2016.

10. Regulatory framework in Germany

10.1. 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 supported by a number of laws, ordinances and regulatory decisions, which provide detailed rules on the current regime of incentive regulation, accounting methods and network access arrangements, including:

- the Ordinance on Electricity Network Tariffs (Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzentgeltverordnung – StromNEV)), which establishes, inter alia, principles and methods for the grid tariff calculations and further obligations of system operators;
- the Ordinance on Electricity Network Access (Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzzugangsverordnung – StromNZV), which, inter alia, sets out the further detail on how to grant access to the transmission systems (and other types of grids) by way of establishing the balancing amount system (Bilanzkreissystem), scheduling of electricity deliveries, control energy and further 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 ‘Bilanzkreissystem’ for renewable energy;
- the Ordinance on Incentive Regulation (Verordnung über die Anreizregulierung der Energieversorungsnetze (Anreizregulierungsverordnung – ARegV)), which sets out the basic rules for incentive regulation of TSOs and other system operators (as further described below). It also describes in general terms how to benchmark efficiency, which costs enter the efficiency benchmarking, the method of determining inefficiency and how this translates into yearly targets for efficiency growth.

10.2. Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the Federal Network Agency (Bundesnetzagentur – BNetzA) in Bonn for grids to which over 100,000 grid users are directly or indirectly connected and the specific regulatory authorities in the respective federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, inter alia, 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.

10.3. Tariff setting in Germany

The current regulation mechanism is established in Germany by ARegV. According to 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 principally 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. The system operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, the second regulatory period started on 1 January 2014 and will end on 31 December 2018. Tariffs are public and are not subject to negotiation with customers. Only certain customers (under certain fixed circumstances that are accounted for in the relevant legislation) are allowed to agree to individual tariffs according to Article 19 of StromNEV (for example, in the case of sole use of a network 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 are classified into two categories as follows:

- Permanently non-influenceable costs (PNIC): these costs are fully integrated into the ‘revenue cap’ and are fully recovered by the grid tariffs, albeit with a two-year time-lag. PNIC includes 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) for what are called investment measures. The cost of debt related to investment budgets is currently capped at the lower value of the actual cost of debt or cost of debt as calculated in accordance with a published Federal Network Agency guideline. 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 regulatory account. In addition, PNIC includes costs relating to ancillary services, grid losses and redispatch costs, as well as European initiatives and income from auctions. 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) ARegV (FSV). The regulation process relating to ancillary services and grid losses costs gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms.
- Temporary non-influenceable costs (TNIC) and influenceable costs (IC): these costs include return on equity depreciation, cost of debt, of imputed trade tax and other operational expenses and are subject to an incentive mechanism as set by the Federal Network Agency, which contains an efficiency factor (only applicable to IC), a productivity factor improvement 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 such a factor for TSOs are yet to be described by the Federal Network Agency. The various defined factors give the TSOs a medium-term objective to eliminate what are deemed to be inefficient costs. As regards the cost of debt, the allowed cost of debt related to influence able costs needs to be proven as marketable.

- As for return on equity, the relevant laws and regulations set out the provisions relating to the allowed return on equity, which is included in the TNIC/IC for assets belonging to the regulatory asset base and the PNIC for assets approved in investment budgets. For the second regulatory period (2014-2018), the return on equity is set at 7.14 % for investments made before 2006 and 9.05 % for investments made since 2006, based on 40 % of the total asset value regarded as 'financed by equity' with the remainder treated as 'quasi-debt'. The return on equity is calculated before corporate tax and after imputed trade tax.
- In addition to the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG and CHP/KWKG obligations, offshore liabilities… subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

During 2014 BNetzA conducted an evaluation of the current regulatory framework for grid operators. As a result a report with an extensive analysis of the current system as well as recommendations for a future development was published in January 2015. BNetzA suggests 4 different models with more or less changes on the current system and some general amendments to the regulatory system. Those general suggestions include e.g. an alternative for the regulatory account. The model preferred by the BNetzA (ARegV 2.0) would imply no changes (beyond the general amendments) to the current TSO regulation.

As of 31 December 2014, 50Hertz had obtained approval for 81 of the 92 active investment budget requests made since 2008. Based on the total investment budget request volume of 9,6 bn. € the approved investment budget as of the same date accounts for 5,6 bn. €.

TARIFFS

Grid access tariffs were calculated based on the respective revenue cap and published on a provisional basis on the 15th of October 2014 for the year 2015. As of 1st Jan 2015, they have been redefined for 2015 and have decreased by about 9% compared to 2014 due to one-off impacts in 2015.

11. INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia System Operator SA, drawn up in accordance with Belgian accounting standards, are given 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 www.elia.be and can be obtained on request from Elia System Operator SA, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors issued an unqualified opinion with an explanatory paragraph thereon.

11.1. Statement of financial position after distribution of profits

ASSETS (in million EUR)	2014	2013
FIXED ASSETS	3,607.5	3,604.9
Financial fixed asset	3,607.5	3,604.9
Affiliated companies	3,585.5	3,583.0
Participating interests	3,585.5	3,583.0
Other enterprises linked by particpating interests	22.0	22.0
Participating interests	21.7	21.7
Other participating interests	0.3	0.3
CURRENT ASSETS	1,208.1	1,188.4
Amounts receivable after more than one year	93.8	93.8
Other amounts receivable	93.8	93.8
Inventories and contracts in progress	3.5	7.3
Contracts in progress	3.5	7.3
Amounts receivable within one year	967.4	852.6
Trade debtors	135.3	160.9
Other amounts receivable	832.0	691.6
Investments	20.0	88.0
Other term deposits	20.0	88.0
Cash at bank and in hand	110.5	136.5
Deferred charges and accrued income	13.0	10.3
TOTAL ASSETS	**4,815.6**	**4,793.4**

EQUITY AND LIABILITIES (in million EUR)	2014	2013
CAPITAL AND RESERVES	1,686.2	1,661.8
Capital	1,514.9	1,510.7
Issued capital	1,514.9	1,510.7
Share premium account	9.9	8.8
Reserves	138.7	116.5
Legal reserve	138.7	116.5
Profit carried forward	22.6	25.8
PROVISIONS, DEFERRED TAXES	0.4	0.3
Provisions for risks and charges	0.4	0.3
Other risks and charges	0.4	0.3
LIABILITIES	3,129.1	3,131.3
Amounts payable after one year	2,650.6	2,303.3
Financial debts	2,650.6	2,303.3
Unsubordinated debentures	2,094.8	1,747.5
Credit institutions	60.0	60.0
Other loans	495.8	495.8
Amounts payable within one year	274.0	721.5
Current portion of amounts payable after more than one year	0.0	499.9
Trade debts	157.4	109.9
Suppliers	146.6	99.7
Advances received on contracts in progress	10.8	10.3
Amounts payable regarding taxes, remuneration and social security costs	8.2	8.0
Taxes	0.2	0.0
Remuneration and social security	8.0	8.0
Other amounts payable	108.4	103.7
Accrued charges and deferred income	204.5	106.4
TOTAL EQUITY AND LIABILITIES	**4,815.6**	**4,793.4**

11.2. Income statement

(in million EUR)	2014	2013
OPERATING INCOME	**792.5**	**797.3**
Turnover	786.8	789.5
Increase (+), decrease (-) in inventories of finished goods, works and contracts	(3.8)	1.7
Other operating income	9.4	6.1
OPERATING CHARGES	**(659.2)**	**(645.7)**
Services and other goods	(622.1)	(611.3)
Remuneration, social security costs and pensions	(37.1)	(37.2)
Provisions for liabilities and charges (write-ups +, utilizations and reversals -)	(0.1)	2.7
OPERATING INCOME	**133.2**	**151.5**
Financial income	**108.2**	**111.6**
Income from financial fixed assets	100.2	100.7
Income from current assets	8.0	10.9
Financial charges	**(118.8)**	**(130.3)**
Interest and other debt charges	(115.9)	(125.6)
Other financial charges	(2.8)	(4.7)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**122.7**	**132.8**
Extraordinary income	**0.0**	**0.5**
Proceeds from sale of investments	0.0	0.5
Extraordinary charges	**0.0**	**(1.5)**
Other extraordinary charges	0.0	(1.5)
PROFIT FOR THE FINANCIAL PERIOD BEFORE TAXATION	**122.7**	**131.8**
Income taxes	**(10.0)**	**(12.0)**
Income taxes	(10.0)	(12.0)
PROFIT FOR THE FINANCIAL PERIOD	**112.6**	**119.8**

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