

AT THE HEART OF THE ENERGY TRANSITION

ANNUAL
REPORT 2015



GEARING UP FOR THE FUTURE ENERGY LANDSCAPE

The Elia Group, comprising Elia in Belgium, 50Hertz in northern and eastern Germany and Elia Grid International (EGI), is keen to be a driving force within the European electricity market. The electricity system faces many challenges: current generation units are ageing, while renewables are coming to account for an increasingly large proportion of the energy landscape. The variable nature of renewables, though, means that keeping the electricity system as a whole balanced is becoming an increasingly complex task. Local players are beginning to emerge. The energy transition is under way and the Group is busy developing tools and services which will make grid management easier in the future.

This report summarises the key events in 2015 within Elia and the Group at large. To address the challenges of a changing energy landscape, Elia is working on shoring up and maintaining its grid through major infrastructure projects. The federal development plan for the next decade and new tariff conditions for 2016-2019 (approved in 2015) form a solid foundation for the grid of the future.

Elia fully appreciates the importance of innovation in developing its grid and optimising existing infrastructure and thus favours a sustainable, environmentally friendly approach which creates added value for stakeholders.

When developing its projects, Elia takes care to factor in the views and opinions of stakeholders and the relevant authorities while fulfilling the stated economic requirements and providing a top-quality service at the most competitive price.

At the same time, Elia intends to pursue its international ambitions via its subsidiary Elia Grid International.



A KEY PLAYER AT EUROPEAN LEVEL



System operation

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.



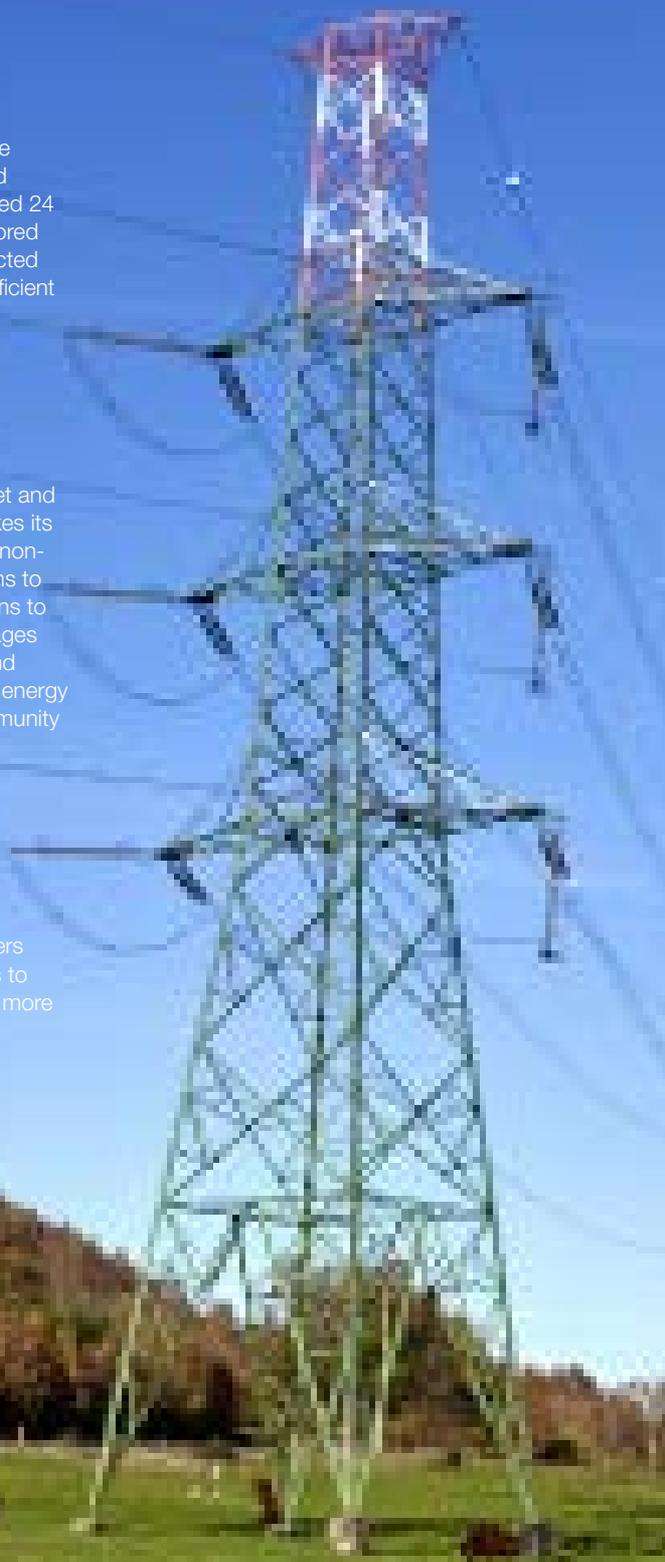
Market facilitation

The Elia Group is a core player on the electricity market and as such acts as a market facilitator. To this end, it makes its infrastructure available to the market in a transparent, non-discriminatory way. It devises services and mechanisms to boost market development and forges new connections to open up new possibilities for the market. This encourages more effective competition between market players and enables renewable energy to be incorporated into the energy mix, for the wellbeing of the economy and of the community as a whole.



Asset management

The Elia Group maintains and develops high-voltage equipment and infrastructure: lines, cables, transformers and so on. The Group is using advanced technologies to modernise and extend its grid to enable it to integrate more advanced technologies.



THE ELIA GROUP IN 2015

Contribution
to results

44%
BELGIUM

56%
GERMANY

Investments

353
Mio€
BELGIUM

902
Mio€
GERMANY

210.6 Mio€
NET RESULTS

1.55 €/share
DIVIDEND

3.6%
DIVIDEND YIELD
(CLOSING PRICE 2015)

2,583.4 Mio€
NET DEBT

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FOREWORD BY THE CHAIRMAN OF THE BOARD

The Elia Group achieved solid financial and operational results in 2015. Over the course of the year, it continued to grow as one of the leading players on the European electricity market.



The Group's development is characterised by the international activities conducted by both Elia and 50Hertz, particularly at regional European level (Central West Europe and Central East Europe).



Miriam Maes
Chairman of the Board of Elia Group

In 2015, the Board of Directors appointed Chris Peeters as the new CEO of the Elia Group. Chris took up his post in July 2015 and has moved to continue ongoing projects. He is also working closely with the Board to conduct a more in-depth examination of the Group's strategic activities and objectives.

On behalf of the Board of Directors, I would like to thank François Cornelis, who stepped in as the Group's interim CEO for the first half of 2015. During his tenure, François served the Group expertly and with the utmost professionalism, ensuring that operations continued uninterrupted.

I firmly believe that thanks to the unwavering dedication of its staff, the Elia Group is ideally placed to figure prominently in the energy transition and fully accomplish its role as a transmission system operator in both Belgium and Germany, for the benefit of the community as a whole. All the more so since the agreements signed at the COP21 conference in Paris in December 2015 emphasised the importance of cutting carbon emissions – and thus integrating renewables – for mitigating the impact of climate change.

Safety is always Elia's number-one operational priority, whether in interventions, maintenance or the construction of new electricity infrastructure, and whether the staff concerned are employed by Elia or its subcontractors.

EUROPEAN ENERGY UNION

This year, the Elia Group continued to build new energy transmission structure and consolidate its grid operation activities, with an eye to achieving the three core targets of offering a reliable, affordable and low-carbon electricity system.

The ultimate aim of the European energy policy, as formally presented by the European Commission in 2015, is to establish a European Energy Union comprising a model of fully integrated electricity markets and grids, capable of handling increasingly large volumes of renewable energy.

The strategy pursued by the Elia Group's companies dovetails perfectly with this road map. The Group's developments, such as its major interconnection projects linking Belgium with neighbouring countries or its off-shore electricity grids, demonstrate the international scope of Elia and 50Hertz's activities.

ORGANIC GROWTH

The Elia Group's companies are thus playing an active role in drawing up European grid development plans.

Consequently, organic growth remains a top priority for the Group.

The opportunities afforded by European policies on energy, climate change and infrastructure are taking the form of ambitious investment plans in Belgium and Germany, intended to upgrade the respective national grids, develop 'electricity highways' and establish international interconnections to carry renewable energy from where it is generated to the consumers who will use it. Last but not least, the Elia Group is developing offshore grids in the Baltic Sea and will soon begin a similar project in the North Sea.

For these investments to be financed successfully (which will require around five billion euros between now and 2020), the regulatory frameworks in Belgium and Germany must remain stable and there must be a prospect of sufficient return to attract the necessary capital.

VALUE CHAIN EXPANSION

The Group's second strategic objective remains the expansion of our operational activity and the effective integration of renewables (value chain expansion). Elia has taken a number of market facilitation measures and is involved in building both the integrated European market and the European Energy Union.

I am delighted with the progress made in 2015, not least the launch of the flow-based market coupling system in the Central West Europe region, which is testament to the Group's commitment to playing a pioneering role in integrating European energy markets. This development improved price convergence in the region and substantially reduced electricity wholesale prices on some markets. It also highlights the benefits of international cooperation with our colleagues in other countries.

The Group also plans to shore up international partnerships between system operators and electricity exchanges by developing new products to integrate new resources – such as demand-side management and storage – into the electricity system.

Within the strategic framework of value chain expansion, 2015 was a year of further growth for Elia Grid International (EGI), a 50/50 joint venture between Elia and 50Hertz. This unprecedented initiative will enable maximum benefit to be derived from the two companies' expertise through offering technical design, procurement management and grid infrastructure construction services abroad. In 2015, EGI worked with several consortia on projects in the Middle East, Chile, Australia and Japan.

"I am delighted with the progress made in 2015, not least the launch of the flow-based market coupling system in the Central West Europe region, which is testament to the Group's commitment to playing a pioneering role in integrating European energy markets."

THANK YOU

I would like to thank the entire staff of the Elia Group for their professionalism and their devotion. Thanks, too, to my colleagues on the Board of Directors for their support and for the energy they bring to the Elia Group.

Finally, the Elia Group is pleased to have the support of its shareholders, the regulators and the federal and regional governments, and we would like to thank them all.

Miriam Maes
Chairman of the Board of Elia Group



FOREWORD BY THE **CEO**

In July 2015, I had the honour of taking over the helm of the Elia Group. Following over 15 years' experience in consultancy around organisation of the energy market, I discovered a group rooted firmly in the European landscape, mindful of its social responsibility and eager to play a decisive role in the integration of the energy market. I found teams with a high level of expertise and always on hand to perform practical tasks in the field as well as to get fully involved in development activities and in monitoring the electricity grid around the clock.



The various projects under way, both in Belgium and Germany, are indicative of the Group's strategic focus areas and are structured around the crucial benefit afforded by the complementarity of the two system operators Elia and 50Hertz.

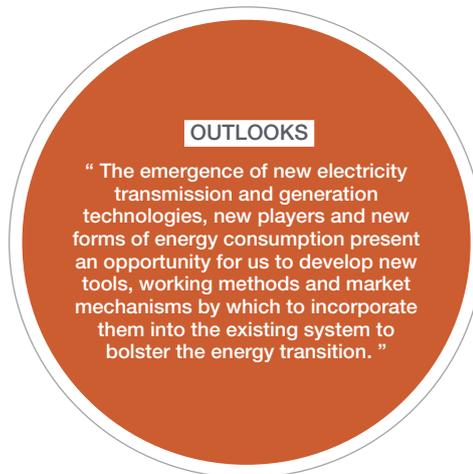
The various projects under way, both in Belgium and Germany, are indicative of the Group's strategic focus areas and are structured around the crucial benefit afforded by the complementarity of the two system operators Elia and 50Hertz. Whether it is developing infrastructure or managing assets and operating the electricity grid, projects are generally conceived against a forward-looking backdrop: the aim is to utilise international cooperation to benefit the community.

In terms of grid infrastructure development, significant progress was made in 2015 as regards shoring up our grid and extending international interconnections. Key decisions taken included that to invest in a direct-current (DC) interconnection between Belgium and the United Kingdom (the Nemo project) and that to install a fourth phase-shifting transformer on the border between Belgium and the Netherlands to enable international-trading flows to be monitored more accurately. Among other projects, the Group also continued work on building an interconnection between Belgium and Germany (the ALEGrO project) and on implementing investment plans in Belgium and Germany. These various projects form part of a wider scale investment programme. Completing these investment projects successfully will require the teams at Elia and 50Hertz to adopt a highly structured approach in planning and performing the necessary works, securing the appropriate permits, supporting local populations and keeping a tight rein on budgets.

In terms of asset management, the Group is keen to optimise the methods it uses to manage assets more efficiently and effectively, while at the same time remaining steadfast when it comes to operational safety.

Substantial progress has also been made where operation of the electricity grid is concerned thanks to the launch in May 2015 of flow-based market coupling in the Central West Europe (CWE) region. Via international partnerships between system operators and the use of more accurate models, this initiative will enhance economic wellbeing in the region and will also deliver greater price-convergence between the various markets. This is a first in Europe and is also an important milestone in building an integrated





Chris Peeters
CEO of the Elia Group

electricity market. It embodies advanced implementation of European legislation and is testament to the ongoing desire of TSOs to put in place the most innovative solutions to enable markets to function smoothly – and to do so as swiftly as possible.

These various achievements were accompanied by several events which I consider to be pivotal for the years ahead: the approval by the Belgian authorities of the federal development plan for the period 2015-2025, CREG's approval of Elia's tariff framework for the next four years, and Elia's issuing of a bond offering will all be crucial to our activities over the coming years.

However, we must also plan for our longer term future and the Elia Group is committed to playing an active role in all the sectors in which it operates.

Grid infrastructure will be a core component of the future electricity system if we are to be able to guarantee the security of supply required to enable the community as a whole to continue to prosper. However, we must build and operate our infrastructure in such a way that we are able to cope with the profound changes under way in the electricity system. Such an approach will require a detailed analysis of the relevant requirements and potential solutions, coupled with a continued commitment alongside all stakeholders (e.g. market players, civil society and the authorities).

The emergence of new electricity transmission and generation technologies, new players and new forms of energy consumption present an opportunity for us to develop new tools, working methods and market mechanisms by which to incorporate them into the existing system to bolster the energy transition.

The Elia Group is also keen to play its part fully by utilising the visibility afforded by its activities throughout the electricity system and by devising innovative solutions enabling the latter to evolve.

Finally I should like to take this opportunity to thank all the staff of the Elia Group both for their efforts in achieving what we have in 2015 and for their unwavering commitment to achieving the very best for the benefit of the community as a whole. I know we will be able to count on this shared commitment and cooperation from dedicated and passionate individuals in rising to the challenges which lie ahead.

Chris Peeters
CEO of the Elia Group

ELIA IN 2015



JOINT-VENTURE AGREEMENT FOR NEMO LINK

On Friday, 27 February 2015 Elia and National Grid signed the joint-venture agreement to build the Nemo Link interconnection between Belgium and the United Kingdom.

Once completed, the interconnection will provide a capacity of 1,000 MW – enough to supply half a million households. The connection will link the coastal town of Richborough in Kent (UK) with Herdersbrug near Zeebrugge via underwater and underground cables covering a total of 140 km. Electricity will transit between the two countries in both directions.

FLOW-BASED MARKET-COUPLING GOES LIVE

On 20 May 2015 Elia and its seven project partners announced the successful launch of the new flow-based method designed to optimise cross-border electricity market efficiency in Central West Europe (CWE). The launch was a key milestone on the road to achieving an integrated electricity market and fell within the framework of the Network Code on Capacity Allocation and Congestion Management, which came into force in August 2015.



CHRIS PEETERS, NEW CEO OF ELIA

Appointed by the Board of Directors of Elia System Operator following approval by CREG, Chris Peeters became the new CEO of Elia on 6 July 2015. He takes over from François Cornéilis, interim CEO since 14 January 2015 following the departure of Jacques Vandermeiren.



ZANDVLIED: INCREASE IN PEAK IMPORT CAPACITY FROM THE NETHERLANDS

Elia installed a fourth phase-shifting transformer at Zandvliet during the summer of 2015.

It will allow peak import capacity on Belgium's northern border to increase to 3,400 MW from winter 2015-2016 onwards.

The new transformer marks the first stage of the Brabo project to upgrade the Belgian electricity grid.





A NEW ERA IN SETTING UP AUCTION OFFICES

2015 saw the merger of the two auction offices previously responsible for allocating long-term rights on many European borders: the Capacity Allocation Service Company (CASC.EU) and the Central Allocation Office (CAO). Following the merger, the Joint Allocation Office (JAO) was established on 1 September 2015. From early 2016, the JAO has served as the single auction office allocating long-term rights among others primarily on all borders in the Central West Europe and Central East Europe regions.



FEDERAL DEVELOPMENT PLAN APPROVED BY THE ENERGY MINISTER

On 18 November 2015, the Belgian Energy Minister approved the federal development plan for the transmission grid for the period 2015-2025 drawn up by Elia. The plan details all of the grid expansion and renovation investments planned by Elia over the next ten years in response to grid needs. The estimates of grid-capacity requirements factor in the findings of both the Prospective Study on Electricity 2030 conducted by the federal energy authorities and the Federal Planning Bureau (FPB), and forecasts set out in the Ten-Year Network Development Plan (TYNDP) drawn up by ENTSO-E.

INTEGRATING EUROPEAN ENERGY EXCHANGES

In 2015 the activities of the APX group (including the Belgian electricity exchange Belpex) and EPEX Spot were merged, thereby establishing an electricity exchange operating throughout the Central West Europe region and the United Kingdom. The move will provide market players with a harmonised set of rules and tools to facilitate transactions anywhere in the region.

1,229
EMPLOYEES

14
NATIONALITIES



2016-2019 TARIFFS

On 3 December 2015 CREG approved Elia's transmission tariffs for the regulatory period 2016-2019. The 2016-2019 tariffs were prepared and calculated on the basis of the tariff methodology approved by CREG in late 2014, and take account, among other things, of the impact of new incentive mechanisms supporting the implementation of investment projects and market-integration programmes. Despite inflation, the share represented by transmission costs will remain largely stable and low in the electricity bill paid by end customers. In fact, the average annual budget approved for the period 2016-2019 is 2.5% less than that for 2015.

AIT RECORD

Elia strives to achieve the very highest level of reliability when it comes to security of supply. In 2015, the Average Interruption Time (AIT) – the quantity of energy not supplied expressed as a number of minutes of consumption drawn off from the Elia grid – was 1.23 minutes, the lowest since the company was founded in 2001.

50HERTZ IN 2015



THE SOUTH-WEST INTERCONNECTOR, A EUROPEAN PRIORITY PROJECT, STARTS OPERATIONAL TESTS

The 'European priority project' known as the South-West Interconnector, between Thuringia and northern Bavaria, is one of the most important connections for ensuring a successful energy transition. On 17 December 2015, electricity flowed for the first time along the entire length of the line, which is divided into three sections between Halle/Saale (Saxony-Anhalt) and Schweinfurt (Bavaria).

Tremendous efforts made by 50Hertz experts and the other companies involved enabled the circuit along the third section of the interconnector to be completed ahead of schedule and before the onset of winter, thus ensuring grid stability in northern Bavaria and somewhat reducing congestion-related costs between northern and southern Germany.

As a result, 50Hertz was able to start operationally testing the first circuit of the SWKL's third section before winter took hold.

50HERTZ SEEN AS AN ATTRACTIVE EMPLOYER

In 2015, 50Hertz received a total of 3,756 job applications, 121 of which were successful, the candidates being offered a position. It was also a record year for the company in terms of training, with 12 apprentices and three trainees, the highest numbers ever, beginning their careers with 50Hertz. This entails additional responsibilities for young and old alike, so in 2015, to enable itself to give employees at different stages in life the support they need, 50Hertz concluded the Support and Continued Employability Agreement (Vereinbarung zur Förderung und zum Erhalt der Beschäftigungsfähigkeit). This agreement sets out health promotion measures and offers options for tailoring lifetime working-time arrangements to individuals' needs.



FINANCING INVESTMENTS IN THE ENERGY TRANSITION – NEW BONDS AT 50HERTZ

In 2015, 50Hertz issued corporate bonds worth a record total of nearly €1.4 billion to finance the development and upgrading of its transmission system. The bonds were launched on the Luxembourg stock market, which is where they will also be traded. The money raised will be invested primarily into developing the transmission grid, which includes the grid connection of the offshore wind farms in the Baltic Sea.



121

NEW HIRES IN 2015

955

EMPLOYEES*

* Figures for 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Eurogrid GmbH.



SOLAR ECLIPSE CAUSES NO SYSTEM PROBLEMS

Since renewables account for a large share of Germany's power generation, the solar eclipse was especially challenging for the team running 50Hertz's system. Within 70 minutes of the end of the moon's passage between our planet and the sun on the morning of 20 March 2015, the volume of solar power generated in Germany rose by around 14 GW, the sharpest increase in output ever recorded. Thanks to new system management procedures, first-rate cooperation between European transmission system operators and new products enabling market participants to buy and sell energy products for short time slots at just under real time, grid balance and system stability were never under threat. The day was a stress test for the entire system, but showed just how well-equipped 50Hertz already is to keep the power grid balanced as renewable generation grows further.

ON COURSE OFFSHORE

Germany's first commercial offshore wind farm Baltic 1 came on stream in the Baltic Sea in 2011 and was followed in 2015 by the connection to the grid of a second generating facility, Baltic 2. This wind farm's 80 offshore turbines are located in the Baltic Sea, 32 kilometres north of the island of Rügen, and have an installed capacity of 288 MW. In April 2015, 50Hertz took the first of two 150 kV sea cables into trial operation, and since September 2015 the wind farm has been fully operational and feeding its output into the German power grid. In Lubmin on 18 August 2015, in the presence of the minister-president of Mecklenburg-West Pomerania, 50Hertz also started construction work on a connection to a third wind farm in the Baltic Sea off Germany.

The grid integration of the Baltic 2 wind farm constitutes another important step towards efficient, sustainable offshore energy development in the Baltic Sea.

MOUNTING EXCITEMENT ABOUT MOVING TO A NEW HEAD OFFICE

In September 2016, the staff of 50Hertz will move into new headquarters – the 50Hertz Netzquartier – next to Berlin's Central Station. The building's open structure is designed to reflect the cultural transformation going on within the company. Since construction work began, 50Hertz staff have been actively involved in the design of their new workplace, and in 2015 preparations for the move entered their decisive phase. In this context staff were e.g. invited to view and assess furniture and furnishings for the future headquarters in a bid to promote a working environment characterised by communication and cooperation.

THE ELIA GROUP IN 2015



2015 was a pivotal year for the European energy sector, with the creation of a strategic framework for the Energy Union.



ENGAGING WITH EUROPEAN POLITICAL STAKEHOLDERS

Throughout 2015, the Elia Group continued to be a reliable and competent interlocutor of the European political stakeholders and the European institutions while putting its expertise at the disposal of a broad spectrum of NGOs and partner associations.

2015 was a pivotal year for the European energy sector, with the creation of a strategic framework for the Energy Union. This initiative should encourage a new dynamic for the transition to an economy with a low-carbon, secure and competitive energy system.

The first report on the state of the union of energy, presented by the vice-President of the European Commission, Maroš Šefčovič, stated that significant progress has already been made but that a lot remains to be done. 2016 will be an important year in this regard, with several important legislative initiatives in the European Commission's pipeline.

The Elia Group is maintaining an active dialogue with the EU authorities to deal with a wide variety of hot topics such as the energy market design, grid and RES development, regional cooperation, smart grids and governance.

On the NGO front, the Elia Group is involved in several initiatives, such as the Renewables Grid Initiative and sponsored the 5th European Grid Conference on Digital Energy and the Power Grid.

Elia in Belgium and 50Hertz in Germany

The Elia Group is organised around its two transmission system operators: Elia in Belgium and 50Hertz in Germany.

- 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 owned jointly by Elia (60%) and Industry Funds Management (40%).

Elia System Operator is listed on the Brussels stock exchange and its core shareholder is Publi-T, a municipal holding company.

<http://www.eliagroup.eu>

EGI IN 2015

STRONG GROWTH AT ELIA GRID INTERNATIONAL

Elia Grid International (EGI) successfully continued to ramp up its business as the Elia Group company delivering advisory services based on the expertise of the two TSOs Elia and 50Hertz. EGI provides services in asset management, system and market operations, owner's engineering and investment consultancy not only to international clients in the power grid sector but also to the Elia Group.

The rapid development of activities in the Middle East called for the establishment of a new hub in the region to support implementation of ongoing projects by having resources based in the region. Dubai was selected as the best place to establish this hub since it provides access to international resources in the region and offers the best prospects of identifying new business opportunities. It will enable EGI not only to establish a presence in proximity to its existing and potential clients but also to deliver projects more efficiently.

There are currently two major projects under way in the Middle East. One is a multiannual project to enable a regional TSO to optimise its performance in sustainable asset management. The other commenced in 2015 and focuses on streamlining a TSO's grid-planning activities.

An international driver for the Elia Group

Elia Grid International (EGI) is a subsidiary of the Elia Group, one of the leading TSO groups in Europe. It is a wholly owned subsidiary (50/50) of Elia, the TSO in Belgium, and 50Hertz, the TSO in northern and eastern Germany.

As a result, EGI combines the quality and expertise of two large European electricity transmission system operators, each with solid track-records and many decades of experience, with its own flexible, innovative structure.

With offices in Brussels, Berlin and Dubai, EGI provides consultancy and engineering services on the international energy market and develops power system projects for third parties in all aspects of electricity transmission (30 kV to 400 kV).

▶ <http://www.eliagrid-int.com/>



EGI combines the quality and expertise of two large European electricity transmission system operators with its own flexible and innovative structure.

Another of EGI's areas of expertise is the full range of owner's engineering. EGI is currently building new 380 kV/110 kV substations for 50Hertz and delivering multiple projects for grid customers in Belgium.

The substations in Germany are needed to integrate the increasing level of wind-power capacity into 50Hertz's control area. Works for projects that started in late summer 2015 immediately after receiving the necessary building permits have already progressed significantly. The new substations are scheduled to be commissioned a year and a half from the start of the project.

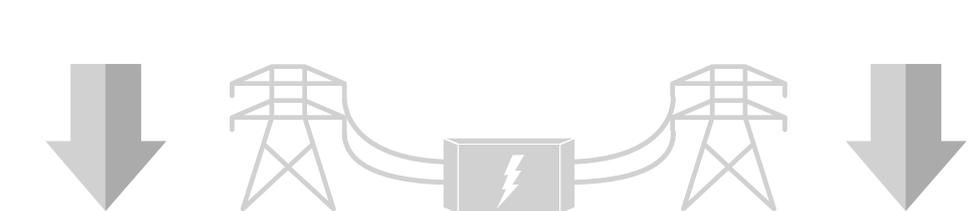
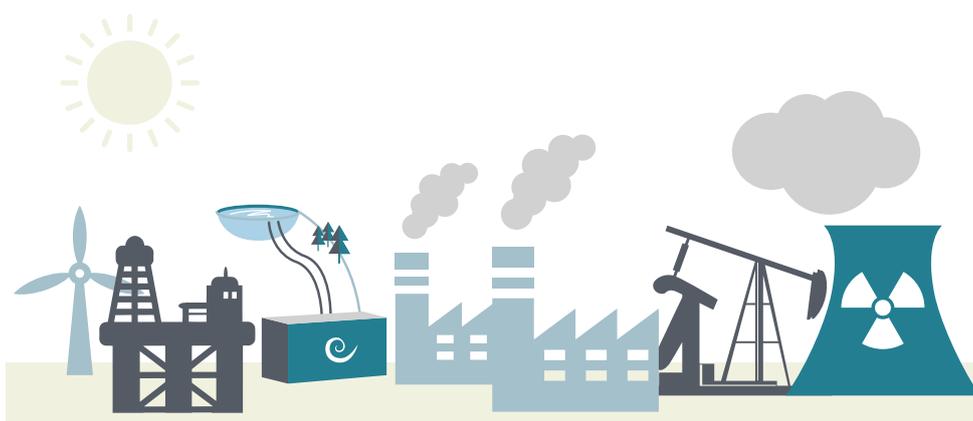
EGI has also been awarded and has delivered multiple new projects for international clients, for example in Chile, Australia and Japan.

THE ENERGY TRANSITION

Elia is currently dealing with the challenges posed by the energy transition by focusing in particular on shoring up and maintaining its grid and developing new technologies to make infrastructures much more flexible. Elia is also fostering innovation with regard to the development of market mechanisms and products so that it can best integrate renewable and decentralised generation sources.

YESTERDAY

Centralised generation units powered by fossil fuels were a stable and predictable source of energy. This energy was transported via the transmission and distribution systems from centralised generation centres to decentralised consumption centres. Renewable energies were still uncommon and consumers were passive stakeholders.



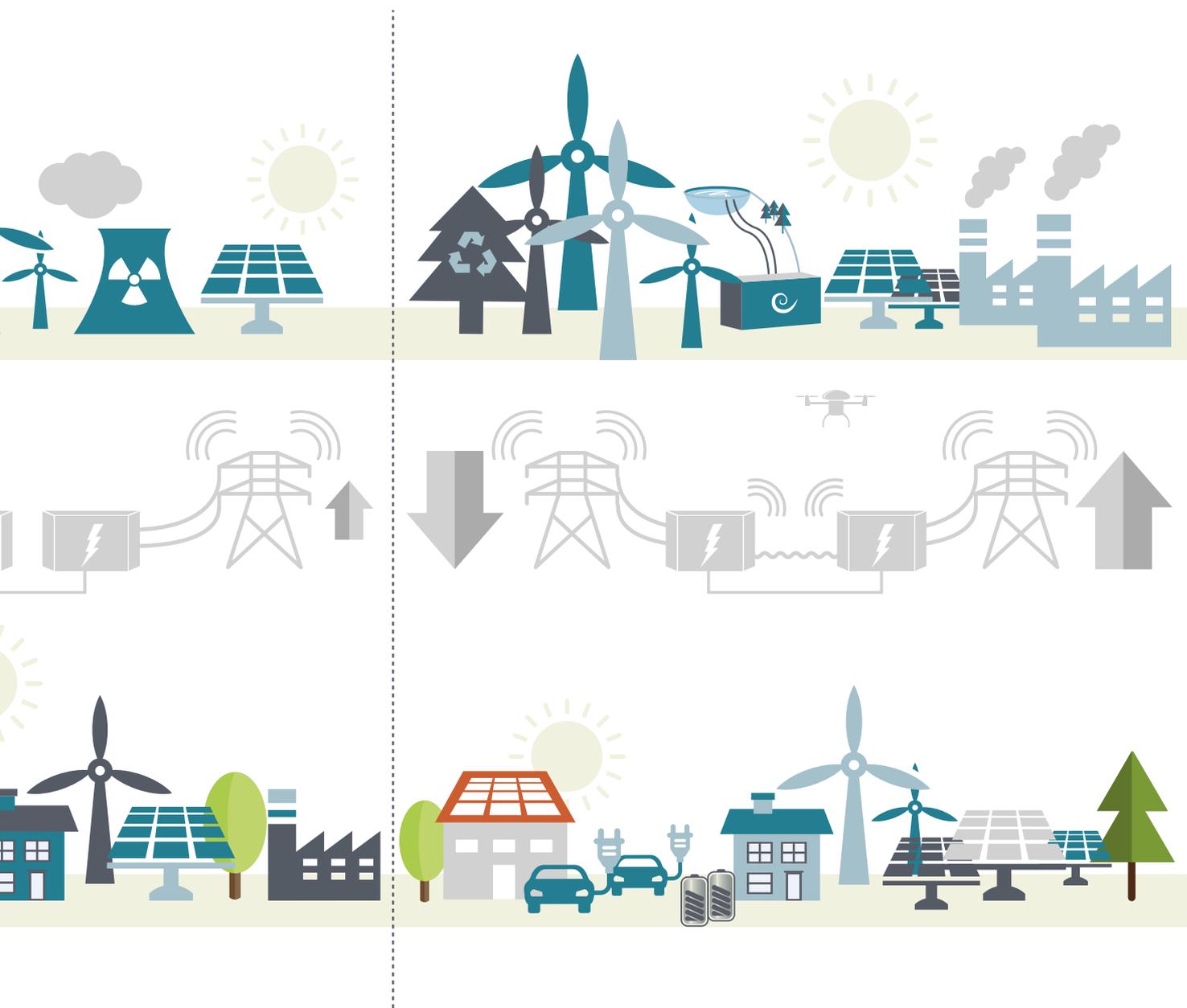
TODAY

Generation facilities are changing; renewable energies are gaining ground. A lack of profitability has forced gas-fired power plants to close, while consumers are also generating their own electricity, primarily via solar panels. Electric cars are appearing on our roads. The world of energy is changing, bringing with it new challenges for system operators and the balance on the electricity system.



TOMORROW

Renewable energies will play an increasingly greater role in the future energy landscape. Consumers are becoming more actively involved by generating more energy and storing some of what they generate. As a result, the structure of the energy system has evolved in such a way that managing the electricity balance is now more complex. However, help has arrived in the form of new digitisation technologies and the construction of interconnections intended to make it easier to transport energy to and from neighbouring countries, for instance.



CHALLENGES AHEAD AND FUTURE PROSPECTS

A NEW REGULATORY TARIFF PERIOD TO ADDRESS THE CHALLENGES FACING THE ELECTRICITY MARKET

In early December 2015, CREG, the Belgian regulator, and Elia officially announced that a final agreement had been reached on Elia's tariff proposal for the regulatory period 2016-2019. This agreement is an important milestone since it will enable Elia to move forward with an ambitious investment programme for its electricity transmission grid totalling more than €1.6 billion during the period 2016-2019 (excluding the Nemo project) and to address the challenges of managing the electricity system against the backdrop of an energy landscape in the throes of change.

The tariffs agreed for the period 2016-2019 factor in a new incentive mechanism adopted by CREG and designed to support delivery of key projects to upgrade and expand the transmission grid. A range of incentives have also been devised to encourage the system operator to provide higher quality services.

The average annual budget approved for the period 2016-2019 is 2.5% less than that for 2015 (taking into account inflation). This reduction will ensure that the share represented by transmission costs will remain stable and low in the electricity bill paid by grid users.

€1.6
BILLION FOR
2016-2019
(EXCLUDING THE
NEMO PROJECT)

-2.5%
AVERAGE APPROVED
ANNUAL BUDGET
FOR 2016-19 COMPARED
TO 2015



ELIA'S THREE CORE ACTIVITIES



Asset management

The Elia Group maintains and develops high-voltage equipment and infrastructure: lines, cables, transformers and so on. The Group is using advanced technologies to modernise and extend its grid to enable it to integrate more advanced technologies.



System operation

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.



Market facilitation

The Elia Group is a core player on the electricity market and as such acts as a market facilitator. To this end, it makes its infrastructure available to the market in a transparent, non-discriminatory way. It devises services and mechanisms to boost market development and forges new connections to open up new possibilities for the market. This encourages more effective competition between market players and enables renewable energy to be incorporated into the energy mix, for the wellbeing of the economy and of the community as a whole.



ASSET MANAGEMENT

Elia maintains and develops high-voltage equipment and infrastructure: lines, cables, transformers, and so on. Based on market demand and the requirements in terms of managing the electricity system safely, Elia is using advanced technologies to modernise and develop its grid in a bid to equip it to cope with the energy transition under way.

MORE THAN

10,000

PRIMARY SYSTEMS
INSPECTED

23,000

EFFECTIVE INTERVENTIONS

60

INTERVENTIONS/DAY

OPERATIONAL & SAFETY EXCELLENCE

Day in and day out, Elia strives to maintain its infrastructure to a high standard and in a professional manner by making the safety of its own staff and any other operatives its top priority.

We take a condition-based approach to 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, which impacts positively on electricity prices, thus benefiting companies and the community.

ENSURING OPTIMAL MAINTENANCE, TAILORED TO TOMORROW'S NEEDS:

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

- **Alignment and commitment:** ensuring that staff understand what the strategic priorities are in terms of asset maintenance and why they have been set, and how their work contributes to achieving operational excellence goals.
- **A management system:** streamlining decisions and feedback between teams and management more effectively by means of appropriate channels of communication.
- **A leadership environment:** developing a spirit of own-initiative, motivation and accountability within operational teams and management alike.
- **A Natural Safety Attitude:** enhancing safety both of equipment and material themselves and of how they are maintained and installed.



NUMBER OF INTERVENTIONS IN 2015

Within the framework of our infrastructure management activities, in 2015 we inspected over 10,000 primary systems (substation components such as busbars, isolators, transformers and so forth) and almost 3,200 secondary systems (e.g. safeguard, emergency-supply and monitoring components) throughout the country.

In 2015, 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 53,143 man-hours, while routine and statutory inspections accounted for over 41,000 man-hours.

STRIVING FOR QUALITY

Elia has been managing its transmission system infrastructure for many years and in doing so has amassed a wealth of undisputed technical expertise in the field. Over the years, technical experts and management have put in place decision-making processes which reflect the professional manner in which the Group manages its assets.

Nevertheless, given the changing context of the European electricity market, the Group as a whole came to realise that the methods it had used in the past were no longer adequate to achieve the ambitious goals it had set itself. Challenges such as ageing infrastructure, heightened risks, greater demand for maintenance and limited human and financial resources have all prompted us to adapt and improve our working methods and decision-making processes.



DISTANCE COVERED BY ELIA'S HIGH-VOLTAGE GRID IN BELGIUM AS AT 1 JANUARY 2016

Voltage (kV)	Underground cables (km)	Overhead lines (km)	Total (km)
380		892	892
220	5	300	305
150	497	1,986	2,483
110		8	8
70	299	2,342	2,641
36	1,949	8	1,957
30	124	22	146
Total	2,874	5,558	8,432

CHANGES IN ASSET MANAGEMENT AT ELIA

The decision to introduce within Elia an asset management system that complied with international standard PAS55 started out in the form of a project. The PAS55 project, as it was known, sought first and foremost to achieve PAS55 certification.

In the interim, the PAS55 standard evolved into international standard ISO 55000 and Elia opted to comply with the latter. In 2015, the project's priorities were revised and it became geared more towards fundamentally improving decision-making processes around infrastructure management. This took the form of new policies being implemented in the field to ensure that Elia's assets were more reliable and its activities more efficient. The project was subsequently renamed Asset Management Excellence (AMEX).

In 2015, operational and strategic steps were finalised: a more efficient commissioning process was introduced with checklists for standard tests, management of manufacturer's files was improved, and a detailed long-term asset management strategy was devised. The latest – pivotal – step in the ongoing efforts to improve our risk management system has been the development of a tool to manage the risks associated with continuity of supply.

Through the AMEX project, Elia is formulating maintenance strategies geared towards each specific asset category. Whilst ensuring that safety remains our number-one concern, we are devising the most effective maintenance strategy and determining the most appropriate time for replacing assets based on a range of criteria such as general condition, frequency of use, cost and risks involved.

CONNECTION REQUESTS

Year	Number of requests	Total capacity (MW)	% conventional connection
2011	90	811	95%
2012	128	1,170	84%
2013	142	1,110	82%
2014	170	900	71%
2015	133	538	75%

Again, a substantial number of requests were received for connections of decentralised generation facilities above 400 kW, mainly on the distribution grid. However, the number of requests is decreasing sharply. Requests since 2011 represent a total capacity of 3,534 MW. At the same time, the number of requests for flexible connections is increasing.

8,432 km

DISTANCE COVERED
BY THE ELIA GRID

75 %

CONVENTIONAL CONNECTIONS
POSSIBLE IN 2015



SF₆

SF₆ has been used as an electrical insulator for 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 has drawn up investment and maintenance policies to limit the risk of SF₆ leaks. To this end, manufacturers must guarantee a very stringent maximum percentage of SF₆ loss throughout the lifetime of equipment. The Group's maintenance policy is to keep work on compartments containing SF₆ gas to a minimum. The volume of SF₆ gas installed on the Elia grid (36 kV to 380 kV) is 63.3 tonnes. Consumption of SF₆ 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 SF₆ leak rate for all Elia facilities was 0.65% in 2015.

QUESTIONS ABOUT ELECTRICAL AND MAGNETIC FIELDS

The magnetic fields given off by the electricity grid have a very low frequency (50 Hz). Elia is very much aware of local residents' concerns over the potential health risks posed by electromagnetic fields, and as such it keeps them informed as fully as possible and supports scientific research into the impact of very-low-frequency magnetic fields.

Elia has concluded a cooperation agreement with various research centres and universities that are part of the Belgian BioElectroMagnetics Group (BBEMG), guaranteeing them complete independence. In summer 2015, the BBEMG launched their new website www.bbemg.be which gives details not only of their own independent research but also a comprehensive overview of the latest scientific developments and an explanation of the basic principles of electromagnetic fields. Furthermore, Elia has access to the findings of valuable 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 of electrical and magnetic fields at the request of local residents. Almost 210 measurements were performed in the field for residents and approximately 100 requests for information were answered.

MORE INFORMATION

- <http://www.elia.be/en/safety-and-environment/environmental-compliance/electric-and-magnetic-fields>
- www.bbemg.be

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 was the result of earlier or nearby industrial activities (such as gas plants, blast furnaces and chemical sites). In 2015, €1,400,000 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 2015, a total of €600,000 was spent on various studies and decontamination activities with a view to managing the risk of soil pollution in Wallonia and Brussels.



MANAGING NOISE GENERATED BY OUR FACILITIES

Transformers at high-voltage substations generate low-frequency noise, the level of which must comply with values defined by regional legislation according to the area's designated land use as stipulated in the land-use plans. Whenever changes or extensions are made to its facilities Elia uses simulations to ensure that the prevailing values are not exceeded and makes any appropriate adjustments.

Where complaints about noise are supported by the findings of noise studies, Elia makes any improvements required at the substation concerned. In 2015 improvements were made at Merelbeke Eikenmolenwijk and Anderlecht Rue Demosthène.

CREATING MORE VALUE TO ENCOURAGE PUBLIC ACCEPTANCE

Elia is currently looking into how current and planned infrastructure could generate greater added value for local communities. The ultimate aim would be for our infrastructure to be designed in such a way that it is geared more closely towards the context of the local area in which it is located, thus resulting in a win-win situation for

MORE INFORMATION

For more information, see the chapter on Sustainable Development on page 38.

353 Mio€
INVESTMENTS IN 2015 (ELIA)

27 %
SHARE OF THE 2015 INVESTMENT
BUDGET USED FOR INTEGRATING
RENEWABLES

both Elia and our local stakeholders. Such an approach might even lead to a broader basis of public support for Elia's infrastructure. The LIFE project is an excellent example of just such a mutually beneficial scenario.

OUR INVESTMENT POLICY

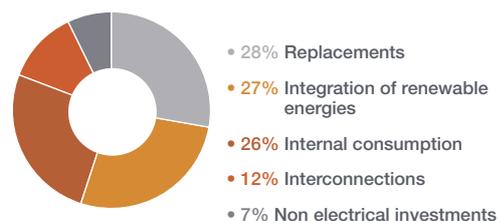
Power grid investment policy is essential since it forms the basis for initiatives via which to ensure continuity of supply for current customers and anticipate future needs in order to build safe, reliable sustainable grids for transmitting the electricity of tomorrow.

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

- **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.
- **Redeployment:** this aims to address new needs, be it decentralised generation or changes in conventional generation sites and consumption sites.
- **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.

Investment expenditure totalled €353 million in 2015 and is expected to rise significantly in the coming years.

INVESTMENTS IN 2015: 353 MIO€





THE FEDERAL DEVELOPMENT PLAN FOR THE NEXT TEN YEARS

On 18 November 2015, the Belgian Energy Minister, Marie-Christine Marghem, approved the federal development plan for the electricity transmission grid for the period 2015-2025 drawn up by Elia in partnership with the federal energy authorities and the Federal Planning Bureau (FPB).

The plan contains full details of planned investment by the system operator in extending and upgrading facilities over the next ten years. The estimates of grid capacity requirements factor in the findings of both the Prospective Study on Electricity 2030 conducted by the federal energy authorities and the FPB, and forecasts set out in the Ten-Year Network Development Plan (TYNDP) drawn up by ENTSO-E.

The federal development plan for the period 2015-2025 marks the culmination of a consultation process involving the federal energy authorities, the federal energy regulator (CREG), the Minister for the North Sea, the regional governments, the Federal Council for Sustainable Development (CFDD-FRDO) and the general public.

BOOSTING IMPORT CAPACITY BY 2020

The plan makes provision, first and foremost, for shoring up interconnections on borders, thereby increasing Belgium's current import capacity of 3,500 MW to 6,500 MW by 2020. This goal will be achieved through projects to build interconnections with Germany (ALEGrO) and the United Kingdom (Nemo), and to upgrade interconnection capacity with the Netherlands (Brabo). Studies are also under way into projects to shore up interconnection with Luxembourg and France from 2020 onwards.

INTEGRATING RENEWABLE ENERGY

The plan also sets out details of the substantial investment to be made to enable renewable sources of energy to be integrated into the electricity system. For example, where connection of offshore wind farms is concerned, the ultimate goal is to connect all eight domain concessions to the onshore grid, representing a potential capacity of 2.3 GW. Achieving this goal will require successful completion of, among others, the Stevin project to build a new 380 kV connection with Zeebrugge by the end of 2017. The plan also lists the grid upgrades required in the context of integrating decentralised generation units.

INCORPORATING POTENTIAL ADDITIONAL GENERATION CAPACITY

The plan makes provision for shoring up the 'backbone' of the Belgian 380 kV national grid to pave the way for several projects to build centralised electricity generation units. Were all such projects to materialise, they would provide a combined capacity of over 3,000 MW.

UPGRADING AND RENOVATING THE GRID

The plan also sets out details of several investment packages required to upgrade the grid in response to an increase in consumption. It also includes a full list of projects stemming from the implementation of programmes to replace grid equipment.

INTERCONNECTION AND GRID UPGRADE PROJECTS

WORK ON THE STEVIN PROJECT GETS UNDER WAY

The Stevin project is a vital link in the chain in terms of future electricity supply in Belgium as a whole and in its coastal region in particular. The project will shore up the Belgian high-voltage grid by installing a double-circuit high-voltage 380 kV connection covering a distance of 47 km between Zeebrugge and Zomergem. In addition, Elia is building a new high-voltage substation in Zeebrugge and two new transition stations in Bruges and Damme.

Elia commenced work on the Stevin project in April 2015; it is scheduled to be completed by the end of 2017. A number of roadshows have been held to keep local residents informed about the project, for example why it is needed, the ten work areas involved and the schedule of works. Another topic of discussion at the events has been the solutions devised with the relevant authorities to enable the project to integrate more seamlessly into the environment.

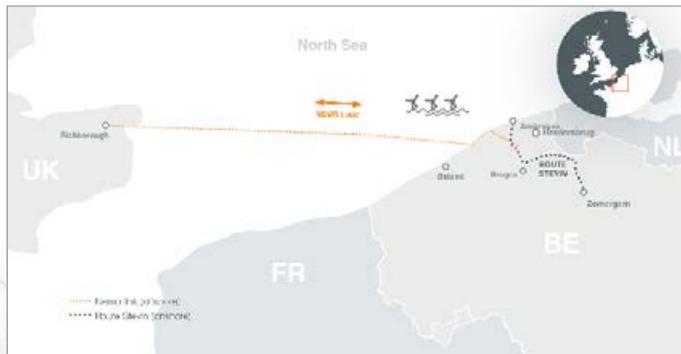


For the first time in Belgium

Elia is installing three pylons manufactured using high-tech material and imported from Canada. Composed of polyurethane resin and carbon fibre, the posts are highly resistant to breakage and the weather, and require very little maintenance.

Elia's infrastructure comprises different types of pylons; this gives us a wealth of expertise enabling us to select the technology most suited to local requirements.

▶ Turn to page 34 for details of other innovations in the pipeline.



Nemo Link will improve the power supply in Belgium and the United Kingdom and enhance their access to generation from renewable sources.

The project will enable energy from offshore wind farms to be brought onshore and then transported throughout the country. Stevin also makes possible an international connection with the United Kingdom (the Nemo Link¹), thereby consolidating import and export capacity between the two countries.

FIRST ELECTRICITY CONNECTION BETWEEN BELGIUM AND THE UNITED KINGDOM COMES A STEP CLOSER

In February 2015, Elia and National Grid signed a joint-venture agreement to build the first undersea electricity connection between the United Kingdom and Belgium. Once the project is completed, the interconnector will be able to handle a capacity of 1,000 MW. The connection will comprise a 140 km cable between Richborough on the Kent coast and Herdersbrug near Zeebrugge, and will use both undersea and underground cables. Electricity will flow between the two countries in both directions.

The two suppliers building the Nemo Link have been announced: Siemens and the Japanese company J-Power Systems. The two EPC² contracts are together worth in excess of €500 million. Works will commence in early 2016 and commissioning is scheduled for Q1 of 2019.

PRELIMINARY WORK ON AN 'OFFSHORE SOCKET'

Elia is working alongside the authorities and the manufacturers of offshore wind turbines to design solutions for connecting offshore wind farms. One specific development in 2015 was the drafting of the technical concept for a 'modular' offshore grid. The concept falls within the framework of the strategy adopted by the authorities in this field and is structured around a phased approach to building this type of infrastructure. Elia is looking to work with the authorities and generators concerned during 2016 to draw up details of how such a project is to be implemented in practice.

¹ Nemo Link is a joint venture between National Grid and Elia, the Belgian transmission system operator, to build an undersea electricity connection between Belgium and the United Kingdom.

² EPC = Engineering Procurement Construction



ALEGrO will use direct-current technology. Work is scheduled to begin in late 2017.

Stevin will enable energy from offshore wind farms to be brought onshore and then transported throughout the country.



The Brabo project is essential to the further economical growth of the seaport of Antwerp and will ensure a reliable and sustainable supply throughout the country and in Western Europe.



ALEGrO PROJECT GIVEN THE GREEN LIGHT

In late 2015, the Walloon government approved the proposed route for the ALEGrO (Aachen-Liège Electric Grid Overlay) project, a new interconnection line between Belgium and Germany which will have a capacity of approximately 1,000 MW. The 50 km underground line will run through 14 municipalities of Liège and will operate on DC technology. Determining the proposed route was a long process and entailed discussions with the relevant operators and authorities. So as to avoid built-up areas, the route will largely follow waterways, motorways and Infrabel infrastructure.

Work on the project will take approximately two years from construction of the conversion station to installing cables along the length of the route. Works are scheduled to commence by the end of 2017 and the completed interconnection line is due to be commissioned in 2019-2020.

GREATER INTEGRATION OF THE BELGIUM-LUXEMBOURG-GERMANY GRID

Elia is working with the transmission system operators in Luxembourg and Germany (CREOS and Amprion respectively) on putting in place a solution to maintain security of supply by interconnecting the Belgian and Luxembourgish grids more closely. The project includes CREOS installing a phase-shifting transformer in the Schifflange high-voltage substation (Luxembourg) and upgrading its high-voltage infrastructure. There are also plans to further integrate the Belgian and German electricity grids enabling energy to be traded between Belgium, Luxembourg and Germany.

BRABO PROJECT UNDER WAY

The Brabo project will shore up the Belgian electricity grid with a view to enhancing security of supply both throughout the country and, in particular, in the area around the seaport of Antwerp.

The project is to be implemented in several phases. The first step was taken in late 2015 with the installation of a fourth phase-shifting transformer on the border between Belgium and the Netherlands.

The new phase-shifting transformer in Zandvliet was commissioned six months earlier than originally scheduled. There are now four phase-shifting transformers in place on Belgium's border with the Netherlands and this will give Elia greater control over grid flows and thus enable us to cope better with critical periods during the winter. The fourth transformer will be used to distribute electricity imported from the Netherlands throughout the grid, meaning that the high-voltage grid will be far more reliable. At the same time, the improvements will afford more opportunities for international energy trading.

In 2016, the second connection between Doel and Zandvliet will be upgraded to 380 kV, the level required to be able to import larger quantities of electricity from the Netherlands. This will conclude Phase I of the Brabo project.



RENOVATING AND UPGRADING THE ZANDVLIET-MERCATOR HIGH-VOLTAGE LINE

Phase II of the Brabo project will entail Elia renovating and upgrading the high-voltage line between Zandvliet, Lillo and Liefkenshoek. In March 2015, the Flemish government approved the final environmental impact assessment (EIA). The next milestone will be to finalise the land-use plan (GRUP) during the course of 2016.

A key step to achieving this is the public consultation process. In the run-up to this process, Elia staged two roadshows in Stabroek and the Berendrecht-Zandvliet district, and Lillo in September 2015. At these events Elia explained to local residents about the planned renovation and upgrades to the high-voltage line running along the A12 and the Brabo project more broadly. They were not conventional-style meetings but rather information roadshows where residents could come and go as they wished, look at the information panels on display and put questions to Elia staff.

Phase II of the Brabo project is due to be completed in 2019.

In Phase III, Elia will be fitting the new overhead 380 kV Zandvliet-Lillo-Liefkenshoek connection with two three-phase transmission lines.



“

Since, from an energy perspective, a modern country has a duty to ensure that it has sufficient generation capacity to meet its energy requirements and to give the grid the required flexibility, it is inconceivable that any country should be able to achieve this alone without factoring in other countries' resources. From a political, economic and technical standpoint interconnection is an absolute requirement. The European Union needs to establish a structure similar to itself in the context of electricity systems.

Ms. Marie-Christine Marghem, Belgian Minister for Energy, the Environment and Sustainable Development

140 km
FUTURE NEMO LINK CONNECTION



EAST LOOP PRESENTS OPPORTUNITIES IN THE CONTEXT OF RENEWABLE ENERGY

In June 2015, Elia began work on the East Loop. This project is intended to shore up the 21 km high-voltage line passing through the municipalities of Bütgenbach, Malmedy, Waimès and Amblève to enable it to handle renewable energy generated in the region.

Mindful that the project's impact on the surrounding countryside is a major concern for local residents, Elia worked with the Belgian company Ronveaux to design a new type of high-performance concrete pylon. The new technology combines structural strength with aesthetics to enable the new-style pylons to blend into their environment. Elia and Ronveaux were commended on their innovative development by the Belgian Precast Concrete Federation (FEBE).

Around 30 of the new pylons were erected in 2015 along the East Loop route. Work is due to be completed in 2017.

UPGRADING THE EXISTING 380 KV 'BACKBONE' GRID IN EASTERN LIMBURG

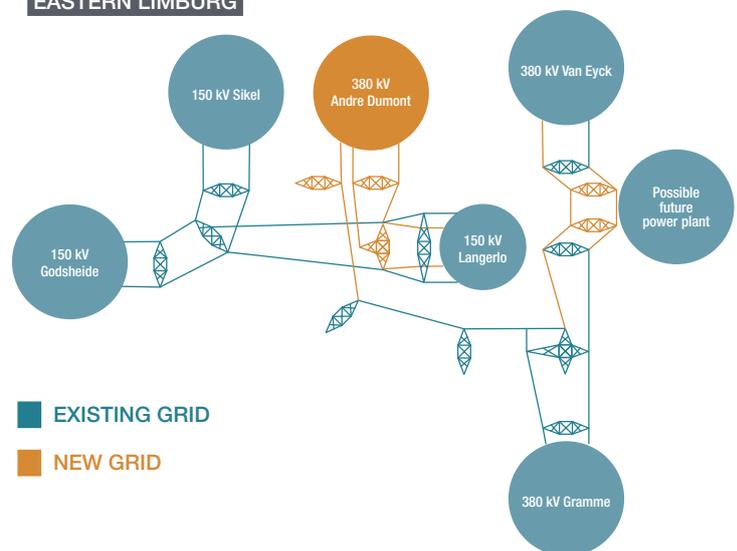
It is important that Elia makes the necessary adjustments to the transmission grid to enable energy-exchange with our neighbours to be integrated further and more efficiently. The 380 kV grid forms the backbone of Belgium's electricity system.

In 2015, Elia upgraded the 380 kV connections between the Gramme and Van Eyck high-voltage substations by installing a second three-phase transmission line. A new high-voltage substation was also built (André Dumont), which required several modifications to the 150 kV grid in the direction of Langerlo. The municipalities of Genk, Bilzen, Zutendaal, As, Maasmechelen, Dilsen-Stokkem, Maaseik and Kinrooi were affected.

ALEGRO AND NEMO: DC INTERCONNECTIONS

High-voltage direct current enables electricity to be transmitted efficiently over long distances. It is easy to control and affords operational benefits for transmission grids which need to be able to adapt to the variable nature of some renewable energies connected to the grid.

UPGRADING THE EXISTING 380 KV 'BACKBONE' GRID IN EASTERN LIMBURG



The European Commission has designated the Nemo and ALEGrO projects as Projects of Common Interest (PCI)

To be selected as PCI a project has to:

- generate significant benefits for at least two EU Member States;
- contribute to market integration and broader competition;
- enhance security of energy supply;
- contribute to reducing CO₂ emissions.



SYSTEM OPERATION

Against the backdrop of the interconnected grid in continental Europe, Elia is constantly working to maintain a balance within 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 energy generated and the quantity consumed.

77.2 Twh
GRID LOAD

+ 19.3 %
IMPORTS



REAL-TIME BALANCING ON A DAY-TO-DAY BASIS

At the National Control Centre, the operators who ensure that the grid runs smoothly 24 hours a day must be able to activate regulation tools. They have access to reserves to manage the electricity grid, commonly referred to as 'ancillary services'. These reserves contribute to maintaining the frequency and voltage on the grid, managing congestion and balancing generation and consumption in real time. To keep the grid balanced, there are three different services:

- **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 generation reserve and the tertiary offtake reserve.

The control centre coordinates energy flows on the grid, 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.

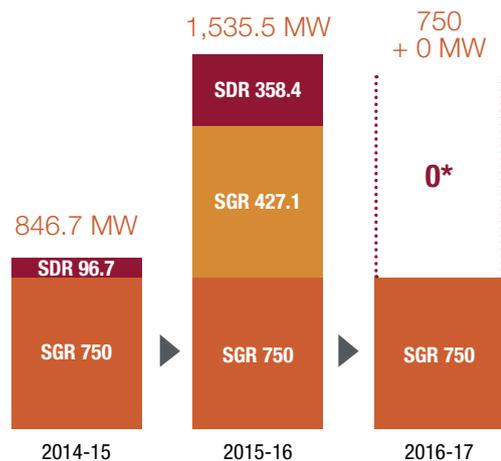
MONTHLY PURCHASE OF PRIMARY AND SECONDARY RESERVES

Since 2014, Elia has been further developing its process for purchasing primary and secondary reserves, and now purchases a proportion of its volume of said reserves on a monthly basis.

This shift to short-term purchasing is part of Elia's strategy of utilising new technologies but at the same time reducing the risk premium inherent in this type of contract. To achieve this, Elia has devised the Short-Term Auctioning of Reserves (STAR) auction platform to enable market players to be involved in the process.

In 2015, Elia purchased all of its volumes of primary and secondary reserves on a monthly basis, i.e. 83 MW of primary reserve and 140 MW of secondary reserve.

VOLUME OF STRATEGIC RESERVE (SR)



* Decision by the Minister for Energy, 15 January 2016

R2 DOWN WIND

In cooperation with Windvision, Enerco and Enercon, Elia looked at how wind-power facilities could contribute to the secondary reserve.

STRATEGIC RESERVE

The strategic reserve concept was introduced and implemented for the first time during the winter of 2014-2015 and is designed to address the structural shortage of installed generation capacity in Belgium brought about by the temporary or permanent shutdown of power stations (for either economic or technical reasons). It is intended to help maintain security of supply during the winter period, i.e. to ensure that demand for electricity can be covered by available generation capacity in Belgium and through imports, even during peak consumption periods.

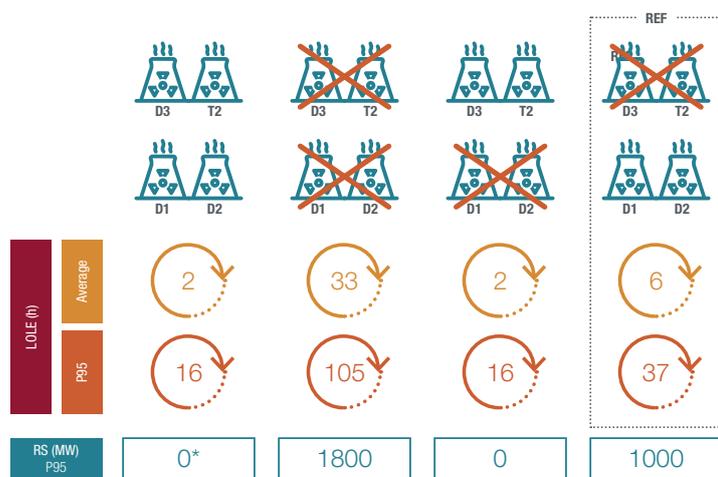
Ahead of each winter period and on the instructions of the Energy Minister, Elia organises a call for tenders for power stations who have announced that they will be shutting down and for demand-side managers. The reserve capacity established may be activated during the period from 1 November to 31 March; it may not be used for any other purpose. Each year, strategic-reserve demand is assessed for the following winter.

MORE INFORMATION

Further details are given in the chapter Innovation (page 34).



SR 2016-17: VULNERABILITY OF NUCLEAR FACILITIES



* Limit on import capacity

The strategic reserve is activated where a 'structural capacity deficit' is identified (based on economic or technical criteria) based on market forecasts or other information available to Elia the day ahead of a given day or several hours in advance.

The strategic reserve for winter 2015-16 comprises partly capacity already contracted from 2014 onwards (three-year contract) and partly a new capacity reserve. The following capacity was available for the strategic reserve as at 1 November 2015:

- 750 MW of generation capacity contracted from 2014 onwards
- 427.1 MW of additional generation capacity contracted for one year
- 358.4 MW of reduced-consumption capacity contracted for one year



THE STRATEGIC RESERVE FOR WINTER 2016-2017

On 13 November 2015, Elia submitted its preliminary report on strategic-reserve demand in Belgium for the coming three years to the Energy Minister. For winter 2016-2017 and in a reference scenario in which the Doel 3 and Tihange 2 power stations were assumed to be unavailable, a strategic-reserve volume of 1,000 MW would be required.

However, Doel 3 and Tihange 2 were recommissioned in December 2015 and the extension of the operating lifetime of Doel 1 and Doel 2 for a further ten years was also confirmed at the end of 2015.

Given these circumstances, the Energy Minister stated in early 2016 that there would be no additional strategic-reserve demand for winter 2016-2017.

MORE INFORMATION

Read the full report: <http://www.elia.be/en/about-elia/newsroom/news/2015/02-12-2015-Belgian-security-of-supply-need-for-strategic-reserve>

REVISED OUTAGE PLAN

The adoption of the Ministerial Decree of 13 November 2015 gave Elia a fresh legal basis for application of its outage plan. The amended version of the plan contains significant improvements (compared with the 2005 version), in particular the following:

- A clearer definition of what constitutes an emergency situation
- A more accurate description of so-called 'priority' connections, on which limits on interruption of supply may reasonably be applied
- More precise criteria for differentiating between sudden phenomena, the threat of a shortage and an actual shortage

This new outage plan provides an appropriate response to the questions and issues raised at a time when Belgium was facing the risk of energy shortages.

SOLAR ECLIPSE: FRUITFUL COLLABORATION BETWEEN EUROPEAN TSOS

Security of supply to businesses and households in Europe was maintained during the total solar eclipse which occurred on the morning of 20 March 2015. Transmission system operators coped easily with the rapid variations in solar energy generation and the impact on demand, which had been difficult to predict, by preparing meticulously for the event and working closely together at both European and regional level.

The cloudy conditions in Belgium meant that the eclipse's impact on solar energy generation was limited.

AMPACIMON: INNOVATING TO GUARANTEE SECURITY OF SUPPLY

Elia has been working with the company Ampacimon to develop a Dynamic Line Rating concept and has installed Ampacimon meters on the main interconnection lines with neighbouring countries. These metering devices, designed primarily for real-time use, enable transmission capacity on lines on which they are fitted to be maximised under favourable conditions. If the ambient temperature is low and there is wind, the overhead lines are cooler and can transmit more electricity.

Using this method, Elia was able to maintain safety on the grid in real time without having to re-dispatch large volumes of energy internationally when a phase-shifting transformer at Zandvliet went offline between 22 August and 29 October 2015.

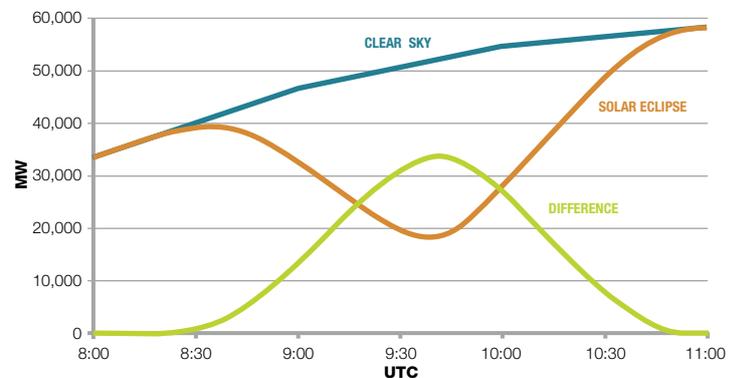
A study is currently under way to look into the possibility of using Ampacimon to boost import capacity in real time by factoring in weather conditions without jeopardising grid safety.

Representatives of foreign operators of high-voltage transmission grids frequently visit Elia to see this new concept in action. The Ampacimon solution is already being exported to other countries in Europe, North and South America and the Middle East.

MORE INFORMATION

Turn to page 34 for details of other grid innovations.

ENTSO-E ANALYSIS OF THE IMPACT OF THE SOLAR ECLIPSE OF 20 MARCH 2015



A FEW FIGURES

Every day, Elia publishes data about the load on its grid. In 2015, the load rose slightly from 77.1 TWh in 2014 to 77.2 TWh. The load can be broken down into two categories of consumption or offtake and losses:

- On the one hand, consumption by industrial customers with direct connections to the Elia grid (i.e. their offtake plus their local generation): 28,466.2 GWh.
- On the other hand, offtake by distribution system operators, who then transmit the energy to the customers connected to their grids (such as industrial, business and residential customers and local bodies): 48,763 GWh, i.e. 63%.

The maximum load on the Elia grid was recorded at 6 p.m. on 22 January 2015. It was 12,696 MW, which was 9.5% lower than the all-time peak recorded on 17 December 2007 (14,033 MW) and 0.3% lower than the maximum value recorded in 2014 (12,736 MW on 4 December).

The lowest load level (5,530 MW) was recorded at 2.30 p.m. on 2 August 2015. It was 0.6% lower than the lowest value recorded in 2014 (5,895 MW on 8 June).

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 19.3%, with an import balance of 21.0 TWh compared with 17.6 TWh in 2014. Exports decreased by 54.1%. There were no significant differences from one border to another.

Physical exchanges of electricity with neighbouring countries totalled 26 TWh in 2015, up 4.8% from 24.8 TWh in 2014.



MARKET FACILITATION

The Elia Group's grids are part of Europe's interconnected system, which stretches from Portugal to Bulgaria and from Norway to Italy. The Group thus works closely with European market players on developing projects to boost integration of the European energy market, and in so doing makes clear its desire to look beyond its own borders. There were several key developments in 2015 in terms of the integration of European energy markets.

4,500 MW

IMPORTED BY BELGIUM DURING
THE SOLAR ECLIPSE (BETWEEN
6 AND 7 P.M.) ON 22 JUNE

+ 35 %

IMPORT CAPACITY DURING
ANNUAL PEAK CONSUMPTION
THANKS TO FLOW-BASED
MARKET COUPLING



We need to complete the common set of rules for the internal market to ensure remaining regulatory barriers to a well-integrated market are removed. This means engaging with regulators and stakeholders at national and EU level to fully implement and expand the existing legal framework where needed, including rapid adoption of the key network codes.

Miguel Arias Cañete, Commissioner for Climate Action and Energy – Brussels, Conference on EU Energy Policy and Competitiveness, 17 November 2014

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. This 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.

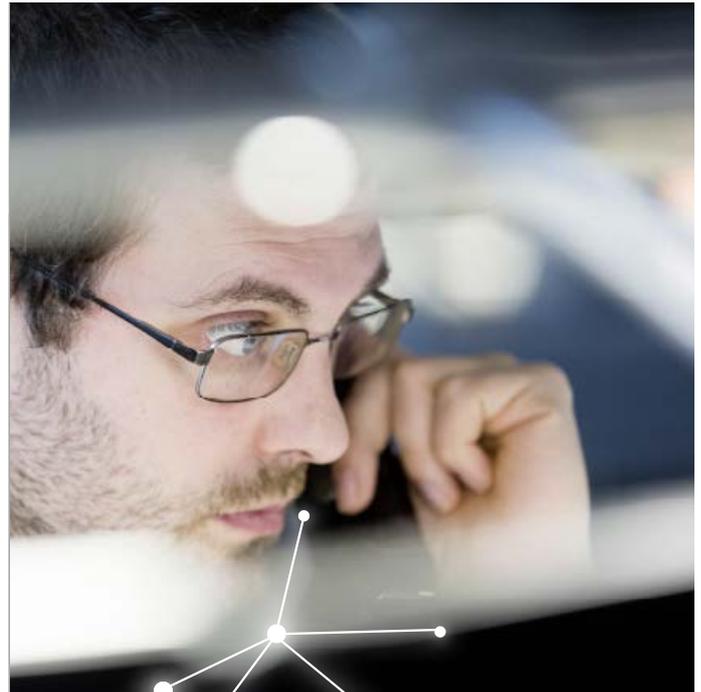
HARMONISING ELECTRICITY MARKET RULES ACROSS EUROPE

2015 saw the adoption of several European network codes drawn up on the basis of proposals by European transmission system operators. Initiated by the European Commission, these network codes are designed to provide the European energy market with a common legislative framework applicable to all Member States. The EU is keen to shore up the strategies in place to make the pan-European energy market a reliable, competitive and low-carbon sector. Furthermore, each network code forms an integral part of the drive to create a single energy market and to achieve the EU's 20-20-20 goals.

In Belgium, Elia has launched the ENCODE project designed to implement these network codes at national level and, at the request of the federal energy authorities, has initiated consultations with market players via the Elia Users' Group on the main aspects associated with implementing the codes.

MORE INFORMATION

For further details see <http://networkcodes.entsoe.eu>.



A single European market will enable consumers to access the cheapest energy, wherever it is available.

NEW EUROPEAN TRANSPARENCY PLATFORM LAUNCHED

On 5 January 2015, in partnership with Elia and the 40 other electricity transmission system operators, ENTSO-E launched its new Transparency Platform for the European electricity market. The new platform will be able to provide market players and the general public with three times more data than its predecessor.

The new platform has been developed to comply with the requirements set out in Commission Regulation (EU) No. 543/2013 on the submission and publication of data in electricity markets.

The new portal provides all users with a range of data on European electricity systems, such as load per country, electricity generation, data on balancing electricity areas, managing congestion and so forth. The data are supplied by transmission system operators and other market players ranging from generators to large-scale consumers.

MORE INFORMATION

Click here to access the platform: <https://transparency.entsoe.eu/>

AS A MARKET FACILITATOR, ELIA MAKES INTERCONNECTION CAPACITY AVAILABLE ACROSS THREE DIFFERENT TIMESCALES

**1. LONG-TERM
MARKETS
(YEAR +
MONTH)**

Scale: year – month

**2. DAY-AHEAD
MARKETS**

Scale: day

**3. INTRADAY
MARKETS**

Scale: within a day

49%

THE HOLDING COMPANY HGRT'S STAKE
IN THE EPEX SPOT EXCHANGE

17%

ELIA'S STAKE IN THE HOLDING
COMPANY HGRT

THREE MARKETS, THREE DIFFERENT TIMESCALES

The European vision of a single electricity market requires the various stakeholders to work together to different schedules to formulate the methods and services needed to achieve a single market. Accordingly, Elia is a market facilitator and makes interconnection capacity available across three different timescales.

1. LONG-TERM MARKET

New rules governing allocation of long-term cross-border capacity

Following a pilot project to implement network codes, new rules on allocating long-term cross-border capacity rights, the EU Harmonised Allocation Rules (EU HAR¹), have been drawn up based on the version of the Network Code on Forward Capacity Allocation (NC FCA²) of 2 April 2014. These new rules were approved by the relevant national regulators within the CWE region and entered into force on 1 January 2016.

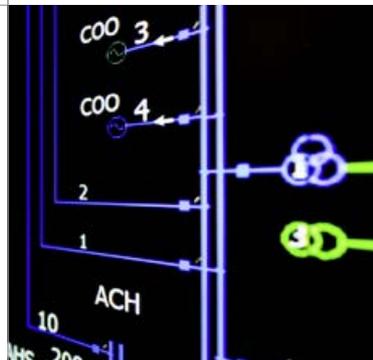
The replacement of Physical Transmission Rights (PTRs) by Financial Transmission Rights (FTR) Options is a significant change to these new allocation rules for Belgium's borders.

The PTRs enable market players to choose whether to use transmission capacity themselves, while with the FTR Options transmission capacity is allocated via day-ahead market coupling.

The FTR Options displaying a positive price difference between the importing and exporting electricity exchanges will receive compensation based on the price difference and the volume of cross-border capacity allocated. This arrangement is designed to improve liquidity and transparency on the day-ahead market.

¹ European Harmonized Allocation Rules.

² Network Code on Forward Capacity Allocation.



New era in setting up auction offices

2015 saw the merger of the two auction offices previously responsible for allocating daily, monthly and annual capacity rights on many European borders: the Capacity Allocation Service Company (CASC.EU) and the Central Allocation Office (CAO). Following the merger, the Joint Allocation Office (JAO) was established on 1 September 2015. From early 2016, the JAO has served as the single auction office allocating long-term rights among others primarily on all borders in the Central West Europe and Central East Europe regions. As such, the JAO serves 20 European transmission system operators in 17 countries, including Elia and 50Hertz.

2. DAY-AHEAD MARKET

Flow-based market coupling goes live

On 20 May 2015, Elia and its seven project partners announced the successful launch of the new flow-based methodology designed to optimise the efficiency of the cross-border electricity market for Central West Europe (CWE). The system marks a significant step towards creating an integrated electricity market and is governed by the guidelines contained in the Network Code on Capacity Allocation and Congestion Management, which entered into force in August 2015.

Up to that point, international electricity exchanges in the CWE region had been governed by the transmission capacity available at each border.

The new flow-based model has been devised on the basis of a more detailed simulation of network components and enables capacity to be allocated by high-voltage connection rather than by border. This more complex but more accurate system provides market players with the most detailed information possible and offers them a wider range of import and export options.

To achieve this, the flow-based model has the advantage of being able to factor in the physical distribution of energy flows due to international exchanges and their impact on grid components. As such, more energy can be exchanged on a daily basis. Since May 2015, the price of electricity on the Belgian wholesale market has dropped. Prices in the CWE region have also largely converged. Elia and the other project partners are continuing to work to ensure that the current solution improves on an ongoing basis.

Record imports thanks to the flow-based method

On 22 June 2015, Belgium imported 4,500 MW between 6 and 7 p.m.: this was approximately 42% of the total load recorded during that time period and set a new record. This exceptionally high import volume was made possible by the new flow-based market coupling mechanism.

Despite flow levels coming very close to the grid's limits, the situation remained safe thanks to the preparations and coordination work by Elia's National Control Centre, Coreso (the technical coordination centre for electricity systems in the CWE region) and neighbouring system operators.

Since the flow-based market coupling mechanism was launched in the CWE region, Belgium has regularly been able to import 4,500 MW – subject to the situation in neighbouring countries – which is 35% of annual peak consumption (estimated at approximately 13,000 MW).

3. INTRADAY MARKET

Intraday markets are growing, not least due to the rising proportion of variable energy sources (wind and solar power), since they enable suppliers to adjust their portfolios in near-real time in line with actual real-time changes. The European Commission has set a target for this intraday market based on ongoing energy trading where transmission capacity between areas is allocated via an implicit allocation.

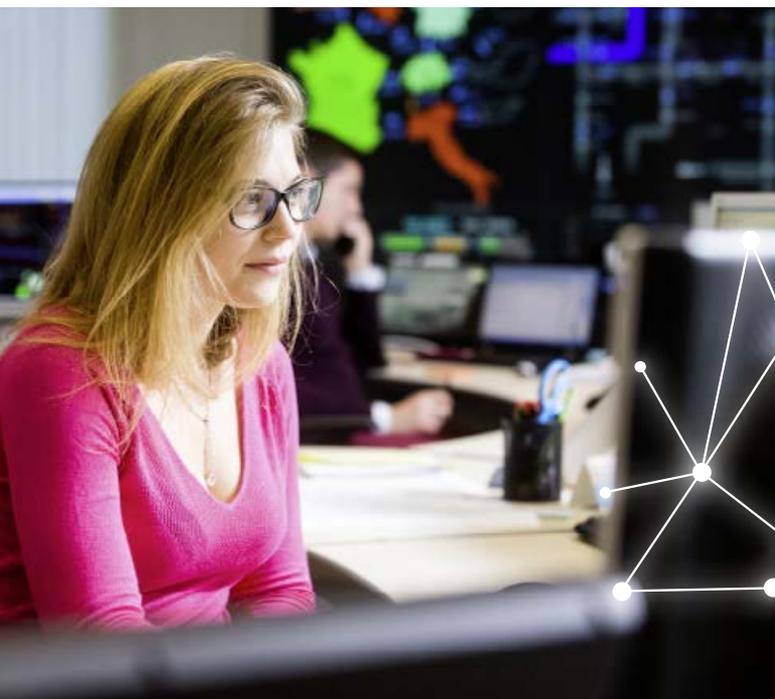
Cross-border intraday market

Energy exchanges and system operators are working together to put in place a joint system which will form part of the single intraday market.

The aim is to give market players access to a transparent and efficient intraday-market environment enabling them to exchange their intraday positions easily; the market will thus benefit from the liquidity available not only nationally but also across borders. To achieve this, the system operators need to make their interconnection capacity available and harmonise mechanisms on the various borders.

Integrating European energy exchanges

In 2015 the activities of the APX group (including the Belgian electricity exchange Belpex) and EPEX Spot were merged thereby establishing an electricity exchange operating throughout the Central West Europe region and the United Kingdom. The move will provide market players with a harmonised set of rules and tools to facilitate transactions anywhere in the region. The holding company HGRT, in which Elia owns a 17% stake, is consequently a 49% shareholder in the EPEX Spot exchange.



● The new flow-based methodology aims to optimise cross-border electricity market efficiency in Central West Europe.



DEVisING SOLUTIONS FOR **THE GRID OF TOMORROW**

To bolster the energy transition and develop its business model, Elia is already investing in research into innovative solutions to help guarantee security of supply both in Belgium and across Europe as a whole. Elia is thus a pioneer in its three activities: asset management, system operation and market facilitation, i.e. integrating Belgian markets into the wider European context.

In addition to the projects with which it is involved alongside partners such as businesses, universities and technology suppliers, the Group is also keen to enhance innovation through its own corporate culture; we want all our staff to be able to suggest and implement innovative ideas.

The Group is working alongside Belgian and European partners on projects in three fields.

ASSET MANAGEMENT: EXCELLING IN MANAGING ASSETS ON THE GRID OF TOMORROW

Promoting innovation in order to manage assets for the future to the highest possible standards. These projects focus on developing DC grids and forward-looking management of assets.

BEST PATHS: UPGRADING THE GRID USING NEW TECHNOLOGIES

Comprising five demonstration projects, Best Paths aims to test and present the benefits of new technologies (DC and AC) using innovative approaches to integration in the electricity system and thereby enabling more renewable energies to be integrated.

The Elia Group 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 AC lines. Two new technologies are to be installed as part of the Stevin project. Firstly, insulating arms are to be fitted to pylons on an existing 150 kV line, enabling the voltage level to be increased to 380 kV without having to build completely new pylons. Secondly, high-temperature low-sag (HTLS) conductors – which reduce the effects of sag when the temperature on the line is high – will also enable an increase in power on 380 kV lines.

MORE INFORMATION

<http://www.bestpaths-project.eu/>

Another demonstration in which Elia is involved is that entailing modelling the behaviour of high-voltage direct-current (HVDC) converters to analyse how converters converting alternating current to direct current behave. This study is proving particularly useful in managing the European grid ahead of construction of the ALEGrO and Nemo interconnections which operate on direct current. The ultimate aim is to assess the effects of a new HVDC system on the existing AC one, and research will also be conducted into a feasibility test on solutions provided by a number of suppliers.

DRONES: MAINTAINING THE GRID IN A SAFER AND MORE EFFICIENT MANNER

Given the huge investment being ploughed into the high-voltage grid for the years ahead, it must be possible to perform operational and maintenance work safely and efficiently. With this in mind, in early 2015 Elia acquired a drone to look into this innovative technology's possible applications in grid maintenance.

Current legislation prohibits the use of drones in Belgian airspace. However, the Civil Aviation Authority (DGTA/DGL) granted Elia a special permit to conduct live tests over an Elia site in Genk. Looking ahead, Elia hopes to be able to obtain a permit to use drones on its entire electricity grid.

In addition to detailed inspections using a high-definition camera, drone technology will afford a new means of inspecting lines and pylons quickly and closely without having to interrupt supply and with fewer safety risks.

System operation:
developing and
managing the 2.0
electricity system



Market facilitation:
maintaining an
optimum position to
facilitate the market



Asset management:
excelling in managing
assets on the grid of
tomorrow



BESTGRID: SPEEDING UP APPROVAL OF INFRASTRUCTURE PROJECTS

The time required to obtain permits for development projects frequently pushes the final completion date back. In a bid to secure greater public acceptance of projects and facilitate permit procedures, the Renewable Grid Initiative (RGI) association launched the European BestGrid project to test out new forms of collaboration between all stakeholders involved in a given project. Pilot projects were identified in Belgium, Germany and the United Kingdom; they entailed each system operator involved working closely with local NGOs to initiate and test new approaches and working methods.

Elia worked with Inter-Environnement Wallonie (IEW) on drafting an action plan vis-à-vis the stakeholders affected by the project to install a high-voltage underground cable (150 kV) between the Braine-l'Alleud and Waterloo substations. We were also involved in a similar initiative with Bond Beter Leefmilieu (BBL) to perform an ex post facto assessment of collaboration with the various stakeholders during the permit process for the Stevin project.

The conclusions reported in October 2015 highlight the importance of personal interaction to encourage commitment from all stakeholders and prompt amendments to the best practices put forward by BestGrid based on the specific requirements of the project in question.

MORE INFORMATION

For full details of the project's findings visit
<http://www.bestgrid.eu>.

SYSTEM OPERATION: DEVELOPING AND MANAGING THE 2.0 ELECTRICITY GRID

Identifying innovative solutions to address anticipated issues associated with developing and managing the 2.0 electricity system. These projects focus on three areas: developing the national and European grid, managing operational planning and ensuring that the grid continues to run smoothly.

E-HIGHWAY2050: IDENTIFYING VERY-LONG-TERM GRID REQUIREMENTS

The e-Highway2050 project was launched in September 2012 to devise methods and tools for electricity-grid-planning looking ahead to 2050. Its findings were presented in Brussels in early November 2015.

To achieve a genuine pan-European electricity market and to address the challenges posed by the rise in renewable energies, the project identified several areas of the grid which could be improved by 2050. One point identified was the need for new lines and upgrade work, such as, for example, the need to create north-south corridors and to upgrade the connections between the northern and southern regions of Central Europe. The project concluded that adding a further layer to the existing grid was not absolutely necessary and that the proposed new structures could be integrated into the existing system.

The project involved other transmission system operators, universities and European associations, and Elia's role was in drawing up energy-mix scenarios, grid simulations and economic studies and formulating the governance model.

MORE INFORMATION

<http://www.e-highway2050.eu/e-highway2050/>

GARPUR¹: A PROBABILISTIC APPROACH TO GRID DEVELOPMENT

The GARPUR project aims to evaluate a probabilistic approach based on risk management to analyse reliability in terms of the long-term development of the grid, asset maintenance and system management. In this pan-European project Elia provided expertise in drawing up and approving a methodology, focusing primarily on long-term grid development and its impact on system operation.

GRASP²: MANAGING OPERATIONAL-PLANNING RISKS

In view of the challenges to system operation posed by the energy transition, GRASP analyses the feasibility of a new approach centred on managing operational-planning risks a week ahead of the actual operation. Financed by the Brussels Institute for Research and Innovation (Innoviris), Elia and the Université libre de Bruxelles (ULB) are partnering to develop a tool for probabilistic decision-making based on risk and reliability indicators and which could ultimately replace the deterministic safety criteria currently used for short-term system operation.

¹ Generally Accepted Reliability Principle with Uncertainty modelling and through probabilistic Risk assessment

² Grid-Reliability Assessment for Short-term Planning



MARKET FACILITATION: MAINTAINING AN OPTIMUM POSITION TO FACILITATE THE MARKET

Identifying innovative ways of maintaining security of supply at an appropriate and affordable level, and achieving a European wholesale market which promotes flexibility through a range of sources and locations.

R2 DOWN WIND: INTEGRATING WIND POWER INTO THE SECONDARY RESERVE

Generation of intermittent renewable energies is mushrooming, and poses a challenge in terms of balancing the electricity system. In the future it is expected that there will be fewer conventional units running during periods with high renewables infeed. However, these units currently provide the majority of Elia's balancing services and as such it is crucial that new balancing sources are found.

The project – conducted by Elia in partnership with Windvision, Eneco and Enercon – sought to demonstrate that wind farms could contribute actively to the secondary reserve in Belgium by lowering their generation level. It presented its findings in late 2015.

The results are promising: they illustrate the technical capacity of a wind farm to regulate its generation pattern quickly and with a relatively high degree of accuracy. However, analyses also highlighted some technical problems and market-related issues which will need to be resolved in future, before such a solution could be implemented. Two rounds of tests were conducted with the Estinnes wind farm in partnership with Windvision (operator), Enercon (wind-turbine manufacturer) and Eneco (supplier).

Stephan Moelans, CEO of WindVision: "The involvement of wind farms in the reserves market will certainly enhance the position of wind generation in the generation mix and stimulate further innovation."

MORE INFORMATION

The report's full conclusions are available at <http://www.elia.be/en/about-elia/newsroom/news/2015/20-10-2015-Pilot-project-for-delivery-of-balancing-services-by-wind-farms-in-Belgium>.

50 %
OF THE ELECTRICITY CONSUMED ON THE
DANISH ISLAND OF BORNHOLM IS DERIVED
FROM RENEWABLE SOURCES



ECOGRID EU: INVOLVING THE PUBLIC IN OPERATING A SYSTEM FEATURING A HIGH PROPORTION OF RENEWABLE ENERGIES

Elia has been actively involved in this European project, launched in September 2015, to demonstrate how a distribution system with a significant share of renewables can operate efficiently and with direct public involvement. The pilot study was conducted on the Danish island of Bornholm, where over 50% of the electricity consumed is derived from renewable sources.

Thanks to a real-time price signal, 2,000 of the island's inhabitants were able to adjust their consumption in line with the amount of renewable energy generated. This solution benefits both the system insofar as inhabitants are able to play an active role in balancing the grid, and the inhabitants themselves since they can reduce their electricity bill in an environmentally friendly and sustainable way.

The conclusions presented in September 2015 show a clear interest in a real-time price signal such as that used in the pilot project, provided that the equipment is standardised and actions/operations are automated. It may also be possible to implement this sort of solution for bigger target groups.

Elia coordinated a study to look into the possibility of replicating the Ecogrid.eu concept in other European countries, including Belgium.

MORE INFORMATION

The project's full conclusions are available at <http://www.eu-ecogrid.net/>.

DYMEDAS: INVESTIGATING THE POSSIBILITIES OF FLEXIBLE ELECTRICITY CONSUMPTION IN BELGIUM

Elia and the Université Catholique de Louvain (UCL) joined forces in the context of this doctoral thesis researching the use of electricity demand to provide ancillary services designed to balance supply and demand across the entire electricity system in real time. Given the challenges ahead for the electricity system, it is vital that no stone be left unturned in studying all possible options in terms of ensuring that the electricity system remains stable at all times. First and foremost, the project involves evaluating the opportunities afforded by using small, flexible electrical loads (e.g. water heater, electric vehicle) in ancillary services. The conclusions were presented in early 2016 and will be used to identify flexibility opportunities presented by electricity consumption in Belgium and to assess their impact in terms of the economy and society as a whole.



A spirit of innovation every day

Elia has taken several steps to stimulate an entrepreneurial spirit and to provide indirect support for these future projects. Innovation Sharing initiative is an internal programme for technicians to publicise innovative ideas they have come up with locally throughout Belgium, so that all operational staff in the field can benefit from their insight. Elia's technicians thus have the opportunity to develop their ideas and to contribute on a national level to boosting the company and enhancing its activities.



DEVELOPING AND MAINTAINING THE GRID **IN A SUSTAINABLE MANNER**

To facilitate its role in the energy transition, Elia believes it is important that its mission and activities fall within a sustainable framework which complies with environmental legislation. We want to forge relationships with all stakeholders by promoting dialogue and collaboration so that we can respond as effectively as possible to the community's expectations.

ESTABLISHING CORRIDORS BENEATH HIGH-VOLTAGE LINES

The LIFE* Elia project, in partnership with RTE (France), was launched in September 2011 and is subsidised by the European Commission and the Walloon Region. It aims to create green corridors beneath high-voltage lines in forested areas.

2015 was an especially positive year for the project. With an extension secured for a further 16 months until 31 December 2017, the additional funds provided by Elia and RTE will enable the best possible preparations to be made for long-term management of project sites, applications outside the project's initial scope to be considered and LIFE-project actions to be combined as effectively as possible with the corridor extensions envisaged within the framework of securing overhead lines.

In November 2015, the LIFE project won the Environmental Protection category of the Good Practice of the Year awards organised by the Renewables Grid Initiative.

The LIFE project currently covers 33 municipalities in Wallonia and 240 private landowners. A total of 45 farmers, hunters and foresters along with four federations (owners of public and private woodland, hunters and nature reserves) are working with the LIFE team on this multi-actor project.



● Elia encourages biodiversity under its high-voltage lines.

Elia's decision to hone in on sustainable management of its corridors has paid off. The model is being replicated throughout Europe: in November 2015, the Portuguese transmission system operator REN signed a LIFE contract to implement sustainable ways of managing corridors in Portugal.

The LIFE project is also a shining example of the level of involvement local players can have, and the impact of such projects and involvement on public acceptance of electricity infrastructure.

RENEWABLES GRID INITIATIVE

Since 2011, Elia and 50Hertz have been members of the Renewables Grid Initiative (RGI), a coalition of nature conservation groups (such as the WWF and Birdlife) and system operators. Their shared aim is to generate consensus around the grid expansion needed to integrate renewables while respecting biodiversity and the environment. The European Commission called the Renewables Grid Initiative a pioneering alliance for promoting grid development that is environmentally and socially friendly.



Elia's decision to hone in on sustainable management of its corridors has paid off. The model is being replicated throughout Europe.

MORE INFORMATION

www.renewables-grid.eu

* LIFE: the Financial Instrument for the Environment (L'Instrument Financier pour l'Environnement) – this is the name of a European programme that aims to promote nature, technology or even communication projects in the Member States.



● Elia believes it is vital to realise its mission and conduct its activities sustainably, in full compliance with environmental legislation.

BEEHIVES IN THE VICINITY OF ELIA FACILITIES

In late 2014, Elia installed two beehives at its Monnoyer site. The bees there are responsible for 80% of plant-, fruit- and vegetable pollination and are crucial to maintaining the natural balance of the flora and fauna there.

Looking ahead, beehives could be used within the framework of the LIFE Elia project and installed beneath our overhead lines. Partnerships could also be forged with associations to use bees as a bioindicator; pollen samples could be analysed to determine the quality of the environment around the hives. This option is currently being studied and forms part of our strategy to boost public acceptance of our facilities.

RISKS FOR BIRDS

Some high-voltage lines are practically invisible to flying birds, especially in foggy conditions or at dusk or at 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 lines most hazardous for birds. On the basis of this study, Elia is making adjustments to its network of high-voltage lines in a bid to significantly reduce the number of birds colliding with lines.

Daily checks in 2015 following a project to eliminate collisions altogether conducted in Oudenaarde in 2014 revealed that there had been a 97% reduction in the number of birds injured or killed beneath conductors on the high-voltage line. These findings prompted action in 2015 and a policy on 'danger lines' for the years ahead.



CARBON ASSESSMENT

Energy transition is a vital step in the face of climate change. While Elia is already implementing projects to upgrade its grid and integrate a higher proportion of renewables into the energy mix, we also want to adopt an internal model which reflects and supports the energy transition. One way to do this is to reduce our emissions of greenhouse gases.

In 2015, Elia reduced greenhouse-gas emissions from its non-core activities by 9% compared with 2009. This was achieved largely through more efficient energy consumption in administrative buildings. Despite a range of measures already in place, though, mobility remains a significant source of emissions. An action plan to reduce CO₂ emissions has been drawn up whereby Elia should be able to cut its current emissions by approximately 20% by 2020 (reducing energy consumption in buildings, increasing the proportion of green energy consumed, improving the environmental performance of the Group's vehicles and eco-driving, etc.).

OUR BUILDINGS

When constructing new buildings, Elia follows a policy of sustainable development and respect for the environment, a commitment which is also reflected in our mission statement. New Elia buildings comply with sustainable-building principles as certified under the Building Research Establishment Environmental Assessment Method (BREEAM). This certification is based on nine analysis criteria (management, health and wellbeing, energy, transport, materials, waste, water, land use, ecology and pollution) and is the benchmark standard when it comes to sustainable construction.

Construction of the new administrative building at the Créalys Science Park at Isnes (Gembloux) was completed in November 2015. The design of this new site was rooted firmly in an environmentally friendly and 'passive' strategy, and has already received a Very Good preliminary BREEAM certification. The project is following the passive-building model of the Monnoyer administrative building, which has been BREEAM-certified since 2014.

NEW SPECIFICATIONS FOR UTILITY VEHICLES

Any business in the Brussels-Capital Region employing more than 100 people is required to draw up a corporate mobility plan every three years and to implement a number of mandatory measures. The purpose of the plan is twofold: to reduce the company's environmental impact and to reduce congestion on roads in and around Brussels.

Elia is keen to move to a greener fleet of vehicles to reduce its utility vehicles' CO₂ emissions. In 2015, three CNG-powered Fiat Doblo (Ecoscore 75) vehicles joined the fleet. CNG (compressed natural gas) is a fuel obtained from compressing natural city gas; it emits 12% less CO₂ than petrol and 27% less than diesel. As soon as the supply and range of electric vehicles reach an appropriate level, they will join the Group's fleet too.

Going forward, utility vehicles will be replaced every seven to ten years.



SPONSORSHIP: THE ELIA FUND

The Elia Fund is a philanthropic initiative set up when Elia was established, in partnership with the King Baudouin Foundation (KBS-FRB). It is a flagship partnership in its field and provides completely independent and transparent fund management that reflects the company's values.

In 2015, the Elia Fund adjusted its sponsorship policy by moving to supporting projects combatting fuel poverty. The first sponsored associations will receive funding in 2016.

MORE INFORMATION

For further details visit
<https://www.kbs-frb.be/>.

-97%

INJURED BIRDS BENEATH
HIGH-VOLTAGE LINES FITTED
WITH MARKING SPHERES

-9%

CO₂ EMISSIONS FROM NON
CORE ACTIVITIES IN 2015



INSIDE ELIA

Elia has a pivotal part to play in the changing energy landscape and is keen to be a proactive player in the discussions that will shape the sector's transformation. This transition also presents many opportunities. Elia is committed to continuing its development and equipping itself to fulfil its role for the benefit of the community.

1,229
ELIA EMPLOYEES

87
NEW ELIA EMPLOYEES IN 2015

ELIA'S VALUES

INTEGRITY – EMPATHY – ENTREPRENEURIAL SPIRIT – RESPONSIBILITY



Elia transports energy across the entire country, from where it is generated to where it is needed. By doing so, we keep the lights on in Belgium.

Being part of the Elia Group, we also play an important role on the international stage. Each and every day, people and organisations rely on Elia, just like we rely on our motivated team of professionals. All our experts share a passion for technical excellence and innovation and are mindful of the pivotal role they play for the wider community.

A NEW EMPLOYER VALUE PROPOSITION

In a bid to further spotlight Elia's crucial role in the community, we have put together a new Employer Value Proposition (EVP) entitled Giving Energy, Getting Energy.

The challenges facing the sector are prompting new activities to emerge and as such we need to attract employees with specific profiles. However, these challenges also present opportunities since they demand a higher level of skill and competence in managing current assets at the same time as preparing for future development.

Elia wants to see this new EVP become a vehicle for personalising the Group's story and to set it apart from other employers. Rather than adopting a generic slogan, Elia opted instead for authenticity and selected one which reflects how staff view the company. The new EVP is designed to showcase to future applicants both the challenges Elia faces and the benefits it offers.

MORE INFORMATION

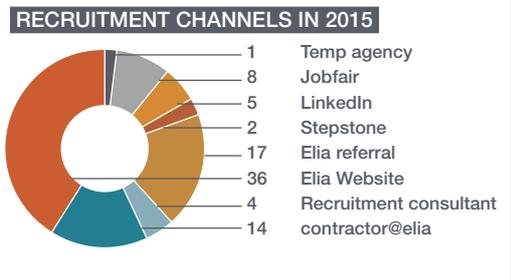
The new recruitment campaign was launched in June 2015 and details are available at www.elia.jobs.



The challenges facing the sector are prompting new activities to emerge and as such we need to attract employees with specific profiles.

RECRUITMENT IN 2015

In 2015, 87 new members of staff joined our teams in tackling the challenges facing the electricity system.



MORE INFORMATION

For details of job vacancies visit www.elia.jobs.

FACTORING IN THE IMPACT OF AN AGEING POPULATION

Ageing of the population is an undisputed fact and also has an impact on businesses and how they are structured, a trend reinforced by changes to Belgian legislation governing pensions. The top of the age pyramid is plateauing out and the number of older workers is on the rise. Accordingly, almost 38% of Elia's employees are over the age of 45, a situation which requires a dialogue between employer and employees on career aspirations and prospects.

With this in mind, in 2014 Elia launched the Horizon 2020 project aimed at drawing up an HR and corporate policy factoring in age to provide an attractive and sustainable career framework. Mindful of the fact that there is no one-size-fits-all solution, Elia is currently working on a range of career development plans all of which seek to strike the ideal work-life balance.



A NEW PHASE IN THE SMART WAY OF WORKING

In a changing world, companies are having to reinvent themselves and adapt both to enhance their interaction with the relevant stakeholders and to integrate new tools as they emerge. It was in this vein that Elia decided to move into the SWOW era.

The Monnoyer building was the first to adapt the SWOW philosophy, but the Emperor building in central Brussels and the building at the Créalys Science Park (see page 41) in the province of Namur were quick to follow suit.

As well as advocating a new spatial planning model, the main thrust of the SWOW philosophy is a change in working relationships and hierarchical links to encourage collaboration and make it easier for companies to implement projects designed to achieve their goals.

The technologies introduced and the new mobility policy enable greater flexibility, including the option of teleworking.



MOBILITY AT ELIA

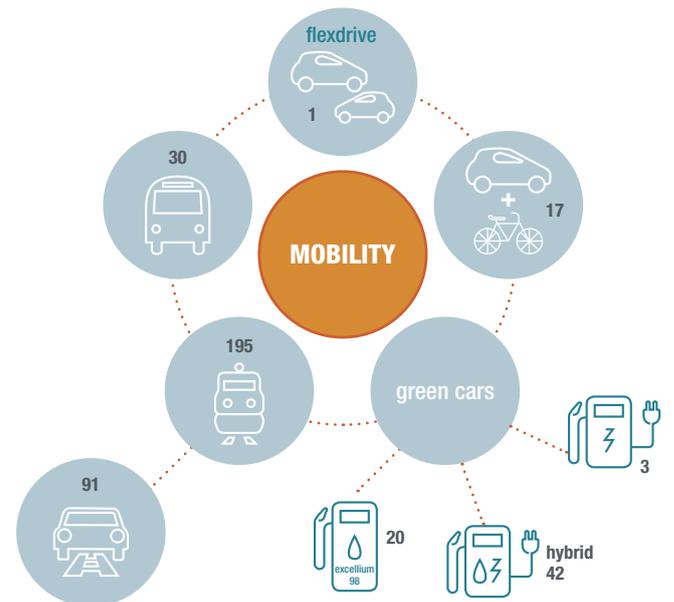
Congestion on the roads and the time wasted as a result are a strong argument for introducing a different approach to mobility. In addition to the option of working remotely (teleworking), Elia has put together a sustainable, flexible and diverse mobility policy which offers a wide range of options for getting to work or travelling to another Elia site (public transport, shared cars and bikes, etc.).

SKILLS MANAGEMENT AND TARGETED TRAINING COURSES

In 2015, Elia began developing a brand new programme of training courses. The courses offered are structured around three key considerations:

- Providing a dedicated course catalogue aimed at addressing the personal requirements of staff and teams, and incorporating practical application of course content in an individual's day-to-day work.
- Raising awareness among staff of the importance of putting into practice the theoretical knowledge acquired through training courses.
- Shifting to a model of greater shared responsibility between a staff member and his/her line manager to enhance personal development.

The catalogue of training courses has been overhauled to incorporate this new training philosophy. Going forward, courses will also be integrated more fully into a training path featuring practical scenarios to help reinforce assimilation of new skills.



The new Car Policy introduced in 2014 illustrates the company's sustainable and varied policy

HORIZON 2020

SIDEWAYS : A sideways move to broaden your horizons

UP : A step up to a position of greater responsibility

PAUSE : Taking a career break (sabbatical, time-credits)

EVEN : Continuing to do what you currently do

BACK : A deliberate step backwards in terms of working time and/or responsibilities



EXTRA : Taking on something in addition to your role, e.g. a temporary project or even a complementary activity outside of Elia

OUT : Leaving Elia or stopping work

FOCUS : Specialising, becoming an expert in a specific field

SHARE & LEARN – A DIFFERENT WAY OF LEARNING

Sharing knowledge is also a learning opportunity. With this in mind, Elia has introduced a number of Share & Learn sessions to put experts in contact with staff members wanting to find out more about their particular field. The programme aims to lend added value to our staff's skills. The first infosessions as part of the Share & Learn programme focused on Microsoft Office tools and Elia's major infrastructure projects.

SAFETY AT ELIA

The safety of our employees, staff working for external companies and, more broadly, the general public, is a priority for Elia. As before, our goal continues to be zero accidents or incidents.

Elia works relentlessly to ensure that its facilities are as safe and reliable as they can possibly be. As well as maintaining a safe infrastructure, we are also committed to incorporating safety considerations into the day-to-day management of our activities. This takes the form of a dynamic risk-analysis technique, having procedures drafted by multidisciplinary teams, training programmes, practical exercises and up-to-date feedback.

In 2015, our technical staff completed a combined total of over 16,000 man-hours of training on a range of safety topics, and 870 safety certificates were issued.

Furthermore, Elia has recorded only four accidents incurring absence from work over a total of more than 19,000 technical interventions on our facilities. Two other accidents occurred: one in which an employee tripped in the office and a road traffic accident. The average frequency rate has remained at 3.9 for the past five years; this is four times better than the Belgian average across all sectors. This is a real encouragement to us to continue applying our long-standing policy.

PROMOTING A SAFETY-FOCUSED APPROACH BY CONTRACTORS

Every day, between 500 and 800 technicians employed by subcontractors work on Elia's facilities.

In 2015, over 3,600 staff working for Elia contractors were given training on the possible risks and dangers they may encounter when working on our industrial facilities. These training sessions always conclude with a test of what participants have learned. In total, over 4,800 certificates were issued across a range of disciplines.

Safety and quality parameters based on objective criteria are used when selecting service providers and awarding contracts. How a contractor prepares for and ultimately performs their assigned works are also taken into consideration; the findings are assessed and are discussed with the contractors concerned. This approach

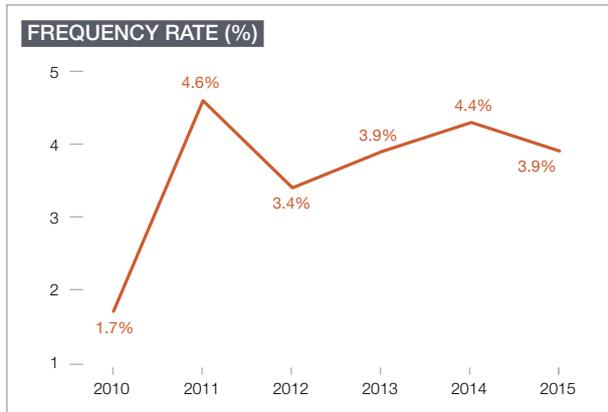


16,000

MAN-HOURS OF SAFETY TRAINING

3.9%

AVERAGE FREQUENCY RATE OVER THE LAST 5 YEARS



3) BEHAVIOUR

Should a dangerous situation arise, staff must stop what they are doing immediately and take the necessary measures to ensure that everyone can perform their work safely. This approach is underscored via the STAR (Stop, Think, Act, Review) campaign, which also highlights among other factors the importance of feedback. Reporting even the most minor accident or near-accident means that lessons can be learned and the likelihood of us achieving our zero-accident target is greater.

Safety also requires ongoing coordination between teams and between team members. One example of this is the system of holding a toolbox meeting each day before commencing work, and regular briefings between site managers and the various teams working on the site, where appropriate with additional input from safety experts.

4) CONTRACTORS

Elia is not concerned solely with the safety of its own employees; that of staff working for our contractors and indeed of any individual in the vicinity of an Elia facility is a priority. In 2016, the Go For Zero campaign will also be focussing on contractors. With this in mind, Elia will be shoring up measures to provide contractors with guidance and supervise them whilst performing their work.

is followed with all contractors, whether they are long-standing suppliers or new tenderers. If contractors fail to adhere fully to Elia's safety policy or fall short of the level required in terms of safety parameters and/or results, their partnership with Elia will be terminated.

Elia's staff and subcontractors are not the only ones required to factor in the potential risks posed by high-voltage facilities; any person in the vicinity of our facilities must also bear these risks in mind. Elia also makes its facilities available to the various emergency services on a regular basis to enable them to conduct drills in as realistic an environment as possible.

GO FOR ZERO

Following two tragic accidents within Elia in 2014, internal safety has been stepped up via the Go For Zero programme. The programme comprises a range of initiatives subdivided into four categories, all with the same goal of achieving zero accidents.

1) FACILITIES

Safety is also a concern in the context of our facilities: selecting facilities, purchasing, installing equipment and maintenance, too, all need to factor in safety as the top priority.

2) WORK STRUCTURE

Elia is constantly looking to improve its safety procedures to guarantee a healthy working environment. Under no circumstances should the importance of risk-analysis be minimised.

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 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



Jane Murphy



Luc Hujoel



Philip Heylen



Saskia Van Uffelen



Dominique Offergeld

COMPOSITION OF THE MANAGEMENT BODIES AS AT 31 DECEMBER 2015

BOARD OF DIRECTORS¹

CHAIRPERSON

- Miriam Maes, independent director

VICE-CHAIRPERSONS

- Claude Grégoire, director Publi-T
- Geert Versnick, director Publi-T

DIRECTORS

- Jacques de Smet, independent director
- Luc De Temmerman, independent director
- Frank Donck, independent director
- Cécile Flandre, director Publi-T
- Philip Heylen, director Publi-T
- Luc Hujuel, director Publi-T
- Jean-Marie Laurent Josi, until 29 July 2015, independent director
- Jane Murphy, independent director
- Dominique Offergeld, director Publi-T
- Steve Stevaert, until 2 April 2015, director Publi-T²
- Saskia Van Uffelen, independent director

REPRESENTATIVE OF THE FEDERAL GOVERNMENT WITH AN ADVISORY ROLE

- Nele Roobrouck

ADVISORY COMMITTEES TO THE BOARD OF DIRECTORS³

CORPORATE GOVERNANCE COMMITTEE

- Luc Hujuel, Chairman
- Frank Donck
- Philip Heylen
- Jane Murphy
- Saskia Van Uffelen, from 22 October 2015
- Jean-Marie Laurent Josi, until 29 July 2015

AUDIT COMMITTEE

- Jacques de Smet, Chairman
- Luc De Temmerman
- Frank Donck
- Dominique Offergeld
- Geert Versnick

REMUNERATION COMMITTEE

- Luc De Temmerman, from 22 October 2015, Chairman
- Jacques de Smet
- Claude Grégoire
- Saskia Van Uffelen
- Jean-Marie Laurent Josi, until 29 July 2015, Chairman
- Steve Stevaert, until 2 April 2015

AUDITORS

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

MANAGEMENT COMMITTEE⁴

- Chris Peeters, Chairman and Chief Executive Officer, from 6 July 2015⁵,
- Markus Berger, Chief Infrastructure Officer
- Frédéric Dunon, Chief Assets Officer
- Ilse Tant, Chief HR & Internal Communication Officer
- Frank Vandenberghe, Chief Customers, Market & System Officer
- Catherine Vandenborre, Chief Financial Officer

SECRETARY-GENERAL

- Gregory Pattou

1. Composition of the Board of Directors of Elia System Operator and of Elia Asset as at 31 December 2015.

2. On 2 April 2015, Elia announced with great sorrow the death of Steve Stevaert, member of the Board of Directors. He had joined the Elia Board of Directors in 2011.

3. Composition of the advisory committees to the Board of Directors of Elia System Operator and of Elia Asset as at 31 December 2015.

4. Composition of the Management Committee of Elia System Operator and Elia Asset as at 31 December 2015.

5. Jacques Vandermeiren was Chairman and Chief Executive Officer until 14 January 2015. Monticello SPRL, whose permanent representative is François Cornelis, was acting Chairman and Chief Executive Officer from 14 January 2015 until 5 July 2015.

BOARD OF DIRECTORS

The Boards of Directors of Elia System Operator and Elia Asset consist of 14 members¹, none of whom perform a management role within either of those two companies. The same directors sit on the Boards 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 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

On 2 April 2015, Elia announced with great sorrow the death of Steve Stevaert, member of the Board of Directors. He had joined the Board of Directors in 2011 and had put his heart into this role. Pursuant to the death of Steve Stevaert on 2 April 2015, his non-independent directorships of Elia System Operator and Elia Asset expired on that same date.

After 12 years as a director (i.e. the maximum period for an independent director under Article 526ter (2) of the Belgian Companies Code), Jean-Marie Laurent Josi resigned as independent director of Elia System Operator and Elia Asset, effective 29 July 2015.

The process to appoint two new directors is on going.

On 19 May 2015, the Ordinary General Meeting of Elia System Operator and Elia Asset definitively appointed Geert Versnick, co-opted by the Board of Directors of Elia System Operator and Elia Asset on 20 May 2014, as non-independent director of Elia System Operator and Elia Asset for a period expiring immediately after the Ordinary General Meeting in 2020 for the financial year ending 31 December 2019.

The directorships of all the directors, excluding Luc De Temmerman, Frank Donck, Saskia Van Uffelen, Luc Hujol and Geert Versnick, will come to an end after the 2017 Ordinary General Meeting of Elia System Operator and Elia Asset relating to the financial year ending 31 December 2016. The directorships of Luc De Temmerman, Frank Donck, Saskia Van Uffelen, Luc Hujol and Geert Versnick 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.

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 on the basis of the list of candidates drawn up by the Corporate Governance Committee. For each candidate, the Committee takes into account the up-to-date CV and their sworn declaration concerning the independence criteria as stipulated by legislation applying to Elia and the company's articles of association. The General Meeting then appoints the independent directors. These appointments are submitted to 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

Pursuant to the death of Steve Stevaert on 2 April 2015, his non-independent directorships of Elia System Operator and Elia Asset expired on that same date.

In light of the fact that the directorships of Jean-Marie Laurent Josi as a member of the Corporate Governance Committee and as a member and chairman of the Remuneration Committee of Elia System Operator and Elia Asset ended on 29 July 2015, on 22 October 2015 the Boards of Directors of Elia System Operator and Elia Asset appointed, pending the appointment of a new independent director, Luc De Temmerman as a member and chairman of the Remuneration Committee of Elia System Operator and Elia Asset and Saskia Van Uffelen as a member of the Corporate Governance Committee of Elia System Operator and Elia Asset.

TEMPORARY AD-HOC COMMITTEES

In accordance with Article 522 of the Belgian Companies Code, the Board of Directors of Elia System Operator established a temporary ad hoc committee in 2015 for the purpose of preparing for the capital increase reserved for staff in 2015.

1. On the closing date, the Board of Directors of Elia System Operator and of Elia Asset comprised 12 members following the resignation of Jean-Marie Laurent Josi and the death of Steve Stevaert (see "Appointment of directors" below). Under the articles of association, in the event of unfilled directorships resulting in the Board of Directors temporarily comprising fewer than 14 directors, the Board may deliberate and take decisions pending the co-opting or appointment of new directors.

AUDITORS

The Ordinary General Meeting of Elia System Operator and 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 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 by Benoît Van Roost for the exercise of this office.

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 €147,635.72 (€102,882.36 for Elia System Operator, €36,752.94 for Elia Asset and €8,000.42 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 legal restrictions concerning 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 met nine times in 2015.

The following people were absent from one or more meetings held in 2015: Frank Donck, Cécile Flandre, Philip Heylen, Luc Hujuel and Jane Murphy.

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 absent or unable to attend 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 2015

AMENDMENTS TO THE ARTICLES OF ASSOCIATION FOLLOWING IMPLEMENTATION OF THE CAPITAL INCREASE RESERVED FOR STAFF MEMBERS

The Extraordinary General Meeting of Elia System Operator of 20 May 2014 approved the proposed capital increase reserved for members of staff of the company and its Belgian subsidiaries.

This capital increase took place in two stages, specifically in November 2014 and 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 staff members of the company and its Belgian subsidiaries, if necessary below the accounting par value of the existing shares in the same class.

The Extraordinary General Meeting decided to set the issue price at a price equal to the average 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 (including share premium) was €5,299,990.95. 170,035 Class B shares in Elia System Operator were issued.

The total value of the 2015 capital increase (including share premium) was €377,452. 11,975 Class B shares in Elia System Operator were 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 23 March 2015.

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' and www.elia.be, under 'Elia', 'corporate governance').

SUCCESSFUL €500 MILLION BOND ISSUE AS PART OF THE €3 BILLION EURO MEDIUM TERM NOTE PROGRAMME

At its meeting on 29 November 2012, the Board of Directors of Elia System Operator approved a Euro Medium Term Note programme totalling €3 billion.

On 23 November 2015, as part of its €3 billion Euro Medium Term Note programme, Elia System Operator announced the successful issue of an 8.5-year €500 million Eurobond.

Investors reacted very positively during the building of the order book, offering up more than €2.75 billion. The issue attracted 256 investors from 28 countries and yet again highlights the quality and appeal of Elia on the bond markets. The credit margin for this operation was set at 75 basis points above the 8.5-year mid-swap rate, giving a coupon of 1.375%.

The proceeds from this bond issue will be used to repay a maturing bond. The bonds will be listed on Euronext Brussels.

APPROVAL OF THE 2016-2019 ELIA SYSTEM OPERATOR TARIFFS BY CREG

On 3 December 2015 the CREG Management Committee approved Elia System Operator's proposed tariffs for the 2016-2019 regulatory period.

The approved budget enables Elia System Operator to have the resources it needs to perform its statutory missions, including the implementation of its investment programme for the period 2016-2019. The 2016-2019 tariffs are based on a new incentive mechanism adopted by CREG and intended to support the implementation of important projects to upgrade and develop the transmission system.

The introduction of incentives to enhance the quality of the system operator's services will not lead to any tariff increases. Despite inflation, the annual average budget approved for the period 2016-2019 is 2.5% lower than that of 2015.

The 2016-2019 tariffs were prepared, calculated and approved on the basis of this new tariff methodology.

CHANGES WITHIN THE BOARD OF DIRECTORS

Pursuant to the death of Steve Stevaert on 2 April 2015, his non-independent directorships of Elia System Operator and Elia Asset expired on that same date.

After 12 years as a director (i.e. the maximum period for an independent director under Article 526ter (2) of the Belgian Companies Code), Jean-Marie Laurent Josi resigned as independent director of Elia System Operator and Elia Asset, effective 29 July 2015.

The process to appoint two new directors is underway.

On 19 May 2015, the Ordinary General Meeting of Elia System Operator and Elia Asset definitively appointed Geert Versnick, co-opted by the Board of Directors of Elia System Operator and Elia Asset on 20 May 2014, as non-independent director of Elia System Operator and Elia Asset for a period expiring immediately after the Ordinary General Meeting in 2020 for the financial year ending 31 December 2019 in order to replace Francis Vermeiren.

CHANGE IN THE COMPOSITION OF THE MANAGEMENT COMMITTEE

The Boards of Directors of Elia System Operator and Elia Asset 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 System Operator and Elia Asset, due to differences of opinion. The Boards of Directors appointed Monticello SPRL, whose permanent representative is François Cornélis, as acting Chief Executive Officer and Chairman of the Management Committee of Elia System Operator and Elia Asset. The process to appoint a new CEO was launched at that time.

At its meeting on 25 June 2015 the Board of Directors of Elia System Operator and Elia Asset appointed Chris Peeters as Chief Executive Officer and Chairman of the Management Committee of Elia System Operator and Elia Asset effective 6 July 2015.

SALE OF 7,306 BEARER SHARES IN ACCORDANCE WITH THE ACT OF 14 DECEMBER 2005 ON THE ELIMINATION OF BEARER SHARES

In accordance with Article 11 of the Act of 14 December 2005 on the elimination of bearer shares, on 4 May 2015 Elia System Operator sold 7,306 bearer shares whose owner did not make himself known. Elia System Operator deposited the sums from the sale with the Caisse des Dépôts et Consignations. Effective 1 January 2016, those individuals who can establish their capacity as owner can ask to have the amounts in question returned to them, less a penalty.

The College of auditors have noted that the conditions of Article 11 of the Act of 14 December 2005 have been met.

For the other significant events in 2015, see pages 6 to 11.

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 five times in 2015.

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 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 approved the proposed collective targets for the Management Committee for 2015. The 2015 targets are in line with the 2014 targets. In addition, the Remuneration Committee approved the remuneration report, which is part of the annual report, as well as the amendments to the Remuneration Committee's internal rules of procedure.

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 this rule, 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 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'leteren 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 S.A. (1977-2001), La Lieve S.A. (1978-1996), Lys-Lieve S.A. (1975-1995), Belgo-Katanga S.A. (1996-2000), Ibel S.A. (1995-2000) and President of the Financial Executives Institute of Belgium (2002-2013). Since 1986, he has been Managing Director of Gefor S.A. (a consultancy firm specialising in the area of corporate finance and,

in particular, the negotiation of bank credit). He sits on the Boards of Directors of Sabca (as a permanent representative of Gefor) and Wereldhave Belgium and is Chairman of the Audit Committees of these companies.

Dominique Offergeld (non-independent director of Elia System Operator and 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, and was 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) Publigras and government commissioner at Fluxys. She was also Chairwoman 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 the 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 eight times in 2015.

The Committee examined the annual accounts for 2015, under both Belgian GAAP and IFRS. It also examined the half-yearly results as at 30 June 2015 and the 2015 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 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.

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 removal (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(2) and (3) 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 9.1b), 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 role within the company, there is the potential or motive for favouring certain generation or supply 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 generation or supply of electricity.

The Committee met nine times in 2015.

The Committee is informed regularly about important files, in compliance with confidentiality rules, such as amendments to the articles of associations, changes to the Corporate Governance Charter, 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 requirements in the area of full ownership unbundling.

EVALUATION

In 2012, the Board of Directors of Elia System Operator and Elia Asset 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 in 2012 were highly satisfactory. A new evaluation is scheduled for 2016.

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 electricity 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 simultaneous ultimate control and power 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 generally 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 2015, the Management Committee met on 20 occasions for Elia System Operator and on 19 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. As part of its reporting on management of the transmission system in 2015, the Management Committee kept the Board informed of 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').

MANAGEMENT COMMITTEE



Chris Peeters



Markus Berger



Frédéric Dunon



Ilse Tant



Frank Vandenberghe



Catherine Vandendorpe

CORPORATE GOVERNANCE CHARTER AND INTERNAL RULES OF PROCEDURE OF THE BOARD OF DIRECTORS, THE BOARD'S ADVISORY COMMITTEES AND THE MANAGEMENT COMMITTEE

On 26 February 2015 the Board of Directors of Elia System Operator and Elia Asset approved the changes to the Management Committee's internal rules of procedure.

The Management Committee's internal rules of procedure were amended on 23 February 2015.

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, the Board's Advisory Committees and the Management Committee can be found on the company's website (www.elia.be, under 'Elia', 'Corporate Governance').

TRANSPARENCY RULES - NOTIFICATIONS

Elia System Operator received no notifications in 2015 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.

REMUNERATION REPORT

Remuneration of the members of the Board of Directors and the Management Committee

PROCEDURE APPLIED IN 2015 TO DEFINE THE REMUNERATION POLICY AND THE REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND 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 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 page 52 of the annual report.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

Total remuneration paid to the 14 directors in 2015 was €607,207.73 (€308,516.42 for Elia System Operator and €298,691.31 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 on the basis of nine meetings of the Board of Directors of Elia System Operator and nine meetings of the Board of Directors of Elia Asset in 2015. In 2015, the Audit Committee met eight times, the Corporate Governance Committee nine times and the Remuneration Committee five times.

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.

Jacques DE SMET	€59,135.00
Luc DE TEMMERMAN ¹	€46,058.74
Frank DONCK ²	€52,252.00
Cécile FLANDRE ³	€31,860.00
Claude GRÉGOIRE ⁴	€49,142.00
Philip HEYLEN	€44,606.00
Luc HUJOEL ⁵	€45,626.00
Jean-Marie LAURENT JOSI (until 29 July 2015)	€32,115.75
Miriam MAES ⁶	€49,320.00
Jane MURPHY	€49,449.00
Dominique OFFERGELD	€43,586.00
Steve STEVAERT (until 2 April 2015)	€9,876.50
Saskia VAN UFFELEN ⁷	€42,998.74
Geert VERSNICK ⁸	€51,182.00

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 or 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.

1. Luc De Temmerman's fees are paid to the company InDeBom Strategies Comm. V.
2. Frank Donck's fees are paid to the company Ibervest NV.
3. Cécile Flandre's fees are paid to the company Belfius Insurance SA.
4. Claude Grégoire's fees are paid to the company Socofe SA. Claude Grégoire has been Vice-Chairman of the Board of Directors of Elia System Operator and Elia Asset since 26 June 2014.
5. Luc Hujuel's fees are paid to the company Interfin CVBA.
6. Miriam Maes has been Chairman of the Board of Elia System Operator and Elia Asset since 26 June 2014.
7. Saskia Van Uffelen's fees are paid to the company Quadrature SPRL.
8. Geert Versnick's fees are paid to the company Flemco BVBA. Geert Versnick has been Vice-Chairman of the Board of Directors of Elia System Operator and Elia Asset since 26 June 2014.

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

Since there will be a Board of Directors evaluation in 2016, it cannot be ruled out that, pursuant to the conclusions of this evaluation, modifications to the current remuneration policy for directors will be proposed.

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 Group 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(1) and (2) of the Belgian Companies Code is provided for members of the Management Committee.

As regards 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, variable remuneration has comprised two components: a short-term one and a long-term one.

BASIC REMUNERATION

With the exception of the acting chairman⁹, all the members of the Management Committee of Elia System Operator and Elia Asset have employee status.

The remuneration paid to the acting chairman of the Management Committee (Monticello SPRL, with François Cornélis as permanent representative) in 2015 was €308,000¹⁰.

The basic remuneration paid to the chairman of the Management Committee, Chris Peeters, in 2015 was €182,648.¹¹ The basic remuneration paid to the former chairman of the Management Committee, Jacques Vandermeiren, for the period from 1 January to 14 January 2015 was €11,636. He received an additional amount of €102,854 in connection with the end of his contract as per the legal provisions (severance pay).

The recurring remuneration paid to the other members of the Management Committee totalled €1,145,105 (€678,857 for management employed by Elia System Operator and €466,248 for management employed by Elia Asset, respectively).

Total basic remuneration of €1,647,389 was therefore paid to members of the Management Committee in 2015¹².

SHORT-TERM VARIABLE REMUNERATION

The first component of 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 2015, the short-term variable remuneration earned by the Chairman of the Management Committee was €107,652.84.

The variable remuneration earned by other members of the Management Committee in 2015 was €419,989 (€252,769 for management employed by Elia System Operator and €167,220 for management employed by Elia Asset, respectively).

A total of €527,642 in variable remuneration was therefore paid to members of the Management Committee in 2015.

TOTAL ANNUAL REMUNERATION

In 2015, the total remuneration paid to the chairmen of the Management Committee was €609,936¹³.

The total annual remuneration of other members of the Management Committee was €1,565,094 (€931,626 for management employed by Elia System Operator and €633,468 for management employed by Elia Asset, respectively).

Total annual remuneration for all members of the Management Committee in 2015 was therefore €2,175,030¹⁴.

9. Monticello SPRL, whose permanent representative is François Cornélis.

10. Covering the period from 14 January 2015 until 5 July 2015.

11. Covering the period from 6 July 2015 until 31 December 2015.

12. Excluding severance holiday pay.

13. Jacques Vandermeiren (for the period from 1 January until 14 January 2015), Monticello SPRL, whose permanent representative is François Cornélis (for the period from 14 January 2015 until 5 July 2015) and Chris Peeters (for the period from 6 July 2015 until 31 December 2015).

14. Excluding severance holiday pay.

LONG-TERM VARIABLE REMUNERATION

The second component of variable remuneration is based on multiannual criteria covering a period of 4 years ("long-term incentive plan"). The variable remuneration earned in 2015 can be estimated at €27,500 (maximum amount in the event of full attainment of the multiannual criteria for the tariff period concerned) for the Chairman of the Management Committee in 2015 and €288,540 for the other members of the Management Committee (€174,400 for management employed by Elia System Operator and €114,140 for management employed by Elia Asset, respectively).

These amounts are reviewed at the end of each year based on 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 2015.

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 annual remuneration. In 2015, Elia System Operator paid a total of €54,402 for the outgoing chairman of the Management Committee¹.

For the other members of the Management Committee, Elia paid a total of €277,017 (€154,148 for management employed by Elia System Operator and €122,869 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 2015 was valued at €36,457 for the chairman of the Management Committee² and the outgoing chairman³ and at €144,786 for the other members of the Management Committee (€86,674 for management employed by Elia System Operator and €58,112 for management employed by Elia Asset, respectively).

There were no stock options awarded in Elia for the Management Committee in 2015.

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 hired before 3 May 2010, contain no specific provisions regarding dismissal.

Pursuant to the decision to terminate the employment relationship with Jacques Vandermeiren, compensation in lieu of notice (25 months and 8 weeks) was paid in accordance with prevailing legislation (an amount of €1,697,194, on which was paid the amount of group insurance due to cover the notice period).

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 2015:

Members of the Management Committee	as at 31/12/2015	as at 31/12/2014
Chris Peeters ⁴ <i>Chief Executive Officer - Chairman of the Management Committee</i>	-	-
Markus Berger <i>Chief Infrastructure Officer</i>	9,156	9,156
Frédéric Dunon <i>Chief Assets Officer</i>	1,986	1,961
Ilse Tant <i>Chief HR & Internal Communication Officer</i>	1,825	1,825
Frank Vandenberghe <i>Chief Customers, Market & System Officer</i>	4,774	4,749
Catherine Vandendorre <i>Chief Financial Officer</i>	1,370	1,120

No stock options were awarded at Elia System Operator for the members of the Management Committee in 2015. Members of the Management Committee may purchase shares via existing capital increases reserved for members of personnel or on the stock exchange.

1. Jacques Vandermeiren.

2. Chris Peeters.

3. Jacques Vandermeiren.

4. Chairmanship and membership of the Management Committee of Elia System Operator and Elia Asset as of 6 July 2015.

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.

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 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 STATUTORY LIMITATIONS OR LIMITATIONS UNDER THE ARTICLES OF ASSOCIATION ON THE EXERCISING OF VOTING RIGHTS

In accordance with Article 4.3(3) of the articles of association of Elia System Operator and Elia Asset, the voting rights associated with shares held directly or indirectly by companies active in the generation 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 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 STATUTORY LIMITATIONS OR LIMITATIONS UNDER THE ARTICLES OF ASSOCIATION ON TRANSFERS OF SECURITIES

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

INFORMATION REGARDING THE COMPANY'S REPURCHASE OF ITS OWN SHARES

The permission granted to the Board of Directors of Elia System Operator for the repurchase 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

	Shares	% Shares	% Voting rights
Publi -T ¹ (Class B and C shares)	27,383,507	45.08	45.08
Publipart (Class A shares)	1,526,756	2.51	2.51
Belfius Insurance (Société Fédérale de Participations et d'Investissement) ² (Class B shares)	1,231,060	2.03	2.03
Katoen Natie Group ³ (Class B shares)	3,157,624	5.20	5.20
Interfin (Class B shares)	2,375,143	3.91	3.91
Other Free float (Class B shares)	25,076,149	41.28	41.28
Total	60,750,239	100	100

1. Based on the Publi-T - Fédérale de Participations et d'Investissement declaration of transparency of 29 October 2014.

2. Based on the Publi-T - Fédérale de Participations et d'Investissement declaration of transparency of 29 October 2014.

3. Based on the Katoen Natie declaration of transparency of 29 October 2014.

FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT 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.

1. 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 generally 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 financial 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 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

1. For more information, see "Corporate Governance Statement – Audit Committee"

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 accordance with the Business Process Excellence methodology.

COMPETENCIES

With a view to ensuring that 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 emphasises the existing regulatory framework, accounting obligations and actual activities, with a high level of understanding enabling participants to address the appropriate issues.

2. 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.

3. 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, accounting checks and adjustments at the end of the relevant financial period, company transactions and critical estimates.

The combination of all these controls ensures 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.

4. 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.

5. 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.

RISKS AND UNCERTAINTIES FACING THE COMPANY

1. 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-ownership unbundled TSO. The application of these new procedures may include regulatory risks for both companies. Both Elia and 50Hertz 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 would 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 of 8 January 2012 adapted the Electricity Act to comply with the third package of European directives.

In accordance with Article 258 of the Treaty on the Functioning of the European Union, the European Commission oversees the transposition of European directives into national law. On 25 February 2016 the Commission sent a reasoned opinion to Belgium, which, according to the press release, in its opinion has not correctly transposed certain unbundling rules, as a result of which other companies have been prevented from establishing and operating interconnections. The rules on the powers of the regulator and certain rules pertaining to consumers have apparently not been correctly transposed either. The Belgian authorities are required to inform the European Commission on measures taken to remedy the situation.

The company's net profit is largely determined by a fair return mechanism and by a tariff incentive mechanism. For the period 2016-2019, various incentives distributed over four years were introduced. Elia's financial result is influenced annually by changes to Belgian linear bonds (10-year OLOs) and by a special mechanism set to take effect in 2016. This new mechanism includes an incentive linked to the progress of construction work for major projects mainly linked to interconnection capabilities, and a corrective term which reflects the gap between the real value of the OLO during the year and a benchmark value. Elia's financial result is also influenced by its ability to realise and/or exceed the factors for improving efficiency, and by the analyses of the various budget items implemented by the federal regulator.

On 3 December 2015, 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 2016.

Elia's turnover also depends on the energy transported via its grid, and therefore on the level of business activity of its customers and the society it serves at large, including the rapid increase in decentralised electricity generation being directly injected to the distribution networks. The decline in residential and industrial electricity consumption prompted by the slowdown in economic activity since 2009 may result in differences between actual electricity volumes actually transmitted and those estimates 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 requirements, must be offset by the tariffs for the following regulatory periods, 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.

With regard to tariff surcharges, in 2015 the sale of Walloon green certificates to an operator responsible for reserving them significantly reduced the risk on liquidity requirements. In addition, the changes to Walloon regulations in 2015 provide for an explicit framework for potentially awarding new green certificates and quarterly reporting by the CWaPE (Walloon Energy Commission) at which it proposes, where appropriate, modifying the quotas that determine the demand for certificates. Vigilant oversight of the change in the green certificates market remains applicable.

2. OPERATIONAL RISKS

ENERGY BALANCE

Every year, Elia and 50Hertz seek to contract the reserves needed to ensure continual balance between production and consumption in their respective zones. To that end, they analyse, 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 since 2014 has been the negative trend in 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 these supply conditions has been the creation of strategic electricity reserves for the 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 the event of electricity shortages. The many events that occurred in 2015 regarding Belgian nuclear generating facilities illustrate the uncertainties impacting supply conditions. The actual availability and location of nuclear generation also interact with maintenance and/or investment programmes on the 400 kV networks, as well as the conditions governing access to resources capable of providing the auxiliary services needed for system operation.

Elia expects the closure and mothballing of electricity production units to continue impacting on the supply situation. The need to continue resorting to strategic reserves and/or other mechanisms therefore remains a major concern for future years.

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, while volumes of decentralised intermittent electricity generation are rising and while centralised generation capacity continues to decrease, Elia is also facing an ageing asset base. All three factors complicate the task of maintaining balance on the network.

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 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.

Consequently, electrical installations need to be upgraded or built new, which means obtaining building permits. Occasionally, permits are obtained 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 set 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.

3. 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 their investments and achieve their short- and long-term strategic goals, Elia and 50Hertz turn to the capital markets. As of this writing, the markets are strongly influenced by a few major macro economic tendencies. Concerns about the Chinese economy, and more specifically its ability to evolve from an industrial economy to an economy based more on domestic consumption, and ceaseless pressure on the price of raw materials are sources of uncertainty on the financial markets. We expect - at least in the medium term - to see the continuation of near zero interest rate monetary policies, even though in late 2015 the US Federal Reserve reviewed its rate downward for the first time in nearly 10 years. All of these macroeconomic factors are reflected at market level by major volatility, which will probably continue in 2016. This situation could have a negative impact on the growth of Elia and 50Hertz, and on the pursuit of their objectives. For both Elia and Eurogrid GmbH (50Hertz's parent company) credit facilities are in place to mitigate the risk of short-term financing difficulties. Elia and Eurogrid GmbH are rated by S&P and Moody's. Specific measures in connection with these evaluations are not foreseeable; they could have an impact on financing.

With the advent of new Belgian laws and regulations governing the decentralised generation 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. Elia's obligation 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 it is obliged to purchase, representing a risk to Elia's cash flow. In so far as there are regulations requiring the cancellation of certain certificates, the compensation for costs incurred by Elia requires the application of an appropriate surcharge. However, Elia has the option of asking CREG to adapt the tariffs so as to recover any gaps between expenses due to public service obligations and the cash flow generated by the approved surcharges meant to cover such expenses. In addition, to try to avoid a major tariff increase, the Walloon government established a mechanism

whereby Elia can ask to have 'green certificates' placed in reserve with an approved external party in order to temporarily limit the number of surplus 'green certificates' present on the market.

Elia has established regulatory and cash planning mechanisms allowing 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.

4. CONTEXTUAL FACTORS

MACROECONOMIC RISKS

European economies are still facing high levels of uncertainty and volatility. Even if the long-expected yet weak economic recovery seemed strong and sustainable in 2015, various factors keep the European economies vulnerable.

Accordingly, a slight upturn in the European economy emerged, due in part to household purchasing power helped along by very low inflation, thanks mainly to raw materials prices that have dropped to historically low levels. It seems to be connected mainly to demand within the euro zone because, despite the relative weakness of the euro, exports outside the zone continue to lag behind. For 2016, many forecasts give us reason to think that this could continue. However, political developments in the various European Union countries raise a lot of questions, such as the Grexit and the discussion about the possibility of a Brexit. The impact of current migratory flows also remains uncertain.

In theory, low interest rates no doubt encourage investment owing to favourable financing conditions, but investment decisions remain difficult due to broad uncertainties about the future.

Lastly, the recent stock market instability and developments in the geopolitical context in Europe and the Middle East confirm the current uncertainty and volatility.

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 could increase in the future. The subdivisions used give no indication of the potential consequences of the listed risks.

THE ELIA SHARE IN 2015

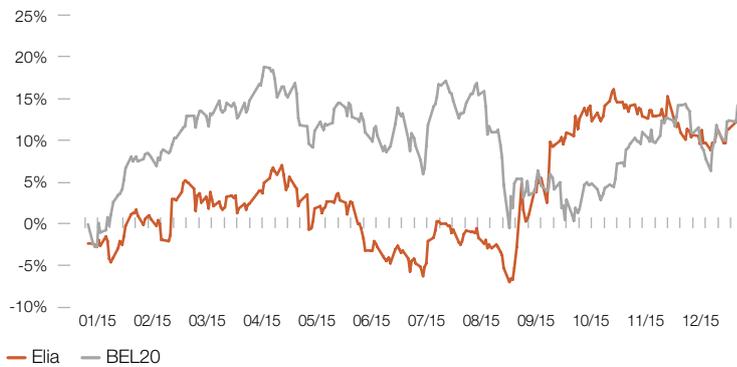
ELIA ON THE STOCK EXCHANGE

The Elia share performed well in the second half of the year, thanks to the publication of solid H1 figures and a positive change in the regulatory framework applicable as from 2016.

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 2015 was €42.83, up 11.2% from €38.51 at the end of 2014.

The lowest price in 2015 was €35.62 on 24 August, while the highest price was €44.95 on 21 October.

The liquidity of the share rose by 14.4% (from 42,991 shares per day on average in 2014 to 49,197 in 2015), with a total of 12,594,393 shares being traded in 2015.

With 60,750,239 shares issued, the market capitalisation was €2,601,932,736 at the end of December. In 2015, 12,594,393 Elia shares were traded on the Euronext Brussels market.

On Wednesday 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.

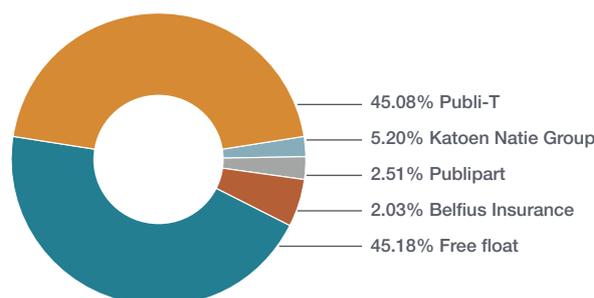
APPOINTMENT OF THREE LIQUIDITY PROVIDERS FOR THE ELIA SHARE

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 are present in the order book for the Elia share and are involved in both sales and purchases.

FINANCIAL CALENDAR

Early April 2016	2015 annual report available on the website
17 May 2016	Interim statement for Q1 2016
17 May 2016	General meeting of shareholders
Early June 2016	Payment of 2015 dividend
26 August 2016	Publication of half-yearly results for 2016
28 October 2016	Interim statement for Q3 2016

SHAREHOLDER STRUCTURE



56 %

The contribution of Germany to the Group's IFRS results

1.55 €

Gross dividend per share

INVESTORS

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

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Information about the Group (press releases, annual reports, share prices, disclosures, etc.) can be found on the Elia Group website www.eliagroup.eu.

DIVIDEND

On 25 February 2016, the Elia Board of Directors decided to propose a nominal dividend of €94.16 million, or €1.55 per share (gross) to the general meeting of shareholders of 17 May 2016, in accordance with the dividend policy and subject to approval of the profit appropriation by the annual general meeting of shareholders.

This gives a net dividend of €1.1315 per share.

The following paying agents will pay out dividends to shareholders: BNP Paribas Fortis, ING Belgium, KBC 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.

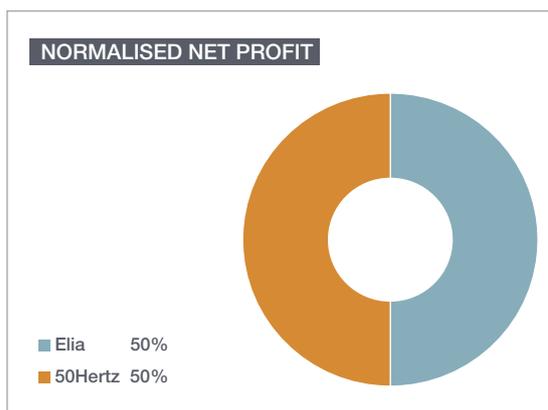
DIVIDEND POLICY

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 44.7% 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.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE 2015 RESULTS

- The Elia Group realised grid investments of €353 million in Belgium and €902 million in Germany to secure further the uninterrupted supply of electricity and to accommodate increasing renewable energy flows.
- Normalised¹ net profit increases by 14.6% year-over-year to €175.8 million. Reported net profit increases by 25.4% at €210.6 million.
- Elia will propose a dividend at €1.55 at the General Assembly of May 17.
- CREG approves Elia's 2016-2019 tariffs, an important step for the realisation of the ambitious investment programme.
- Elia and 50Hertz continue to provide very high system reliability (99.9999%), benefiting 30 million end-users in Belgium and Germany.



ELIA GROUP

(in million EUR)	2014	2015
Total revenues	836.3	851.4
EBITDA	402.6	442.8
EBIT	289.7	336.4
Non-recurring items	13.8	33.5
Normalised EBIT	275.9	302.9
Net financial costs	(100.6)	(92.8)
Net profit	167.9	210.6
Non-recurring items	14.5	34.8
Normalised profit	153.4	175.8
Normalised earnings per share (EUR)	2.53	2.89
Net financial debt	2,539.2	2,583.4
CAPEX ²	826.3	1,254.8

- EBIT (Earnings Before Interest and Taxes) = Results from operating activities + Share of profit of equity-accounted investees (net of income tax).
- EBITDA (Earnings Before Interest and Taxes, Depreciations and Amortisations) = EBIT + depreciation/amortisation + changes in provisions.
- Normalised EBIT = EBIT – non-recurring items (see note for the definition and page 73 for the reconciliation table).

RESULTS

The normalised group EBIT showed an increase of 9.8% to €302.9 million as a result of strong operational results of both Elia Transmission and 50Hertz Transmission. In Belgium, the regulated profit increased thanks to a strong operational year compensating the persisting pressure on the long term interest rates. As a result of the ambitious replacement programme of old installations, the amount passed on in the tariffs for decommissioning fixed assets increased significantly (“goodwill decommissioning”). In addition, lower damages to our electrical installations further increased the normalised result. In Germany the normalised net profit increased considerably thanks to the realisation of an investment volume of more than €900 million.

In addition to the strong **operational results** some important non-recurring items have materialised leading to an increase in the

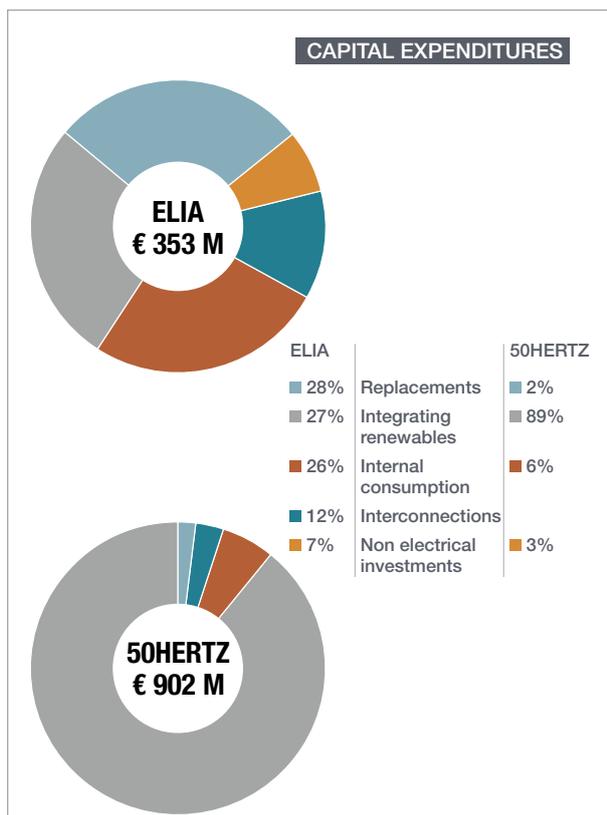
1. The term “normalised” refers to performance measures (EBIT, Net Profit, EPS) before non-recurring items. Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature. We refer to page 73, point 8 for a detailed reconciliation of the non-recurring items.
2. CAPEX amounts include 100% of the investments realised in Germany.

reported EBIT of 16.1% to €336.4 million. These items are mainly linked to the commissioning of the offshore connection Baltic 2 at 50Hertz. Furthermore, the amount of customer contributions for investments received at 50Hertz was unusually high in 2015 as a result of a cooperation with a DSO on a specific investment trajectory. At Elia, several transactions with APX and EPEX Spot resulted in a non-recurring profit and was reported as such. Finally the regulatory settlements from prior years at Elia and 50Hertz have also been included in the non-recurring items.

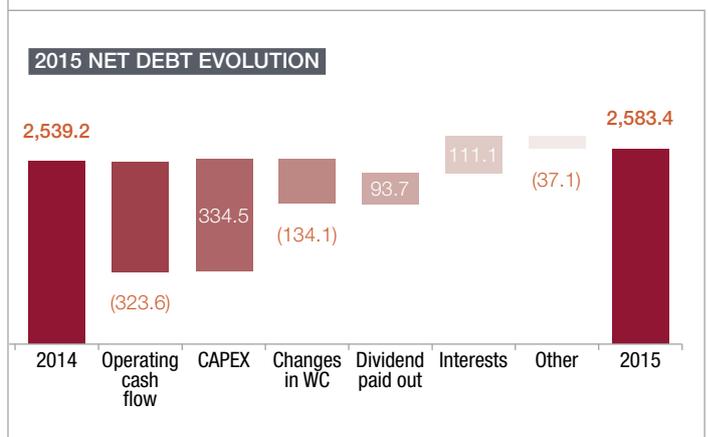
All this also resulted in a significant increase in the **normalised and reported group net profit** (resp. up 14.6% and 25.4% at €175.8 million and €210.6 million), which is equally split over the Belgian and German operations. In addition to the increase in the EBIT, the net finance costs have decreased by 7.8% as a result of the successful refinancing exercise in 2014 for which the reduction in costs is now accounted for a whole year.

CAPITAL EXPENDITURES

In 2015, Elia Group made significant progress in grid expansion projects. In Belgium the construction of a number of large high-voltage infrastructure projects is well underway. In the North of the country, Elia is reinforcing its grid for supporting the development of the Antwerp port and developing its infrastructure for accommodating offshore wind developments in the North Sea. In the South of the country, Elia reinforces the Boucle de l'Est to integrate onshore wind. Finally, Elia started the work on the first submarine interconnection between Belgium and the UK, better known as the Nemo project. Also in Germany, 50Hertz made good progress as construction started for several onshore projects across the country. The offshore project Baltic II has been completed, connecting 80 windmills of a total capacity of 288 MW to the onshore grid.



NET DEBT & CREDIT METRICS



(in € million)	2014	2015
Net debt	2,539.2	2,583.4
Leverage (D/D+E)	0.54x	0.57x
Net debt / EBITDA	6.3	5.8
EBITDA / Gross interest	3.6	4.3
Average cost of debt	3.78%	3.49%
% fixed of gross debt	88.8%	90.6%

The net financial debt increased slightly to €2,583.4 million (up 1.7%). The €500 million bond issued by Elia in November was an advanced refinancing transaction and the proceeds will be used for the repayment of a bond coming to maturity in April 2016. The credit metrics improved thanks to the improved results. The average cost of debt has further decreased as the impact of the successful refinancing executed back in 2014 is now fully accounted for.

ELIA TRANSMISSION IN BELGIUM

(in € million)	2014	2015
Total revenues	836.3	851.4
EBIT	195.5	218.0
<i>Normalised EBIT</i>	<i>197.4</i>	<i>215.1</i>
Finance result	(100.6)	(92.8)
Net profit	73.7	92.2
<i>Normalised net profit</i>	<i>75.0</i>	<i>88.0</i>
Total assets	4,989.6	5,669.7
Total equity	1,856.6	1,920.5
Net financial debt	2,539.2	2,583.4
Free cash flow	167.7	50.7

In 2015, Elia Transmission's **revenue** increased by 1.8% compared with the same period last year, mainly as a result of the new revenues of Elia Grid International ("EGI"), founded in 2014. The regulated revenue was in line with 2014.

Despite the persisting pressure on the long-term interest rates, Elia Transmission realised an increase in the **reported EBIT** (up 11.5%). The further decline in the fair remuneration due to evolution in the yearly average OLO, which decreased from 1.72% in 2014 to 0.86% in 2015, could be compensated by the increase in the amount passed on in the tariffs for decommissioning of old fixed assets. This was a result of a strong performance in the replacement programme of the old assets. Furthermore lower damages to the electrical installations and IAS 19 movements, mainly as a result of a change in assumptions, had a positive effect on the result. Finally there is a non-recurrent item, increasing the year-over-years results. The share of the profit of the HGRT participation increased following the integration of the power exchange APX Group in EPEX SPOT, of which HGRT, after the integration, owns 49%. Excluding this non-recurrent item, the normalised EBIT increased still by 9.0% to €215.1 million.

In addition to this, **net finance costs** (down 7.8%) fell by €7.8 million compared with 2014, mainly as a result of the successful refinancing transaction realised in April 2014. A €500 million bond had been refinanced by the issuance of a €350 million 15-year Eurobond. In comparison to 2014, the cost reduction is now accounted for a full year.

This resulted in an increased **reported net profit** of €92.2 million (up 25.1%), excluding the non-recurrent items a **normalised net profit** of €88.0 million (up 17.3%).

Total **assets** increased by 13.6% to €5,669.7 million, while net financial debt increased slightly by €44.2 million (up 1.7%). The **equity** increased mainly as a result of the reservation of the 2015 profit and payment of dividends for 2014.

The free cash flow decreased significantly mainly as a result of the increasing investments, in 2014 amounting to €270.0 million compared to €344.7 million in 2015, and working capital fluctuations.

50HERTZ TRANSMISSION IN GERMANY

(in € million)	2014	2015
Total revenues	1,022.8	1,495.6
EBIT	281.2	305.4
<i>Normalised EBIT</i>	<i>244.1</i>	<i>233.2</i>
Net finance costs	(29.8)	(18.9)
Net profit	156.8	197.3
<i>Normalised net profit</i>	<i>130.6</i>	<i>146.3</i>
Total assets	3,538.8	4,958.4
Total equity	1,178.8	1,276.3
Net financial debt	(24.9)	915.6
Free cash flow	293.0	(832.3)

50Hertz Transmission's **revenue** was up 46.2% compared with the same period last year. This increase is to a large extent a result of increasing energy costs and higher volumes of investment.

The sharp rise in EBIT (up 8.6%) is mainly a result of important one-off effects, principally arising from the commissioning of the offshore connection Baltic 2. Furthermore, 50Hertz received a regulatory bonus for efficient management of energy costs within the "Korridor"-model. Finally, there were some unusual high customer contributions to specific investments received which also have been considered as being non-recurrent. In total, these non-recurrent items in 2015 amount to €72.2 million before taxes.

The net **finance costs** decreased by €10.9 million compared to 2014 as a result of a significant lower discounting effect on the long term provisions. The market interest rates used for discounting these provisions remained stable compared to 2014, whereas in 2014 an important drop of the interests led to a significant increase in the finance expenses. This was partly offset by the increase in the outstanding debt, in total €1.390 million of bonds have been issued in 2015, and the corresponding interest expenses.

The increase in the **normalised net profit** (up 12.0%) reflects the output from the realised important CAPEX programme in 2015, partly compensated by an increase in the operational expenditures.

Total assets rose by 40.1% to €4,958.4 million, the net financial debt – a result of the realisation of the important investment volume – increased to €915.6 million Total assets rose by 40.1% to €4,958.4 million, the net financial debt – a result of the realisation of the important investment volume – increased to €915.6 million at the end of 2015. The **net debt** includes an EEG cash position of €614.2 million. The **equity** of 50Hertz increased by 8.3% mainly as a result of the reservation of current year's result and the dividend distribution of €98.7 million over 2014.

Free cash flow in 2015 was €832.3 million negative, mainly coming from the significant negative cash flows from investing activities and important working capital reductions following the important tariff shortage realised by the important increase in the energy costs and the settlement of net tariff surpluses from the past.

NON-RECURRING ITEMS - RECONCILIATION TABLE

At Elia, several transactions with APX and EPEX Spot resulted in a non-recurring profit and were reported as such. At 50Hertz these items are mainly linked to the commissioning of the offshore connection Baltic 2. Furthermore, the amount of customer contributions for investments received at 50Hertz was unusually high in 2015 as a result of a cooperation with a DSO on a specific investment trajectory. Finally the regulatory settlements from prior years at Elia and 50Hertz have also been included in the non-recurring items.

	2015			2014		
	Elia Transmission	50Hertz Transmission à 100%	Elia Group	Elia Transmission	50Hertz Transmission à 100%	Elia Group
EBIT – Non-recurring items						
HGRT transactions	3.1		3.1			
Regulatory settlements prior year	-0.2		-0.2	-1.9	7.4	-1.9
Equity consolidation 50Hertz (60% net profit)			30.6			15.7
Commissioning Baltic 2		45.6				
Energy bonuses		11.3			2.8	
Non-recurrent customer contributions		9.9				
Non-recurrent provisions		5.4			26.9	
Total EBIT non-recurring items	2.9	72.2	33.5	-1.9	37.1	13.8
Net finance costs - APX transaction	1.2		1.2			
Tax impact	0.1	-21.2	0.1	0.6	-10.9	0.6
Net profit – non recurring items	4.2	51.0	34.8	-1.3	26.2	14.5

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in million EUR)	Notes	31 December 2015	31 December 2014
ASSETS			
NON CURRENT ASSETS		5,306.6	5,192.2
Property, plant and equipment	(7.1)	2,687.2	2,478.9
Intangible assets and goodwill	(7.2)	1,734.6	1,735.0
Non-current tax receivables	(7.3)	0.0	138.2
Trade and other receivables	(7.5)	16.4	0.0
Equity-accounted investees	(5.1+5.2)	793.4	731.5
Other financial assets (including derivatives)	(7.4)	73.3	87.2
Deferred tax assets	(7.6)	1.7	21.4
CURRENT ASSETS		1,128.9	504.8
Inventories	(7.7)	24.2	14.8
Trade and other receivables	(7.8)	326.1	302.8
Current tax assets	(7.9)	148.0	5.0
Cash and cash equivalents	(7.10)	626.4	171.1
Deferred charges and accrued revenue	(7.8)	4.2	11.1
TOTAL ASSETS		6,435.5	5,697.0

(in millions EUR)	Notes	31 December 2014	31 December 2013
EQUITY AND LIABILITIES			
EQUITY		2,414.4	2,285.9
Equity attributable to owners of the Company	(7.11)	2,413.6	2,285.1
Share capital		1,512.8	1,512.4
Share premium		10.0	9.9
Reserves		138.7	116.5
Hedging reserve		(11.9)	(16.8)
Retained earnings		764.0	663.1
Non-controlling interest		0.8	0.8
NON CURRENT LIABILITIES		2,730.3	2,811.2
Loans and borrowings	(7.12)	2,605.4	2,646.4
Employee benefits	(7.13)	80.1	109.3
Derivatives	(8.3)	18.0	25.4
Provisions	(7.14)	17.5	21.9
Deferred tax liabilities	(7.6)	6.9	5.7
Other liabilities	(7.15)	2.4	2.5
CURRENT LIABILITIES		1,290.8	599.9
Loans and borrowings	(7.12)	604.3	63.9
Provisions	(7.13)	3.0	6.5
Trade and other payables	(7.16)	310.3	301.2
Current tax liabilities		2.0	0.8
Accruals and deferred income	(7.17)	371.2	227.5
TOTAL EQUITY AND LIABILITIES		6,435.5	5,697.0

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 2014		1,506.9	8.9	(18.2)		97.2	614.3	2,209.1		2,209.1
Profit for the period *							167.9	167.9	(0.2)	167.7
Other comprehensive income net of tax*	(6.7)			1.3	(0.6)		(5.9)	(5.2)		(5.2)
Total comprehensive income for the period				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	(7.11)	4.2	1.1					5.3		5.3
Share-based payment expenses	(6.3)	1.3						1.3		1.3
Transfer to legal reserve	(7.11)					19.3	(19.3)			
Dividends	(7.11)						(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 interest	(8.2)								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
BALANCE AT 1 JANUARY 2015		1,512.4	9.9	(16.8)	(0.6)	116.5	663.7	2,285.1	0.8	2,285.9
Profit for the period							210.6	210.6		210.6
Other comprehensive income net of tax	(6.7)			4.9	0.7		5.3	10.9		10.9
Total comprehensive income for the period				4.9	0.7		215.9	221.5		221.5
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	(7.11)	0.3	0.1					0.4		0.4
Share-based payment expenses	(6.3)	0.1						0.1		0.1
Transfer to legal reserve	(7.11)					22.3	(22.3)			
Dividends	(7.11)						(93.5)	(93.5)		(93.5)
Total contributions and distributions		0.4	0.1			22.3	(115.8)	(93.0)		(93.0)
Total transactions with Owners		0.4	0.1			22.3	(115.8)	(93.0)		(93.0)
Balance at 31 December 2015		1,512.8	10.0	(11.9)	0.1	138.8	763.8	2,413.6	0.8	2,414.4

* Restated for reimbursement rights as mentioned in Note 8.1.
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	2015	2014 restated *
Cash flows from operating activities			
Profit for the period		210.6	167.7
Adjustments for:			
Net finance costs	(6.4)	92.8	100.6
Other non-cash items		0.1	1.4
Income tax expense	(6.5)	17.3	14.5
Profit or loss of equity accounted investees, net of tax	(6.7)	(123.2)	(97.1)
Depreciation of PP&E and amortisation of intangible assets	(7.1 - 7.2)	113.8	107.6
Gain on sale of property, plant and equipment and intangible assets	(7.1 - 7.2)	15.2	12.7
Impairment losses of current assets	(6.3)	0.6	0.8
Change in provisions	(6.3)	(19.8)	(0.6)
Change in fair value of derivatives	(8.3)	1.0	(0.2)
Change in deferred taxes	(7.6)	15.5	6.9
Cash flow from operating activities		323.9	314.4
Change in inventories	(7.7)	(9.8)	(1.4)
Change in trade and other receivables	(7.8)	(21.1)	(7.0)
Change in other current assets	(7.8)	7.3	(3.1)
Change in trade and other payables	(7.15)	9.2	100.0
Change in other current liabilities	(7.14 - 7.16)	148.5	119.3
Changes in working capital		134.1	207.8
Interest paid	(6.4)	(111.1)	(125.3)
Interest received	(6.4)	1.4	1.5
Income tax paid	(6.5)	(14.4)	(15.9)
Net cash from operating activities		333.9	382.5
Cash flows from investing activities			
Acquisition intangible assets	(7.2)	(7.0)	(7.9)
Acquisition of property, plant and equipment	(7.1)	(327.5)	(262.1)
Acquisition of equity accounted investees		(10.2)	0.0
Proceeds from sale of property, plant and equipment		6.0	0.0
Proceeds from sales of investments	(8.2)	17.5	0.0
Dividend received from equity-accounted investees		54.4	55.2
Loans to joint ventures		(16.4)	0.0
Net cash used in investing activities		(283.2)	(214.8)
Cash flow from financing activities			
Proceeds from issue share capital		0.4	5.3
Expenses related to issue share capital		0.0	(0.1)
Dividends paid (-)	(7.11)	(93.7)	(93.8)
Repayment of borrowings (-)		0.0	(500.0)
Proceeds from withdrawal borrowings (+)	(7.12)	497.9	346.8
Other cash flows from financing activities		0.0	2.5
Net cash flow from (used in) financing activities		404.6	(239.3)
Net increase (decrease) in cash and cash equivalents		455.3	(71.6)
Cash & Cash equivalents at 1 January		171.1	242.7
Cash & Cash equivalents at 31 December		626.4	171.1
Net variations in cash & cash equivalents		455.3	(71.6)

* Restated for reimbursement rights as mentioned in Note 8.1.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

(in million EUR) - Year ended 31 December	Notes	2015	2014 restated *
Profit for the period		210.6	167.7
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)	7.4	2.0
Related tax	(6.7)	(2.5)	(0.7)
Foreign currency translation differences of foreign operations		0.7	(0.6)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(7.13)	8.1	(8.8)
Related tax	(7.13)	(2.7)	3.0
Other comprehensive income for the period, net of tax		10.9	(5.2)
Total comprehensive income for the period		221.5	162.5
Total comprehensive income attributable to:			
Owners of the Company		221.5	162.7
Non-controlling interests		0.0	(0.2)
Total comprehensive income for the period		221.5	162.5

* Restated for reimbursement rights as mentioned in Note 8.1.
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(in million EUR) - Year ended 31 December	Notes	2015	2014 restated [*]
Continuing operations			
Revenue	(6.1)	780.1	785.5
Raw materials, consumables and goods for resale	(6.3)	(15.5)	(5.3)
Other income	(6.2)	71.3	50.8
Services and other goods	(6.3)	(346.5)	(358.0)
Personnel expenses	(6.3)	(137.6)	(139.7)
Depreciations, amortizations and impairments	(6.3)	(114.2)	(108.3)
Changes in provisions	(6.3)	7.8	(4.6)
Other expenses	(6.3)	(32.2)	(27.8)
Results from operating activities		213.2	192.6
Share of profit of equity accounted investees (net of tax)	(5.1+5.2)	123.2	97.0
EBIT **		336.4	289.6
Net finance costs	(6.4)	(92.8)	(100.6)
Finance income		10.6	10.7
Finance costs		(103.4)	(111.3)
Profit before income tax		243.5	189.0
Income tax expense	(6.5)	(32.9)	(21.4)
Profit from continuing operations		210.6	167.7
Profit for the period		210.6	167.7
Profit attributable to:			
Owners of the Company		210.6	167.9
Non-controlling interest		0.0	(0.2)
Profit for the period		210.6	167.7
Earnings per share (EUR)			
Basic earnings per share	(6.6)	3.47	2.77
Diluted earnings per share	(6.6)	3.47	2.77

* Restated for reimbursement rights as mentioned in Note 8.1.

** EBIT (Earnings Before Interest and Taxes) = 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
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The registered office of **50Hertz GmbH** is established at
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The registered office of **Eurogrid International** is located at
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REPORTING PERIOD

This annual report covers the period from 1 January 2015 to 31 December 2015.

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Ce document est également disponible en français.
Dit document is ook beschikbaar in het Nederlands.

April 2016

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<http://annualreport.elia.be/2015>



KEY FIGURES

(in millions EUR)	2015	2014 ^(3, 4)	2013	2012	2011
Consolidated results					
Total revenues and other income	851.4	836.3	1,389.5	1,306.6	1,278.4
EBITDA ¹	442.8	402.6	486.9	455.5	448.9
Operating profit (EBIT ²)	336.4	289.7	345.4	305.4	308.0
Net finance costs	(92.8)	(100.6)	(108.5)	(134.8)	(128.6)
Income tax expenses	(32.9)	(21.4)	(61.5)	(16.2)	(43.3)
Profit attributable to the Owners of the Company	210.6	167.9	175.8	155.0	137.5
Basic earnings per share (EUR)	3.47	2.77	2.90	2.57	2.28
Dividend per share (EUR)	1.55	1.54	1.54	1.47	1.47
(in millions EUR)	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Consolidated statement of financial position					
Total assets	6,435.6	5,697.0	6,532.2	6,187.0	5,843.8
Equity, attributable to the Owners of the Company	2,413.6	2,285.1	2,209.1	2,108.5	2,046.9
Net financial debt	2,583.4	2,539.2	2,733.8	2,910.8	2,532.9
Equity per share (EUR)	39.7	37.6	36.5	34.9	33.9
Number of shares (end of period)	60,750,239	60,738,264	60,568,229	60,555,809	60,355,217

¹ EBITDA = EBIT + depreciation / amortization + changes in provisions

² EBIT = Results from operating activities + Share of profit of equity-accounted investees, net of tax

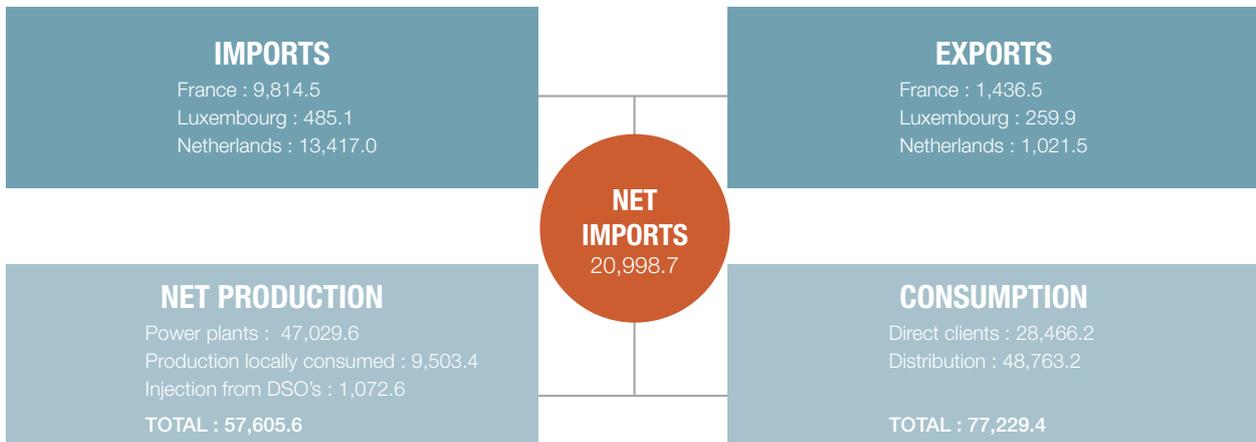
³ As of 2014, the companies previously consolidated proportionately are now accounted for using the equity method.

⁴ The figures of 2014 have been restated for the recognition of the reimbursement rights (cfr. Note 8.1 in financial section).

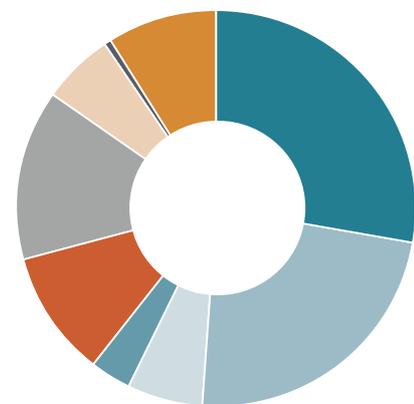
FACTS & FIGURES 2015

BELGIUM

ENERGY BALANCE (IN GWh)



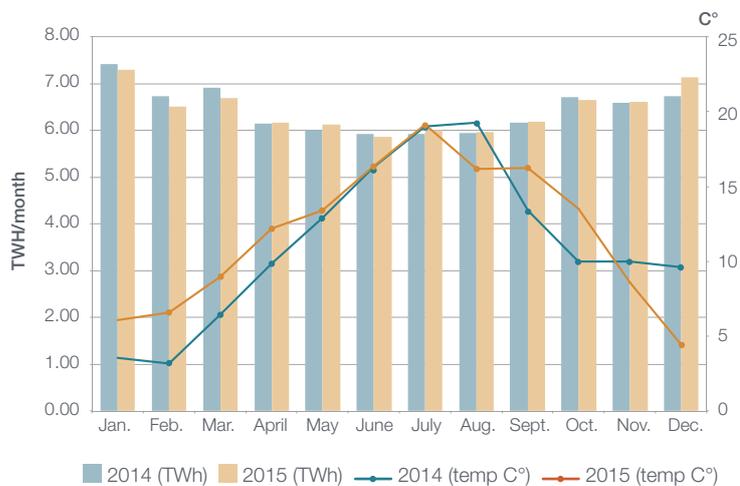
INSTALLED PRODUCTION



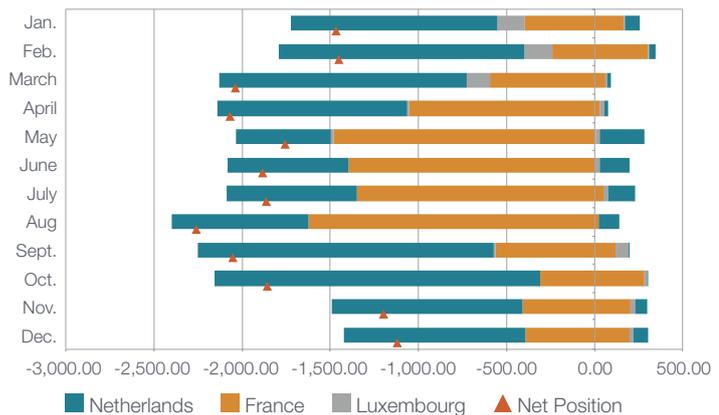
- 5,926 nuclear
- 4,982 gas
- 735 others
- 1,308 pumped-storage power stations
- 2,172 wind
- 2,958 solar
- 1,210 biomass + incineration
- 116 hydroelectric power stations
- 1,883 cogeneration

TOTAL 21,290 MW

EVOLUTION OF THE CONSUMPTION PER MONTH



PHYSICAL EXCHANGES AT THE BORDERS

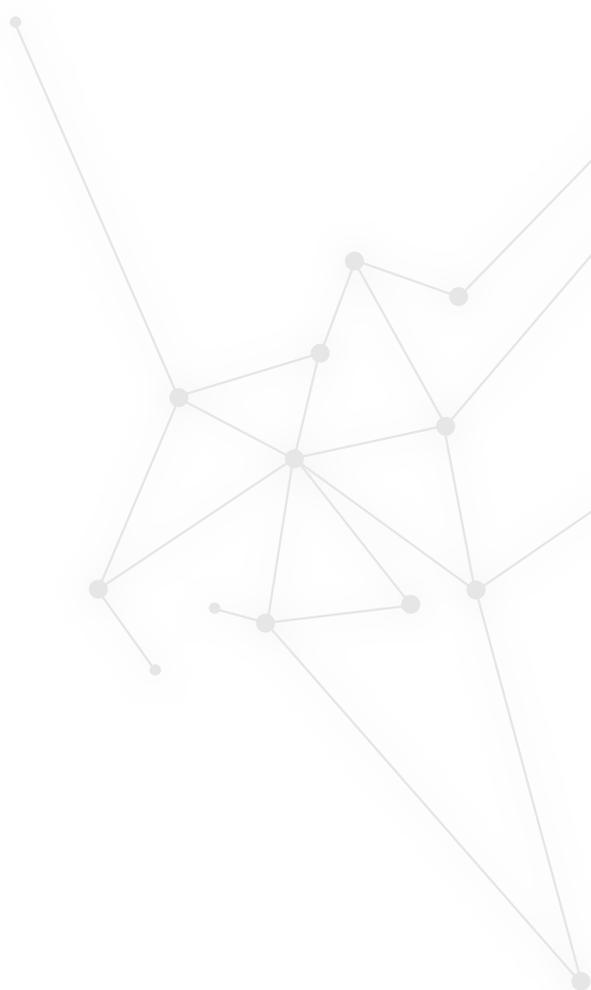


AT THE HEART OF THE ENERGY TRANSITION

**CONSOLIDATED FINANCIAL
STATEMENTS 2015**



SUMMARY



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DECLARATION BY RESPONSIBLE PERSONS

The undersigned Chairman of the Management Committee and Chief Executive Officer Chris Peeters and Chief Financial Officer Catherine Vandendorre declare that to the best of their knowledge:

- a. the consolidated financial statements for the year ended 31 December 2015 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 2015 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, 24 March 2016

Catherine Vandendorre
Chief Financial Officer

Chris Peeters
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in million EUR) - Year ended 31 December	Notes	2015	2014 restated *
Continuing operations			
Revenue	(6.1)	780.1	785.5
Raw materials, consumables and goods for resale	(6.3)	(15.5)	(5.3)
Other income	(6.2)	71.3	50.8
Services and other goods	(6.3)	(346.5)	(358.0)
Personnel expenses	(6.3)	(137.6)	(139.7)
Depreciations, amortizations and impairments	(6.3)	(114.2)	(108.3)
Changes in provisions	(6.3)	7.8	(4.6)
Other expenses	(6.3)	(32.2)	(27.8)
Results from operating activities		213.2	192.6
Share of profit of equity accounted investees (net of tax)	(5.1+5.2)	123.2	97.0
EBIT **		336.4	289.6
Net finance costs	(6.4)	(92.8)	(100.6)
Finance income		10.6	10.7
Finance costs		(103.4)	(111.3)
Profit before income tax		243.5	189.0
Income tax expense	(6.5)	(32.9)	(21.4)
Profit from continuing operations		210.6	167.7
Profit for the period		210.6	167.7
Profit attributable to:			
Owners of the Company		210.6	167.9
Non-controlling interest		0.0	(0.2)
Profit for the period		210.6	167.7
Earnings per share (EUR)			
Basic earnings per share	(6.6)	3.47	2.77
Diluted earnings per share	(6.6)	3.47	2.77

* Restated for reimbursement rights as mentioned in Note 8.1.

** EBIT (Earnings Before Interest and Taxes) = 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 profit or loss and comprehensive income

(in million EUR) - Year ended 31 December	Notes	2015	2014 restated *
Profit for the period		210.6	167.7
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)	7.4	2.0
Related tax	(6.7)	(2.5)	(0.7)
Foreign currency translation differences of foreign operations		0.7	(0.6)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(7.13)	8.1	(8.8)
Related tax	(7.13)	(2.7)	3.0
Other comprehensive income for the period, net of tax		10.9	(5.2)
Total comprehensive income for the period		221.5	162.5
Total comprehensive income attributable to:			
Owners of the Company		221.5	162.7
Non-controlling interests		0.0	(0.2)
Total comprehensive income for the period		221.5	162.5

* Restated for reimbursement rights as mentioned in Note 8.1.

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

Consolidated statement of financial position

(in million EUR)	Notes	31 December 2015	31 December 2014
ASSETS			
NON CURRENT ASSETS		5,306.6	5,192.2
Property, plant and equipment	(7.1)	2,687.2	2,478.9
Intangible assets and goodwill	(7.2)	1,734.6	1,735.0
Non-current tax receivables	(7.3)	0.0	138.2
Trade and other receivables	(7.5)	16.4	0.0
Equity-accounted investees	(5.1+5.2)	793.4	731.5
Other financial assets (including derivatives)	(7.4)	73.3	87.2
Deferred tax assets	(7.6)	1.7	21.4
CURRENT ASSETS		1,128.9	504.8
Inventories	(7.7)	24.2	14.8
Trade and other receivables	(7.8)	326.1	302.8
Current tax assets	(7.9)	148.0	5.0
Cash and cash equivalents	(7.10)	626.4	171.1
Deferred charges and accrued revenue	(7.8)	4.2	11.1
Total assets		6,435.5	5,697.0
EQUITY AND LIABILITIES			
EQUITY		2,414.4	2,285.9
Equity attributable to owners of the Company	(7.11)	2,413.6	2,285.1
Share capital		1,512.8	1,512.4
Share premium		10.0	9.9
Reserves		138.7	116.5
Hedging reserve		(11.9)	(16.8)
Retained earnings		764.0	663.1
Non-controlling interest		0.8	0.8
NON CURRENT LIABILITIES		2,730.3	2,811.2
Loans and borrowings	(7.12)	2,605.4	2,646.4
Employee benefits	(7.13)	80.1	109.3
Derivatives	(8.3)	18.0	25.4
Provisions	(7.14)	17.5	21.9
Deferred tax liabilities	(7.6)	6.9	5.7
Other liabilities	(7.15)	2.4	2.5
CURRENT LIABILITIES		1,290.8	599.9
Loans and borrowings	(7.12)	604.3	63.9
Provisions	(7.13)	3.0	6.5
Trade and other payables	(7.16)	310.3	301.2
Current tax liabilities		2.0	0.8
Accruals and deferred income	(7.17)	371.2	227.5
Total equity and liabilities		6,435.5	5,697.0

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 2014		1,506.9	8.9	(18.2)		97.2	614.3	2,209.1	2,209.1	
Profit for the period *							167.9	167.9	(0.2)	167.7
Other comprehensive income net of tax*	(6.7)			1.3	(0.6)		(5.9)	(5.2)		(5.2)
Total comprehensive income for the period				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	(7.11)	4.2	1.1					5.3		5.3
Share-based payment expenses	(6.3)	1.3						1.3		1.3
Transfer to legal reserve	(7.11)					19.3	(19.3)			
Dividends	(7.11)						(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 interest	(8.2)								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
Balance at 1 January 2015		1,512.4	9.9	(16.8)	(0.6)	116.5	663.7	2,285.1	0.8	2,285.9
Profit for the period							210.6	210.6		210.6
Other comprehensive income net of tax	(6.7)			4.9	0.7		5.3	10.9		10.9
Total comprehensive income for the period				4.9	0.7		215.9	221.5		221.5
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	(7.11)	0.3	0.1					0.4		0.4
Share-based payment expenses	(6.3)	0.1						0.1		0.1
Transfer to legal reserve	(7.11)					22.3	(22.3)			
Dividends	(7.11)						(93.5)	(93.5)		(93.5)
Total contributions and distributions		0.4	0.1			22.3	(115.8)	(93.0)		(93.0)
Total transactions with Owners		0.4	0.1			22.3	(115.8)	(93.0)		(93.0)
Balance at 31 December 2015		1,512.8	10.0	(11.9)	0.1	138.8	763.8	2,413.6	0.8	2,414.4

* Restated for reimbursement rights as mentioned in Note 8.1.

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

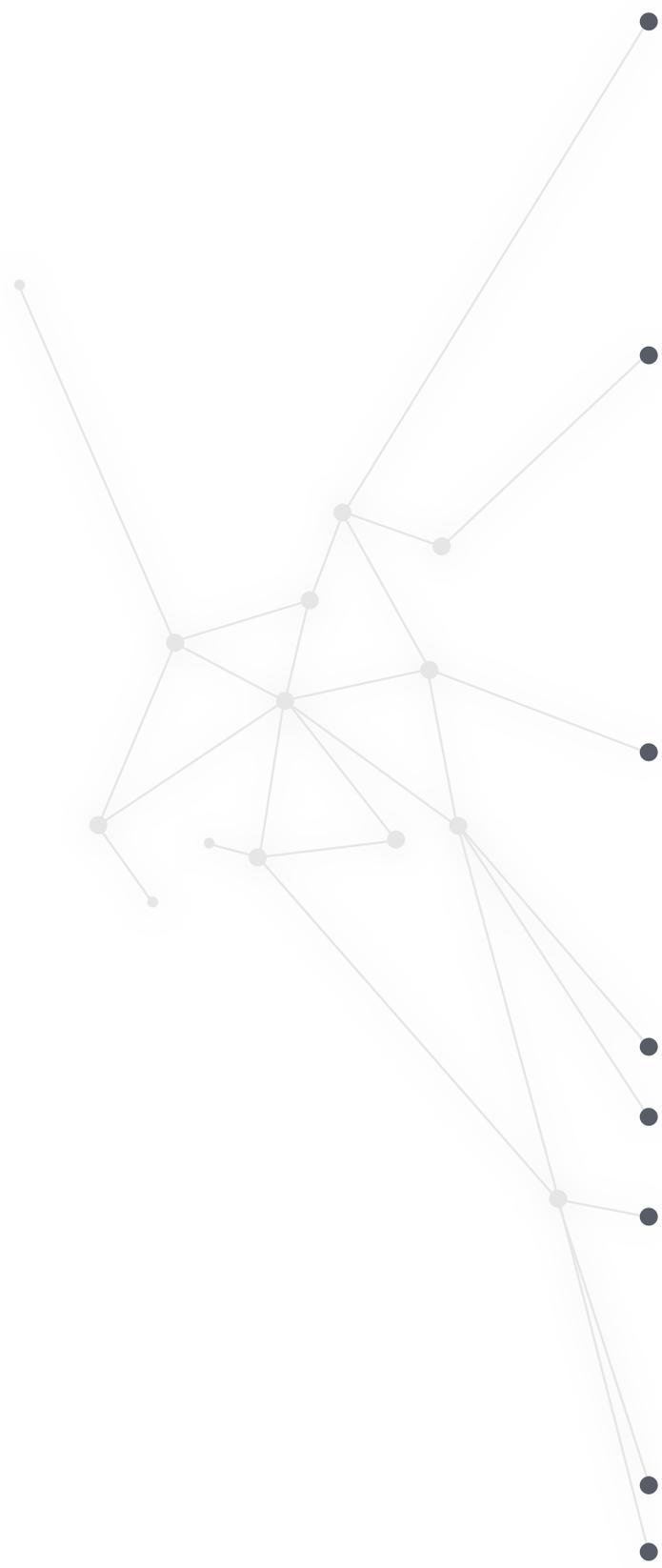
Consolidated statement of cash flows

(in million EUR) - Year ended 31 December	Notes	2015	2014 restated *
Cash flows from operating activities			
Profit for the period		210.6	167.7
Adjustments for:			
Net finance costs	(6.4)	92.8	100.6
Other non-cash items		0.1	1.4
Income tax expense	(6.5)	17.3	14.5
Profit or loss of equity accounted investees, net of tax	(6.7)	(123.2)	(97.1)
Depreciation of PP&E and amortisation of intangible assets	(7.1 - 7.2)	113.8	107.6
Gain on sale of property, plant and equipment and intangible assets	(7.1 - 7.2)	15.2	12.7
Impairment losses of current assets	(6.3)	0.6	0.8
Change in provisions	(6.3)	(19.8)	(0.6)
Change in fair value of derivatives	(8.3)	1.0	(0.2)
Change in deferred taxes	(7.6)	15.5	6.9
Cash flow from operating activities		323.9	314.4
Change in inventories	(7.7)	(9.8)	(1.4)
Change in trade and other receivables	(7.8)	(21.1)	(7.0)
Change in other current assets	(7.8)	7.3	(3.1)
Change in trade and other payables	(7.15)	9.2	100.0
Change in other current liabilities	(7.14 - 7.16)	148.5	119.3
Changes in working capital		134.1	207.8
Interest paid	(6.4)	(111.1)	(125.3)
Interest received	(6.4)	1.4	1.5
Income tax paid	(6.5)	(14.4)	(15.9)
Net cash from operating activities		333.9	382.5
Cash flows from investing activities			
Acquisition intangible assets	(7.2)	(7.0)	(7.9)
Acquisition of property, plant and equipment	(7.1)	(327.5)	(262.1)
Acquisition of equity accounted investees		(10.2)	0.0
Proceeds from sale of property, plant and equipment		6.0	0.0
Proceeds from sales of investments	(8.2)	17.5	0.0
Dividend received from equity-accounted investees		54.4	55.2
Loans to joint ventures		(16.4)	0.0
Net cash used in investing activities		(283.2)	(214.8)
Cash flow from financing activities			
Proceeds from issue share capital		0.4	5.3
Expenses related to issue share capital		0.0	(0.1)
Dividends paid (-)	(7.11)	(93.7)	(93.8)
Repayment of borrowings (-)		0.0	(500.0)
Proceeds from withdrawal borrowings (+)	(7.12)	497.9	346.8
Other cash flows from financing activities		0.0	2.5
Net cash flow from (used in) financing activities		404.6	(239.3)
Net increase (decrease) in cash and cash equivalents		455.3	(71.6)
Cash & Cash equivalents at 1 January		171.1	242.7
Cash & Cash equivalents at 31 December		626.4	171.1
Net variations in cash & cash equivalents		455.3	(71.6)

* Restated for reimbursement rights as mentioned in Note 8.1.

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

SUMMARY



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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 2015 financial year include those of the Company and its subsidiaries (together referred to as the 'Group' or 'Elia Group') and the Group's interest in joint ventures and associates.

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

The Elia Group is organised around two electricity transmission system operators ("TSO"): 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 2,000 employees and a transmission grid comprising some 18,300 km of high-voltage connections serving 30 million end consumers, 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 a range of consultancy and engineering services. The Group operates under the legal entity Elia System Operator, a listed company whose reference shareholder is Publi-T, municipal holding company.

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by 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 2015.

2.2. Functional and presentation currency

The consolidated 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 consolidated 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 the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that could affect the reported amounts of assets and liabilities and revenue and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of 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 7.9);
- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (cf. Note 8.3);
- Employee benefits including reimbursement rights: the Group has defined benefit plans which are disclosed in Note 7.13. 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 7.14);

- 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 7.14);
- Impairment: the Group performs impairment tests on goodwill and on cash-generating units (CGU) at the 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 8.3).

2.5. Approval by the Board of Directors

These consolidated financial statements were authorised for issue by the Board of Directors on 24 March 2016.

3. Significant accounting policies

3.1. 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, 2015:

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 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;
- IFRIC 21 Levies
- Annual Improvements to IFRS 2010-2012 cycle;
- Annual Improvements to IFRS 2011-2013 cycle.

The above mentioned standards or amendments did not have a material impact on the Group’s consolidated financial statements as at 31 December 2015

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

3.2. Change in accounting policy

In 2015 the Group decided to treat the previously recorded non-current asset linked to pensions (other financial asset) as reimbursement rights, since that non-current asset is directly linked to the pension liability, and therefore adopting a consistent treatment between the asset and the corresponding pension liability.

For the accounting policy we refer to Note 3.6 – Reimbursement rights.

For the impact on the comparative figures we refer to Note 8.1.

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 VENTURES

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.

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.

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 venture 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:

- Assets and liabilities are translated at the exchange rate at reporting date,
- Income and expenses are translated at the average exchange rate of the year,

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

The unwinding of the discount is recorded in the profit or loss as a financing charge.

De-recognition

An asset is no longer recognised 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 (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.

INTANGIBLE ASSETS

Goodwill

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 contracts in progress

Construction contracts in progress are 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, commercial paper 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 and deferred 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'.

Reimbursement rights

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

Other long-term employee benefits

The Group's net obligation 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 7.17).

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 contracts 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 ventures 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;
- **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 2018) 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 impact on its financial statements resulting from the application of IFRS 15;
- **Amendments to IAS 27** Equity Method in separate financial statements (effective 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments will have no impact on the Group's consolidated financial statements;
- **Amendments to IFRS 10 and IAS 28** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 January 2016) The amendments clarify that gain or loss resulting from the sale or contribution of assets, which forms a business following IFRS 3, between an investor and its associate or joint venture, is recognised in full. If these assets do not form a business, following IFRS 3, any gain or loss is only recognised to the extent of unrelated investor's interests in the associate or joint venture. These amendments are not expected to have any impact to the Group;
- **Amendments to IFRS 10, IFRS 12 and IAS 28** Investment entities: applying the consolidation exception (effective 1 January 2016). These amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. These amendments are not expected to have any impact to the Group;
- **Amendments to IAS 1** Disclosure Initiative (effective 1 January 2016). These amendments clarify
 - Materiality requirements in IAS 1
 - Specific line items in statements of profit or loss and other comprehensive income and statement of financial position may be disaggregated
 - Entities have flexibility to choose the order of presenting Notes to financial statements
 - Share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between the items that may or will not be reclassified subsequently to profit or loss;
 These amendments are not expected to have a material impact on the Group's consolidated financial statements;
- **Annual improvements to IFRS 2012-2014 cycle** is a collection of minor improvements to 3 existing standards. This collection, which becomes mandatory for the Group's 2016 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 NV/SA and the companies of which activities are directly linked to the role of Belgian transmission system operator (Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/SA and Ampacimon NV/SA);
- 50Hertz Transmission (Germany), which comprises Eurogrid International CVBA/SCRL and companies of which activities are directly linked to the role of transmission system operator in Germany (Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Gridlab GmbH);
- Atlantic Grid, comprising E-Offshore A LLC and Atlantic Grid Investment A Inc who are connected to the Atlantic Wind Connection project which develops the first high-voltage direct current offshore grid off the East Coast of the United States;
- EGI (Elia Grid International NV/SA and Elia Grid International GmbH): 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;
- Nemo (Nemo Link Ltd), is linked to the Nemo project; this will connect the UK and Belgium through high voltage electricity cables, enabling the exchange of power between the two countries.

As prescribed 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, EGI and Nemo 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 and Nemo in the reporting segment of Elia Transmission (Belgium), because their activities are regularly evaluated by the respective CODM's of those segments.

The two operating segments also have been identified as the cash generating units of the group, as the group of assets managed by the 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 Note 9 "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.

4.2. Elia Transmission (Belgium)

The table hereafter shows the 2015 results of Elia Transmission (Belgium)

Results Elia Transmission (in million EUR) - Year ended 31 December	2015	2014 restated*	Difference (%)
Total revenues and other income	851.4	836.3	1.8%
Depreciation, amortization, impairment and changes in provisions	(106.4)	(112.8)	(5.7%)
Results from operating activities	213.2	192.7	10.6%
Share of profit of equity accounted investees, net of tax	4.8	2.8	71.4%
EBIT	218.0	195.5	11.5%
EBITDA	324.4	308.4	5.2%
Finance income	10.6	10.7	(0.9%)
Finance costs	(103.4)	(111.3)	(7.1%)
Income tax expense	(32.9)	(21.4)	53.7%
Profit attributable to the Owners of the Company	92.2	73.7	25.1%
Consolidated statement of financial position (in million EUR)	31 December 2015	31 December 2014	Difference (%)
Total assets	5,669.7	4,989.6	13.6%
Capital expenditures	343.0	276.7	24.0%
Net financial debt	2,583.4	2,539.2	1.7%

* Restated for reimbursement rights as mentioned in Note 8.1.

EBITDA (Earnings Before Interest and Taxes, Depreciations and Amortisations) = EBIT + depreciation/amortisation + changes in provisions

In 2015, Elia Transmission's revenue increased by 1.8% compared with the same period last year, mainly as a result of the new revenues of Elia Grid International ("EGI"), founded in 2014. The regulated revenue was in line with 2014. The table below provides more details of changes in the various revenue components.

(in million EUR)	2015	2014 restated*	Difference (%)
Grid connection revenue	42.1	41.5	1.3%
Grid use revenue	622.0	608.5	2.2%
International revenue	67.6	56.0	20.9%
Ancillary services revenue	170.6	173.9	(1.9%)
Other revenue (including EGI revenue)	85.3	66.4	28.4%
Subtotal revenues & other income	987.6	946.3	4.4%
Settlement mechanism: refunded to the tariffs of current period	(6.4)	(36.6)	(82.4%)
Settlement mechanism: deviations from approved budget	(129.8)	(73.4)	76.8%
Total revenues and other income	851.4	836.3	1.8%

* Restated for reimbursement rights as mentioned in Note 8.1.

Due to the stable volumes observed in 2015 in comparison to 2014, the revenues from grid connection remained fairly stable at €42.1 million. The revenues from grid use increased slightly (up 2.2%) as a result of higher balancing revenues. The ancillary services revenue was in line with 2014 with €170.6 million. International revenue increased by €11.6 million (up 20.9%), mainly due to the price evolution on the Belgian market compared to the surrounding CWE markets, following the unavailability of some nuclear units for a large part of the year.

As a result of the revenues generated by Elia Grid International ("EGI") (€12.7 million), a wholly owned subsidiary of Elia and 50Hertz founded in April 2014 the other revenue increased by 28.4%. EGI delivers consultancy and engineering services on the international energy market.

The settlement mechanism encompasses deviations from the budget approved by CREG with regard to the non-controllable costs and revenue, including our regulated profit, used for the calculation of the tariffs. Differences between actual and budgeted non-controllable costs and revenue are settled in the future tariffs.

The operational result was up by €129.8 million compared to the budget, primarily as a result of higher international revenue (€59.4 million), the lower actual average OLO (€38.5 million), lower costs for ancillary services (€40.7 million) and lower net financial charges (€32.0 million). This was partly offset by the higher amount passed in the tariffs for decommissioning of fixed assets (up €14.8 million), the higher realisation of the incentive on replacement CAPEX (up €1.6 million) and the lower tariff sales (down €19.9 million) compared to the budgeted amounts. There was also the final settlement of a temporary tariff surplus (€6.4 million), which was being carried forward within the current tariff period.

Despite the persisting pressure on the long term interest rates, Elia Transmission realized an increase in the EBITDA (up 5.2%) and EBIT (up 11.5%). The further decline in the fair remuneration due to evolution in the yearly average OLO, which decreased from 1.72% in 2014 to 0.86% in 2015, could be compensated by the increase in the amount passed on in the tariffs for decommissioning of old fixed assets. This was a result of a strong performance in the replacement programme of the old assets. Furthermore lower damages to the electrical installations and IAS 19 movements, mainly as a result of a change in assumptions, had a positive effect on the result. The share of the profit of the HGRT participation increased following the integration of the power exchanges APX Group in EPEX SPOT, of which HGRT, after the integration, owns 49%.

Net finance costs (down 7.8%) fell by €7.8 million compared with 2014, mainly as a result of the successful refinancing transaction realized in April 2014. A €500 million had been refinanced by the issuance of a €350 million 15-year Eurobond. In comparison to 2014, the cost reduction is now accounted for a full year.

The evolution in the profit before taxes together with the decrease of the notional interest deduction resulted in the increase in the income tax expense (up 53.7%).

The net profit increased by 25.1% from €73.7 million in 2014 to €92.2 million in 2015 mainly due to the following items¹:

- decrease in regulated profit due to lower OLO (down €10.4 million);
- increase in the amount passed on in the tariffs for decommissioning of fixed assets (up €12.0 million);
- higher cost savings and revenue (up €0.4 million);
- positive impact from lower damages to the electrical installations (up €4.9 million);
- IAS 19 movements (up €4.1 million);
- EGI result (up €1.0 million);

Total assets increased by 13.6% to €5,669.7 million, while net financial debt increased slightly by €44.2 million (up 1.7%). The equity increased mainly as a result of the reservation of the 2015 profit and payment of dividends for 2014 amounting to €93.5 million.

¹ The first three bullets relate to the regulatory framework in Belgium.

4.3. 50Hertz Transmission (Germany)

The table hereafter shows the 2015 results of 50Hertz Transmission's transmission system operator activities in Germany:

Results 50Hertz Transmission (Germany) (in millions EUR) - Year ended 31 December *	2015	2014	Difference (%)
Total revenues and other income	1,495.6	1,022.8	46.2%
Depreciation, amortization, impairment and changes in provisions	(87.9)	(62.9)	39.7%
EBIT	305.4	281.2	8.6%
EBITDA	393.3	344.1	14.3%
Finance income	2.2	3.7	(40.5%)
Finance costs	(21.1)	(33.5)	(37.0%)
Income tax expense	(89.3)	(94.5)	(5.5%)
Profit attributable to the Owners of the Company	197.3	156.8	25.8%
Consolidated statement of financial position (in million EUR)	31 December 2015	31 December 2014	Difference (%)
Total assets	4,958.4	3,538.8	40.1%
Capital expenditures	902.0	591.1	52.6%
Net financial debt	915.6	(24.9)	n/a

* 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 46.2% compared with the same period last year. This increase is to a large extent a result of increasing energy costs and higher volumes of investment. Total revenues are detailed in the table below.

Total revenues and other income (in million EUR)	2015	2014	Difference (%)
Vertical grid revenues	769.7	883.8	(12.9%)
Horizontal grid revenues	123.3	79.9	54.3%
Ancillary services revenues	190.2	74.8	154.3%
Other revenues	61.9	53.6	15.5%
Subtotal revenue and other income	1,145.1	1,092.1	4.9%
Settlement mechanism: deviations from approved budget	350.5	(69.3)	n/a
Total revenues and other income	1,495.6	1,022.8	46.2%

Vertical grid revenue (tariffs end customers) decreased by €114.1 million (down 12.9%) primarily as a result of the decrease in the total allowed revenues by the regulator. The allowed non controllable costs to be passed on in the tariffs, which are updated each year, were significantly impacted by lower cost covering of energy costs and the settlement of old tariff surpluses. These effects were only partly compensated by the increased allowed cost recovery for new investments.

Horizontal grid revenue (tariffs to TSOs) increased (up 54.3%) compared to 2014 due to higher offshore investments. 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. Due to the increasing offshore investments the costs recovery charged horizontally to the other TSO's is rising and thus impacting the horizontal revenues.

Ancillary services revenues increased strongly by 154.3% impacted by a significant increase in redispatch measures compared to 2014, which results from a high wind infeed in 2015 leading to higher revenues together with higher balancing group revenues.

Other revenue increased by €8.3 million primarily due to higher customer contributions to investments received in 2015 in comparison with 2014. Secondly, following the increase in the asset base, the own work capitalized increased compared to 2014.

The settlement mechanism includes on the one hand the annual offsetting of deficits and surpluses arising accounted for before 2015 (€138.6 million) and on the other the deviations in 2015 between the costs allowed to be passed on and the actual costs (€211.9 million). The significant operational deficit in 2015 is principally a result of the significant real energy costs as a result of the windy weather in 2015.

The sharp rise in the reported EBITDA (up 14.3%) and EBIT (up 8.6%) is mainly a result of important one-off effects, principally arising from the commissioning of the offshore connection Baltic 2. Furthermore, 50Hertz received a regulatory bonus for efficient management of energy costs within the "Korridor"-model. Finally, there were some unusual high customer contributions to specific investments received which also have been considered as a one-off effect. In total, these one-off effects in 2015 amount to €72.2 million before taxes.

The net finance costs decreased by €10.9 million compared to 2014 as a result of a significant lower discounting effect on the long term provisions. The market interest rates used for discounting these provisions remained stable compared to 2014, whereas in 2014 an important drop of the interests led to a significant increase in the finance expenses. This was partly offset by the increased interest cost resulting from the increase in the outstanding debt as new bonds have been issued in 2015 for a total amount of €1.390 million.

The decrease in income tax expense is a result of the final tax settlement of the tax audit for the years 2006 to 2009 that led in 2014 to an increased income tax expense.

The increase in the net profit (up 25.8%) reflects the output from the realized important CAPEX programme in 2015, partly compensated by an increase in the operational expenditures. The increase is mainly a result of:

- increased cost recovery for onshore investments (up €14.7 million)
- increased cost recovery for offshore investments (up €33.7 million)
- increased OPEX (down €44.4 million)
- increased depreciation (down €15.2 million)
- decreased net finance costs (up €9.3 million)
- decreased taxes (up €15.8 million)
- occurrence of one-off effects (see previous paragraphs)

Total assets rose by 40.1% to €4,958.4 million, the net financial debt – a result of the realization of the realization of the important investment volume – increased to €915.6 million at the end of 2015. The net debt includes a EEG (levies related to renewables) cash position of €614.2 million. The equity of 50Hertz Transmission increased by 8.3% mainly as a result of the reservation of current year's result and the dividend distribution of €98.7 million over 2014.

4.4. Reconciliation of information on segments with consolidated figures

Consolidated results (in millions EUR) - Year ended per 31 December	2015	2015	2015	2015
	Elia Transmission (Belgium) (a)	50Hertz Transmission (Germany) (b)	Consolidation entries (c)	Elia Group (a)+(b)+(c)
Total revenues and other income	851.4	1,495.6	(1,495.6)	851.4
Depreciation, amortization, impairment and changes in provisions	(106.4)	(87.9)	87.9	(106.4)
Results from operating activities	213.2	305.4	(305.4)	213.2
Share of profit of equity accounted investees, net of tax	4.8	0.0	118.4	123.2
EBIT	218.0	305.4	(187.0)	336.4
EBITDA	324.4	393.3	(274.9)	442.8
Finance income	10.6	2.2	(2.2)	10.6
Finance costs	(103.4)	(21.1)	21.1	(103.4)
Income tax expense	(32.9)	(89.3)	89.3	(32.9)
Profit attributable to the Owners of the Company	92.2	197.3	(78.9)	210.6

Consolidated statement of financial position (in million EUR)	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Total assets	5,669.7	4,958.4	(4,192.5)	6,435.6
Capital expenditures	343.0	902.0	(902.0)	343.0
Net financial debt	2,583.4	915.6	(915.6)	2,583.4

Consolidated results (in millions EUR) - Year ended per 31 December	2014 restated *	2014	2014	2014 restated *
	Elia Transmission (Belgium) (a)	50Hertz Transmission (Germany) (b)	Consolidation entries (c)	Elia Group (a)+(b)+(c)
Total revenues and other income	836.3	1,022.8	(1,022.8)	836.3
Depreciation, amortization, impairment and changes in provisions	(112.8)	(62.9)	62.9	(112.8)
Results from operating activities	192.7	281.2	(281.2)	192.7
Share of profit of equity accounted investees, net of tax	2.8	0.0	94.3	97.1
EBIT	195.5	281.2	(187.0)	289.7
EBITDA	308.4	344.1	(249.8)	402.7
Finance income	10.7	3.7	(3.7)	10.7
Finance costs	(111.3)	(33.5)	33.5	(111.3)
Income tax expense	(21.4)	(94.5)	94.5	(21.4)
Profit attributable to the Owners of the Company	73.7	156.8	(62.6)	167.9

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

* Restated for reimbursement rights as mentioned in Note 8.1.

The Group has no concentration of customers in neither of the operating segments.

5. Equity-accounted investees

5.1. Joint ventures

Eurogrid International CVBA is a joint venture of the Group. The Company has been established by the Group together with IFM Investors (UK) Ltd to acquire 50Hertz Transmission GmbH, one of the four German transmission system operators. The Group has a stake of 60% in the joint venture. Eurogrid International is a private entity that is not listed on any public exchange.

Eurogrid International and its subsidiaries (see Note 8.6) form together the segment 50Hertz Transmission (Germany), (see Note 4.3.).

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

(in million EUR) – Year ended 31 December	2015	2014
Percentage ownership interest	60.00%	60.00%
Non current assets	3,630.5	2,742.4
Current assets	1,327.9	796.4
Non current liabilities	2,284.9	784.5
Current liabilities	1,397.1	1,575.5
Equity	1,276.3	1,178.8
Group's carrying amount of the investment	765.8	707.3
Revenues and other income	1,495.6	1,022.8
Depreciation and amortisation	(93.9)	(78.7)
Net finance result	(18.9)	(29.8)
Profit before income tax	286.7	251.3
Income tax expense	(89.3)	(94.5)
Profit of the year	197.4	156.8
Total comprehensive income for the year	197.4	156.8
Group's share of profit of the year	118.4	94.0
Dividends received by the Group	53.7	53.9

Beside Eurogrid International, the Group has another joint venture since 2015, Nemo Link Limited. End of February 2015 Elia signed a joint venture agreement together with National Grid for the construction of the interconnector between Belgium and the UK so called Nemo Link. This project will consist of subsea and underground cables connected to a converter station and an electricity substation in each country, which will allow electricity to flow in either direction between the two countries and will give UK and Belgium improved reliability and access to electricity and sustainable generation. The figures of this joint venture are incorporated in the Belgian segment (see Note 4.2).

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

(in million EUR) – Year ended 31 December	2015	2014
Percentage ownership interest	50.00%	-
Non current assets	95.6	-
Current assets	29.2	-
Non current liabilities	31.3	-
Current liabilities	72.9	-
Equity	20.6	-
Group's carrying amount of the investment	10.3	-
Revenues and other income	0.0	-
Depreciation and amortisation	0.0	-
Net finance result	0.2	-
Profit before income tax	0.1	-
Income tax expense	0.0	-
Profit of the year	0.1	-
Total comprehensive income for the year	0.1	-
Group's share of profit of the year	0.1	-
Dividends received by the Group	0.0	-

5.2. Associates

The Group has 3 associates, all of which are equity-accounted investees.

The Group has an interest of 19.6% 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. The stake of the Group decreased from 36.8% to 19.6% in current year. The Board of Directors of Ampacimon consists of 4 members, 1 of which is a representative of the Group. Therefore the Group continues to have a significant influence and Ampacimon is accounted for using the equity method.

The Group has an interest of 26.0% 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 which has a stake of 49.0% in Epex Spot, the exchange for power spot trading in Germany, France, Austria, Switzerland, Luxembourg and (through its 100% associate APX) the UK, Netherlands and Belgium. The Group itself has a stake of 17.0% of HGRT. As one of the founding partners of HGRT, the Group has a Golden Share, which enables the Group to have a minimum number of representatives in the Board of Directors and the right to appoint a HGRT representative in the Board of Directors of Epex Spot. This constitutes a significant influence and therefore HGRT is accounted for using the equity method.

None of these companies are listed on any public exchange.

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

(in million EUR)	Ampacimon		APX		Coreso		HGRT	
	2015	2014	2015	2014	2015	2014	2015	2014
Percentage ownership interest	19.6%	36.8%	0.0%	29.2%	26.0%	28.5%	17.0%	24.5%
Non current assets	0.0	0.0	-	24.4	1.5	1.3	94.4	36.1
Current assets	1.4	1.5	-	459.7	2.2	2.4	3.7	2.0
Non current liabilities	0.1	0.0	-	3.5	0.0	0.0	0.0	0.0
Current liabilities	0.4	0.7	-	451.8	1.7	1.9	0.7	0.1
Equity	0.9	0.8	-	28.8	2.0	1.8	97.5	38.1
Group's carrying amount of the investment	0.2	0.3	-	14.1	0.5	0.5	16.6	9.3
Revenues and other income	1.1	1.7	-	26.9	8.4	7.8	0.0	0.0
Profit before income tax	0.2	0.4	-	4.5	0.4	0.4	29.8	(0.5)
Income tax expense	(0.0)	0.0	-	1.1	(0.2)	(0.2)	(0.5)	0.0
Profit of the year	0.2	0.4	-	3.4	0.2	0.2	29.3	0.2
Total comprehensive income for the year	0.2	0.4	-	3.4	0.2	0.2	29.3	0.2
Group's share of profit of the year	0.0	0.2	-	2.0	0.1	0.2	4.8	0.6

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

6.1. Revenue

(in million EUR)	2015	2014
Revenue	773.3	777.8
Transfers of assets from customers	6.8	7.7
Total revenue	780.1	785.5

We refer to the segment reporting for a breakdown of the significant categories within the revenue of the Belgian segment (Note 4.2).

6.2. Other income

The following table details the "Other income":

(in million EUR)	2015	2014*
Services and technical expertise	2.8	(0.3)
Own production	18.8	17.0
Optimal use of assets	14.7	12.9
Other	34.0	20.7
Gain on sale PPE	1.0	0.5
Other operating income	71.3	50.8

* Restated for reimbursement rights as mentioned in Note 8.1

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 other income generated by fully owned subsidiaries EGI NV/SA and EGI GmbH (which increased with €12.8 million compared to last year) and recoverable amounts of claims paid by insurance companies, etc.

6.3. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in million EUR)	2015	2014
Raw materials, consumables and goods for resale	15.5	5.3
Purchase of ancillary services	145.3	164.5
Services and other goods (excl. purchase of ancillary services)	201.2	193.5
Total	361.9	363.3

The increase in raw materials, consumables and goods for resale is primarily attributable to the incurred costs from the major ongoing construction work and the fulfilment of planned milestones within EGI GmbH main projects, amounting to €7.6 million.

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 decrease in purchases of ancillary services can mainly be explained by attractive market conditions.

Services and other goods are related to maintenance of the grid, services provided by third parties, insurance, consultancy, etc.

PERSONNEL EXPENSES

(in million EUR)	2015	2014*
Salaries and wages	92.3	89.6
Social security contributions	26.0	26.1
Pension costs	6.0	6.2
Other personnel expenses	12.2	11.5
Share based payment expenses	0.1	1.4
Employee benefits (excl. pensions)	1.1	5.0
Total	137.6	139.7

* Restated for reimbursement rights as mentioned in Note 8.1

In March 2015 Elia Group gave its employees in Belgium the opportunity to subscribe to an Elia System Operator SA capital increase (tax tranche). The capital increase resulted in the creation of 11,975 additional shares without nominal value. The employees are granted a 16.6% reduction on the quoted share price, for a total amount of €0.1 million.

Elia Group counts 1,210.2 FTE's as at 31 December 2015 versus 1,222.4 FTE's per end of 2014, which represents a slight decrease by 1%.

For more information regarding pension costs and employee benefits, see Note 7.13 Employee Benefits.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in million EUR)	2015	2014
Amortisation of intangible assets	7.6	6.5
Depreciation of property, plant and equipment	106.3	101.1
Total depreciation & amortisation	113.8	107.6
Impairment of inventories and trade receivables	0.4	0.7
Total impairment	0.4	0.7
Environmental provisions	(3.2)	0.9
Provisions for litigations	(4.6)	3.7
Changes in provisions	(7.8)	4.6
Total	106.4	112.9

The amount of impairment on trade receivables is explained in Note 8.3 "Financial risk and derivative management".

A detailed description is provided in other sections for Intangible assets (see Note 7.2), Property plant and equipment (see Note 7.1) and Provisions (see Note 7.14).

OTHER EXPENSES

(in million EUR)	2015	2014
Taxes other than income tax	15.8	15.2
Loss on disposal/sale of property, plant and equipment	16.2	12.6
Impairment on receivables	0.2	0.1
Other operating expenses	32.2	27.8

Taxes other than income tax mainly consist of property taxes and taxes on pylons. The increase in Loss on disposal/sale of property, plant and equipment is mainly due to the considerable increase in the replacement investment program on existing assets.

6.4. Net finance costs

(in million EUR)	2015	2014
Finance income	10.6	10.7
Interest income on investment trust, bank deposits, cash and cash equivalents	0.6	0.7
Other financial income	9.9	10.0
Finance costs	(103.4)	(111.3)
Interest expense on eurobonds and other bank borrowings	(99.1)	(105.6)
Interest expense on derivatives	(8.7)	(8.2)
Other financial costs	4.6	2.6
Exchange losses	(0.1)	(0.0)
Net finance costs	(92.8)	(100.6)

Other financial income mainly consists of the moratorium interests which are computed on the tax claim (we refer to Note 7.9 below). This section also contains an amount of € 0.3 million relating to a loan agreement between Elia System Operator and Nemo Link Ltd. for a total outstanding amount per 31 December 2015 of € 15.4 million. This unsecured loan instrument has been granted by both shareholders at market conditions.

Interest expenses on Eurobonds and other bank borrowings decreased as a result of the lower interest rates on Eurobonds issued in April 2014 and November 2015, compared to the Eurobond of €500.0 million which expired in April 2014. We refer to Notes 4.2 and 8.3.

For more details on net debt and loans, see Note 7.12.

6.5. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in million EUR)	2015	2014*
Current year	17.3	14.5
Total current income tax expense	17.3	14.5
Origination & reversal of temporary differences	15.5	6.9
Total deferred taxes	15.5	6.9
Total income taxes recognised in profit and loss	32.9	21.4

* Restated for reimbursement rights as mentioned in Note 8.1

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)	2015	2014*
Profit before income tax	243.5	189.0
Income tax expense	(32.9)	(21.4)
Income tax using the domestic corporation tax rate	82.8	64.3
Domestic corporate income tax	33.99%	33.99%
Effect of the foreign tax rate	(0.2)	0.1
Share of profit of equity accounted investees, net of tax	(41.9)	(33.0)
Non-deductible expenses	3.2	2.1
Gain on disposal of shares	(1.6)	0.0
Tax incentives (notional interest deduction)	(17.0)	(18.1)
Utilization of DTA on NID carried forward	5.0	2.3
Fairness tax	0.8	1.6
Other	1.8	2.0
Total income tax expense in profit or loss	32.9	21.4

* Restated for reimbursement rights as mentioned in Note 8.1

1 DTA = Deferred tax asset ; NID = Notional Interest Deduction

Deferred income taxes are further discussed in Note 7.6.

6.6. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company (€210.6 million) by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares	2015	2014
Issued ordinary shares on 1st of January	60,738,264	60,568,229
Impact of the shares issued in December 2014		5,590
Impact of the shares issued in March 2015	9,285	
Weighted average number of shares on 31st of December	60,747,549	60,573,819

DILUTED EPS

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

Diluted earnings per share are equal to basic earnings per share, since there are no share options, nor convertible bonds.

Share capital and reserves per share

Share capital and reserves per share totalled €39.7 per share on 31 December 2015, compared with a value of €37.6 per share at the end of 2014.

6.7. Other comprehensive income

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

Changes in fair value

(in million EUR)	2015	2014
Net changes in fair value of interest rate swaps	4.9	1.3
Recognised in:		
Hedging reserve	4.9	1.3

The decrease in market value of the Group's IRS (currently still 2 running) by € 7.4 million net of tax can mainly be explained by the decreasing period until maturity date.

The hedging reserve is discussed in detail in Note 8.3.

Remeasurements

The OCI amounts to € 8.1 million and comprises of the defined benefit plan actuarial gains and losses (including impact of reimbursement rights). The higher OCI as compared to 2014 can mainly be explained by the higher discount rate and the change in assumed retirement age, following the reform of the pension scheme in Belgium which impacted the age at which an employee can enjoy the preretirement scheme.

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 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
Balance at 1 January 2015	183.5	4,475.8	141.4	13.8	306.2	5,120.7
Additions	10.8	31.5	16.1	2.3	275.1	335.8
Disposals	(12.3)	(55.6)	(3.7)	(1.7)	(8.4)	(81.7)
Transfers from one heading to another	11.7	214.5	0.0	0.7	(226.8)	0.0
Balance at 31 December 2015	193.6	4,666.2	153.8	15.0	346.2	5,374.8
DEPRECIATION AND IMPAIRMENT						
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)
Balance at 1 January 2015	(26.8)	(2,485.7)	(117.4)	(11.9)		(2,641.8)
Depreciation	(1.9)	(97.5)	(6.5)	(0.4)		(106.3)
Disposals	7.8	47.2	3.7	1.7		60.4
Transfers from one heading to another	0.0	0.6	0.0	(0.6)		0.0
Balance at 31 December 2015	(20.8)	(2,535.5)	(120.2)	(11.1)		(2,687.7)
CARRYING AMOUNT						
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
Balance at 1 January 2015	156.7	1,990.1	24.0	1.9	306.2	2,478.9
Balance at 31 December 2015	172.8	2,130.6	33.6	3.9	346.2	2,687.2

A net amount of €327.5 million was invested in 2015 by Elia Transmission. The most important investment in 2015 was done in the Stevin project, where an amount of €70 million has been invested. Furthermore, a lot was invested in upgrading high-voltage substations and laying high-voltage cables.

During 2015, an amount of €7.9 million (€ 6.5 million in 2014) of borrowing costs have been capitalised on the 2015 acquisition of the assets using an average interest rate of 4.044% (4.149% in 2014).

Other liabilities relating to new investments are described in Note 8.4.

7.2. Intangible assets and goodwill

(in million EUR)	Goodwill	Development costs software	Licences / Concessions	Total
ACQUISITION VALUE				
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	0.0	(1.6)	0.0	(1.6)
Balance at 31 December 2014	1,707.8	74.5	2.1	1,784.4
Balance at 1 January 2015	1,707.8	74.5	2.1	1,784.4
Acquired, own construction capitalised	0.0	6.9	0.3	7.2
Balance at 31 December 2015	1,707.8	81.4	2.4	1,791.6
DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2014	(0.0)	(41.4)	(1.5)	(42.9)
Amortisation	0.0	(6.2)	(0.2)	(6.5)
Balance at 31 December 2014	(0.0)	(47.7)	(1.7)	(49.4)
Balance at 1 January 2015	(0.0)	(47.7)	(1.7)	(49.4)
Amortisation	0.0	(7.4)	(0.2)	(7.6)
Balance at 31 December 2015	(0.0)	(55.0)	(1.9)	(57.0)
CARRYING AMOUNT				
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
Balance at 1 January 2015	1,707.8	26.8	0.4	1,735.0
Balance at 31 December 2015	1,707.8	26.4	0.5	1,734.6

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

During 2015, an amount of €0.2 million (€ 0.2 million in 2014) of borrowing costs have been capitalised on the 2015 acquisition of the assets using an average interest rate of 4.044% (4.149% in 2014).

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)	2015	2014
Acquisition Elia Asset - 2002	1,700.1	1,700.1
Acquisition Elia Engineering - 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 €3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. This difference consists of 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 was recognised as goodwill since the first adoption of IFRS in 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 2016-2025 of Elia Transmission Belgium.

The key assumptions used for this valuation are

- tax rate of 33.99%;
- unlevered beta of 0.5;
- market risk premium of 4.6%;
- perpetual growth rate of 1.0%.

In addition 3 different discounted cash flow (DCF) approaches were used:

1/ DCF based on a fixed WACC:

- Risk-free rate: 3.0%, based on the 10-year average of the Belgian 10Y government bonds;
- Levered beta is calculated based on the target debt ratio of 67%;
- Cost of equity: 8.4%;
- Cost of debt pre-tax: 3.5%;
- WACC: 4.3%.

2/ DCF based on a variable WACC:

- Variable cost of equity due to a variable levered beta (based on unlevered beta of 0.5 and the forecasted debt ratios) and a variable risk-free rate (1.3% in 2016, 2.0% in 2017, 2.5% in 2018 and 3.0% for 2019 and the years thereafter);
- Variable cost of debt based on the yearly interest cost forecasts in the business plan (ranges between 3.0% and 3.8% in the period 2016-2025);
- WACC varies from 3.8% to 4.5%.

3/ Adjusted present value (APV) method:

- Based on an unlevered cost of equity of 5.3%.

The independent analysis did not result in the identification of an impairment of goodwill in 2015.

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 receivable

(in million EUR)	2015	2014
Tax receivables	0.0	138.2
Total	0.0	138.2

The 2014 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. The appeal decision relating to this tax assessment was recently published on 12 November 2015, confirming the decision of the Court of First Instance. As the Belgian Tax authorities did not file within the required time frame an appeal before the Belgian Supreme Court, the decision of the Court of Appeal is final. As a consequence of this judgement, the tax authorities should reimburse the amount of 93.8 M€, increased with interest and costs. The outstanding balance is to be settled in 2016 and was therefore reclassified from non-current to current. A detailed description can be found in Note 7.9.

7.4. Other financial assets

(in million EUR)	2015	2014
Immediately claimable deposits	13.3	13.3
Available for sale assets	0.2	0.3
Reimbursement rights	59.9	73.7
Total	73.4	87.2

Immediately claimable deposits are 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 8.3.

The reimbursement rights are linked to the payments for the retired employees falling under the interest scheme (Regime B - unfunded plan) on the one hand and medical plan liabilities and tariff benefits (for the entire retired population) on the other hand (see also Note 7.13 Employee benefits and Note 8.1 Effect of the change in accounting policy). The reimbursement rights are recoverable through the regulated tariffs. The following principle applies: all incurred pension costs for "Regime B" retired employees and the costs linked to healthcare and tariff benefits of the retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The decrease of the carrying value of this asset is also disclosed in Note 7.13 Employee benefits.

7.5. Non-current trade and other receivables

(in million EUR)	2015	2014
Loans to joint ventures	15.4	0.0
Other	1.0	0.0
Total	16.4	0.0

As mentioned in Note 5.1, the Group acquired 50% of the shares in Nemo Link Ltd. This company Nemo Link is financed by both shareholders through equity and loan. As a result as at 31 December a non-current trade receivable is outstanding on Nemo Link Ltd. amounting to €15.4 million.

This unsecured loan instrument has a fixed interest rate of 4% and a maturity of 25 years after the commercial operations date of the Interconnector.

7.6. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million EUR)	2015		2014 *	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	1.3	(25.7)	1.2	(21.3)
Intangible assets		(8.9)		(9.0)
Inventories		(1.0)		(1.0)
Interest-bearing loans and other non-current financial liabilities	4.5		7.2	
Employee benefits	6.7		11.9	
Provisions	0.0		0.1	
Other items	0.5	(7.0)	0.4	(5.7)
Notional interest deduction carried forward - previous accounting years	24.3		31.9	
Tax asset / liability before set off	37.3	(42.5)	52.7	(37.0)
Offsetting of tax	(35.5)	35.5	(31.3)	31.3
Net tax asset / (liability)	1.7	(6.9)	21.4	(5.7)

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

(in million EUR)	Opening balance	Recognised in profit or loss	Recognised in OCI	Closing Balance
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	9.6	(0.1)	2.4	11.9
Provisions	0.1	(0.0)		0.1
Other items	(6.5)	1.2		(5.3)
Notional interest deduction carried forward - previous accounting years	35.4	(3.5)		31.9
Total	21.0	(6.9)	1.7	15.7
2015				
Property, plant and equipment	(20.0)	(4.3)		(24.4)
Intangible assets	(9.0)	0.1		(8.9)
Inventories	(1.0)	0.1		(1.0)
Interest-bearing loans and other non-current financial liabilities	7.2	(0.3)	(2.5)	4.5
Employee benefits	11.9	(2.4)	(2.8)	6.7
Provisions	0.1	(0.0)		0.0
Other items	(5.3)	(1.2)	0.0	(6.5)
Notional interest deduction carried forward - previous accounting years	31.9	(7.6)		24.3
Total	15.7	(15.5)	(5.3)	(5.1)

* Restated for reimbursement rights as mentioned in Note 8.1

As of 2012 a deferred tax asset was recognized on the notional interest deduction reserve, as a result of the changes brought in the mechanism of the recuperation and changes to the regulatory framework.

As at 31 December 2015 the deferred tax asset on the notional interest deduction reserve further decreased by €7.6 million as compared to 2014. The notional interest deduction reserve as at 31 December 2015 amounts to €71.5 million. The significant decrease of the reserve can mainly be explained by the lower notional interest deduction rate, which results in higher use of the reserve.

The pace at which the notional interest deduction reserve is used confirms management's initial judgement to recognize the deferred tax asset in 2012 and it is expected that the remaining reserve will be completely utilized by the end of 2017 – early 2018.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

As at 31 December 2015 there are no unrecognized deferred tax assets.

Within the Elia Group there is no policy in respect of dividend distributions by subsidiaries. The Elia Group joint ventures will not distribute its profits until it obtains the consent of both venture partners, in other words the Group controls the timing of reversal of the related taxable temporary differences and management is confident that they will not reverse in the foreseeable future. Therefore a deferred tax liability relating to the Group investments in subsidiaries and joint ventures amounting to €3.0 million for the financial year 2015 (€ 3.5 million for the financial year 2014) has not been recognised.

7.7. Inventories

(in million EUR)	2015	2014
Raw materials and consumables	38.2	28.4
Write-downs	(14.0)	(13.6)
Total	24.2	14.8

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.

The increase in inventories can mainly be explained by the incurred costs from the major ongoing construction work and the fulfilment of planned milestones within EGI GmbH's main projects.

Write-downs are recorded following the non-utilization of stock-items during a period as of 1 year. In 2015 the total amount of write-downs recognized in income statement amounts to €0.4 million, compared to €0.7 million in 2014 (see Note 6.3).

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

(in million EUR)	2015	2014
Construction contracts in progress	2.5	4.3
Trade and other receivables and advance payments	205.6	136.4
Levies	102.1	141.8
Vat and other taxes	9.4	13.9
Other	6.5	6.5
Deferred charges and accrued revenues	4.2	11.1
Other	330.3	314.0

Trade receivables are non-interest bearing and are generally on terms of 10 to 30 days.

The increase of other trade receivables and advance payments is mainly due to extended payment terms for certain contracts.

Lower outstanding VAT receivables (€ 8.7 million end of 2015, compared to € 13.6 million end of previous year) result in a decrease of VAT and other taxes.

The decrease in levies is mainly due to:

- lower outstanding balance of green certificates of the Walloon region (decrease from € 119.2 million to € 40.7 million) is the consequence of the sale of green certificates (levies) by Elia to Solar Chest for an amount of €221 million (for more detailed information see Note 8.4). In the coming year similar transactions will occur. Upon realization of the above sales, Elia has the commitment to reimburse to a certain group of customers a portion of the previously paid "Walloon green certificates" levy. In 2015 an amount of € 91.2 million has been reimbursed relating to years 2013 and 2014. The net cash received after taking into account the above said transactions reduces the outstanding net receivable in respect of the Walloon green certificates. Due to the increase in received green certificates in the last months of the year, the decrease of the net receivable was limited to € 78.5 million;
- higher outstanding amount for levy to cover the costs for the Strategic Reserve (increase from € 9.5 million to € 21.4 million);
- higher outstanding balance for green certificates of the Flanders region (increase from € 13.1 million to € 40.0 million). During the year more Flemish producers sold their certificates to Elia as compared to 2014.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are shown in Note 8.3.

At 31 December, the ageing analysis of trade and other receivables and advance payments is as follows:

(in million EUR)	2015	2014
Not past due	203.1	134.5
Past due 0-30 days	(3.1)	1.1
Past due 31-60 days	0.7	(0.3)
Past due 61 - one year	3.3	0.3
More than one year	1.2	0.4
Total (excl. impairment)	205.3	136.1
Doubtful amounts	1.6	1.5
Amounts write offs	(1.3)	(1.2)
Total	205.6	136.4

7.9. Current tax assets

(in million EUR)	2015	2014
Tax receivables	148.0	5.0
Total	148.0	5.0

The amount of tax receivables as at 31 December 2014 (€138.2 million) was reclassified from non-current tax assets to current tax assets in 2015 (see Note 7.3). The remaining increase in 2015 is the recognition of the moratorium interests of the year.

TAX ASSESSMENT

The amount of tax receivables mainly consists of the basic amount of tax receivable (€93.8 million) and the cumulative moratorium interests (€50.9 million) that the Company could recover in the future.

In the tax assessment dated from 2008, the tax administration considered the tariff surpluses at year end 2004 as taxable revenues. Elia could not agree with this position and filed a judicial claim against this tax assessment. In December 2011, the Brussels Court of First Instance ruled in favour of Elia, but the tax administration lodged an appeal in February 2012, suspending the effects of the Court of First Instance's judgment. The appeal decision was recently published on 12 November 2015, confirming the decision of the Court of First Instance. As the Belgian Tax authorities did not file within the required time frame an appeal before the Belgian Supreme Court, the decision of the Court of Appeal is final. As a consequence of this judgement, the tax authorities should reimburse the amount of 93.8 M€, increased with interest and costs in 2016.

7.10. Cash and cash equivalents

(in million EUR)	2015	2014
Call deposits	226.3	42.1
Balance at bank	400.1	129.0
Total	626.4	171.1

The increase of cash and cash equivalents is mainly due to the issuance of a Eurobond in November 2015 amounting to €500 million, which will be used for the reimbursement of the Eurobond with due date in April 2016 for an amount of €500 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 0.05% to 0.65%.

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 8.3.

7.11. Shareholders' equity

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2015	2014
Outstanding on 1 January	60,738,264	60,568,229
Issued against cash payment	11,975	170,035
Number of shares (end of period)	60,750,239	60,738,264

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 employees.

In October 2014 the Elia Group gave its employees 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.

The second tranche of this capital increase for her Belgian employees took place in March 2015 for an amount of €0.4 million. The share capital rose with €0.3 million and amounts to €1,515.2 million per 31 December 2015. The share premium increased simultaneously with a €0.08 million to €10.0 million. The capital increase resulted in the creation of 11,975 additional 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 2014, this amounted to €22.3 million. The General Meeting of 19 May 2015 decided to include that amount in the legal reserve.

As per 31 December 2015 the Group's legal reserve amounts to €138.8 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 2015. 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 reporting date, the Board of Directors put forward the dividend proposal indicated hereafter.

Dividend	2015	2014
Per ordinary share entitled to dividend	1.55	1.54

At the General Meeting of Shareholders on 19 May 2015, 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 €93.5 million.

The Board of Directors' meeting of 25 February 2016 proposed a gross dividend of €1.55 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 17 May 2016 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 25 February 2016, which corresponds to a total of €94.2 million.

The net profit also includes the realised surplus as a result of decommissioning of fixed assets of €34.3 million to be booked in equity. The Board of Directors' meeting of 25 February 2016 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 2015.

7.12. Interest-bearing loans and borrowings

(in million EUR)	2015	2014
Non-current borrowings	2,605.4	2,646.4
Subtotal non-current borrowings	2,605.4	2,646.4
Current borrowings	539.9	0.0
Accrued interests	64.4	63.9
Subtotal current loans and borrowings	604.3	63.9
Total	3,209.7	2,710.3

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	1.29%	3.05%	40.34%	59.66%
Eurobond issues 2004 / 15 years	2019	499.5	5.25%	5.25%	100.00%	0.00%
Eurobond issues 2009 / 7 years	2016	499.9	5.63%	5.63%	100.00%	0.00%
Eurobond issues 2013 / 15 years	2028	546.9	3.25%	3.25%	100.00%	0.00%
Eurobond issues 2013 / 20 years	2033	199.3	3.50%	3.50%	100.00%	0.00%
Eurobond issues 2014 / 15 years	2029	346.0	3.00%	3.00%	100.00%	0.00%
Eurobond issues 2015 / 8.5 years	2024	497.9	1.38%	1.38%	100.00%	0.00%
European Investment Bank	2016	40.0	4.27%	4.27%	100.00%	0.00%
European Investment Bank	2017	20.0	4.79%	4.79%	100.00%	0.00%
Total		3,145.4			90.60%	9.40%

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	2,600.0	500.0	0.0	500.0	1,600.0
European Investment Bank	60.0	40.0	20.0	0.0	0.0
Total	3,155.8	540.0	20.0	500.0	2,095.8

The 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.

7.13. Employee benefits

DEFINED CONTRIBUTION PLANS

Employees 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.

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.

In 2015 the few managers who were still benefitting from the Pensiobel plan were asked to also join the Powerbel pension plan. Almost all managers agreed to join as of October 1st 2015. This change in pension plan generated a past service cost of €0.5 mio.

For 2015, 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.

However, the new law about occupational pension plans, published on 18th of December 2015, introduces changes that may have an impact on the accounting for defined contribution plans. This new law replaces the 3.25% (employer) and 3.75% (employees) as from the 1st of January 2016 by a rate between 1.75% and 3.25%, based on a percentage (65% in 2016) of 10-year OLO yield averaged on 1 June over the last 24 months. Due to this change in law, the Group will determine the net pension liabilities in accordance with an actuarial method as required by IAS 19R as from 2016.

Quantitative disclosures:

(in million EUR)	Powerbel	Enerbel
Total of the minimum guaranteed reserves:	19.8	3.6
Total of the mathematical reserves:	21.3	3.8
Total of the surplus:	1.5	0.3
Total of the deficit:	0.0	0.0

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 only a minor shortfall (€8,000) in the plans compared to the minimum guaranteed return on contributions. In the event of an important 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 €4.06 million in 2015 and €3.8 million in 2014.

The new law about occupational pension plans has been published on 18th of December 2015. This law includes changes that may have an impact on the accounting for defined contribution and defined benefit plans under IAS 19R in Belgium.

The first change relates to the minimum guaranteed return. The new law replaces the 3.25% (employer) and 3.75% (employee) as from 1 January 2016 by 65% of 10-year OLO yield averaged on 1 June over the last 24 months (possibly increased to 75% (as from 1 January 2018) and 85% (as from 2019) if the National Bank of Belgium approves the principle) with a minimum of 1.75% and a maximum of 3.75%. For insured plans the current 3.25% and 3.75% remain applicable to pre-2016 contributions. For other plans the new rates also apply to the accumulated pre-2016 contributions as from 1 January 2016 onwards.

Following IAS 19R, this implies that the (so called) Belgian defined contribution plans with a minimum funding guarantee should be accounted for as defined benefit pension plans. Due to the change in law, the Group will determine the net pension liability in accordance with an actuarial method as required by IAS 19R as from 2016.

DEFINED BENEFIT PLANS

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 is granted the same guarantees via a defined-benefit pension scheme (Elgabel and Pensiobel – closed plans). 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.

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 and in accordance with IAS 19 these post-employment benefits are classified as defined benefit plans.

The total net liability for employee benefits obligations are as follows:

(in million EUR)	2015	2014
Defined benefit plans	21.0	46.4
Post-employment benefits other than pensions	59.1	62.8
Total provisions for employee benefits	80.0	109.3

In the following tables details are 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	
	2015	2014	2015	2014
Present value of funded defined benefit obligation	(160.6)	(176.3)	(59.7)	(63.5)
Fair value of plan assets	139.7	129.9	0.7	0.7
Net employee benefit liability	(21.0)	(46.4)	(59.1)	(62.8)

Movement in the present value of the defined benefit obligation (in million EUR)	Pensions		Other	
	2015	2014	2015	2014
At the beginning of the period	(176.3)	(169.3)	(63.5)	(54.9)
Current service cost	(3.5)	(3.9)	(1.8)	(1.6)
Interest cost/income	(2.6)	(4.0)	(1.2)	(1.6)
Contributions from plan participants	(0.5)	(0.6)	0.0	0.0
Cost of early retirement	(0.9)	(0.7)	0.0	0.0
Includes remeasurement gains/(losses) in OCI and in Statement of profit or loss, arising from				
• Changes in demographic assumptions	2.1	0.0	(0.5)	0.0
• Changes in financial assumptions	4.0	(17.5)	1.8	(9.7)
• Changes from experience adjustments	4.8	4.6	2.7	1.0
Past service cost	(0.6)	0.0	0.0	0.0
Payments from the plan	12.8	15.0	2.7	3.2
At the end of the period	(160.6)	(176.3)	(59.7)	(63.5)

Movements in the fair value of the plan assets (in million EUR)	Pensions		Other	
	2015	2014	2015	2014
At the beginning of the period	129.9	123.2	0.7	0.7
Interest income	2.1	2.9	0.0	0.0
Remeasurement gains/ losses in OCI arising from				
Return of plan asset (excluding amounts included interest)	4.1	5.6	(0.1)	(0.0)
Contributions from employer	15.9	12.6	2.7	3.2
Contributions from plan participants	0.5	0.6	0.0	0.0
Benefit payments	(12.8)	(15.0)	(2.7)	(3.2)
At the end of the period	139.7	129.9	0.7	0.7
Actual return on plan assets	6.2	8.5	(0.0)	(0.0)

Amounts recognized in comprehensive income (in million EUR)	Pensions		Other	
	2015	2014	2015	2014
Service cost				
Current service cost	(4.1)	(4.5)	(1.8)	(1.6)
Cost of early retirement	(0.9)	(0.7)	0.0	0.0
Past service cost	(0.6)	0.0	0.0	0.0
Actuarial gains/(losses) on defined benefit obligation	0.0	0.0	1.8	(1.8)
Net interest on the net defined benefit liability/(asset)				
Interest cost on defined benefit obligation	(2.6)	(4.0)	(1.2)	(1.6)
Interest income on plan assets	2.1	2.9	0.0	0.0
Other				
Defined benefit costs recognized in profit or loss	(6.0)	(6.2)	(1.1)	(5.0)

Actuarial gains(losses) on defined obligation arising from				
1/ Changes in demographic assumptions	2.1	0.0	(0.1)	0.0
2/ Changes in financial assumptions	4.0	(17.5)	1.3	(7.8)
3/ Changes from experience adjustments	4.8	4.6	1.0	1.0
Return on plan assets (excluding interest income on plan assets)	4.1	5.6	0.0	0.0
Remeasurements of net defined benefit(liability)/asset recognized in Other Comprehensive Income (OCI)	15.1	(7.3)	2.2	(6.8)
Total	9.0	(13.5)	1.0	(11.8)

(in million EUR)	2015	2014
Breakdown of defined benefit obligation by type of plan participants	(220.4)	(225.9)
Active plan participants	(148.8)	(147.7)
Terminated plan participants with def. benefit entitlements	(5.3)	(2.9)
Retired plan participants and beneficiaries	(66.3)	(75.2)
Breakdown of defined benefit obligation by type of benefits	(220.4)	(225.9)
Retirement and death benefits	(160.6)	(164.5)
Other post-employment benefits (medical and tariff reduct.)	(40.7)	(41.9)
Seniority payments	(19.0)	(19.5)

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 $a\%t_1 + b\%t_2$) 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 and take into consideration expected changes in mortality. The Group calculates the net interest on the net defined benefit liability (asset) using the same high quality bond discount rate (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	2015	2014
Investments quoted in an active market	78.29%	82.26%
Shares - Eurozone	16.24%	15.20%
Shares - outside Eurozone	13.19%	13.08%
Government bonds - Eurozone	5.51%	5.39%
Other bonds - Eurozone	34.41%	39.50%
Other bonds - outside Eurozone	8.94%	9.09%
Unquoted investments	21.71%	17.74%
Qualifying insurance contracts	2.32%	0.00%
Property	3.94%	4.20%
Cash and cash equivalents	2.42%	0.79%
Other	13.03%	12.75%
Total (in %)	100.00%	100.00%

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. New prospective mortality tables performed by the IA/BE have been used for the first time in 2015. Previously the MR/FR tables were used for the pensioners and the MR (corrected with 5 years) / FR (without correction) for the active people.

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.

This impact is almost null for Pensiobel, as the vested rights were stopped in October 2015 for the participants who chose to go to the Powerbel plan.

ACTUARIAL ASSUMPTIONS

(in % and years)	2015	2014
Discount rate		
- Pensions	1.88	1.55
- Other	2.08	1.89
Expected average salary increase (excluded inflation)	2.00	2.00
Expected inflation	1.75	1.75
Expected increase of health benefits (included inflation)	2.75	2.75
Expected increase of tariff advantages	1.75	1.75
Average assumed retirement age		
- Employee	63	62
- Manager	65	63
Mortality table used		
- Active personnel	IABE	MR(-5)/FR
- Inactive personnel	IABE	MR/FR
Life expectancy in years of a pensioner retiring at age 65:		
For a Person aged 65 at closing date:		
- Male	19.9	22.5
- Female	24.0	22.0
For a Person aged 65 in 20 years :		
- Male	22.3	22.5
- Female	26.0	22.0

(in years)	2015	2014
Weighted average duration of the defined benefit obligation	9.15	8.95
Weighted average duration of the post-employment benefits other than pensions	13.45	13.20

The actual return on plan assets in % for 2015 was in the range of 1.95% to 2.06% (compared to 6.70% in 2014).

The Group expects to contribute €3.5 million to its Belgian defined benefit pension plans and €3.1 million to its Belgian defined contribution plans in 2016.

Below we also provide an overview of the expected cash outflows for the DB plans over the coming 5 years:

Future expected cash outflows	2016	2017	2018	2019	2020
- Pensions	(11.8)	(5.1)	(7.6)	(14.1)	(11.5)
- Other	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
Total (in million EUR)	(14.4)	(7.8)	(10.2)	(16.7)	(14.1)

There is a certain degree of uncertainty linked to the above mentioned expected cash outflows which can be explained by the following:

- differences between the assumptions taken and actuals can occur: e.g; retirement age, future salary increase...
- the above expected cash outflows are based on a closed population and therefore do not incorporate future new hires;
- the future premiums are calculated based on the last known aggregate cost rate, which is reviewed on an annual basis and varies in accordance with the return on plan assets, the real salary increase versus the assumptions and unexpected movements in population.

SENSITIVITY ANALYSIS

(in million EUR)	Increase (+) / Decrease (-)
Impact of the net defined benefit obligation of an increase in:	
Discount rate (0.5% movement)	9.9
Average salary increase - excl. inflation (0.5% movement)	(10.8)
Inflation (0.25% movement)	(11.9)
Increase of healthcare care benefits (1.0% movement)	(4.8)
Increase of tariff advantages (0.5% movement)	(1.5)
Life expectancy of pensions (1 year)	(1.6)

REMEASUREMENTS OF POST-EMPLOYMENT BENEFIT OBLIGATIONS

(in million EUR)	2015	2014
Cumulative amount at 1 January	(17.3)	(6.7)
Recognised in the period	5.4	(10.6)
Cumulative amount at 31 December	(11.9)	(17.3)

The remeasurements of post-employment benefits include the portion of 50Hertz Transmission (Germany) (Joint Venture) amounting to €0.3 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 (in million EUR)	Pensions		Other	
	2015	2014	2015	2014
1/ Changes in demographic assumptions	2.1	0.0	(0.1)	0.0
2/ Changes in financial assumptions	4.0	(17.5)	1.3	(7.8)
3/ Changes from experience adjustments	4.8	4.6	1.0	1.0
Return on plan assets (excl interest income on plan assets)	4.1	5.6	0.0	0.0
Remeasurements of net defined benefit (liability)/asset recognised in Other Comprehensive Income (OCI)	15.1	(7.3)	2.2	(6.8)

REIMBURSEMENT RIGHTS

As described in Note 7.4 a non-current asset (within other financial assets) has been recognized as reimbursement rights linked to the defined benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for the retired Elia population. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

For more details on the change in accounting policy we refer to Note 8.1.

The decrease in reimbursement right linked to pensions is a result of the change in financial assumptions on the one hand (discount rate) and changes from experience adjustments on the other hand.

Movement in the present value of the reimbursement rights (in million EUR)	Pensions		Other	
	2015	2014	2015	2014
At the beginning of the period	(47.0)	(48.0)	(26.6)	(23.1)
Current service cost				
Interest cost/income	(0.6)	(1.1)	(0.5)	(0.6)
Actuarial gains(losses) on defined obligation arising from:				
1/ Changes in demographic assumptions	1.1	0.0	(0.0)	0.0
2/ Changes in financial assumptions	1.2	(3.4)	0.7	(3.4)
3/ Changes from experience adjustments	4.6	0.9	1.2	(1.1)
Payments from the plan	4.3	4.5	1.7	1.6
At the end of the period	(36.4)	(47.0)	(23.5)	(26.6)

7.14. Provisions

(in million EUR)	Environment	Litigation	Total
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)	(4.2)
Utilization of provisions	(0.6)	(0.2)	(0.8)
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
Balance at 1 January 2015	17.0	11.3	28.3
Increase in provisions	0.7	0.1	0.8
Reversals of provisions	(2.4)	(0.1)	(7.1)
Utilization of provisions	(1.4)	(4.5)	(1.5)
Balance at 31 December 2015	13.8	6.7	20.5
Long term portion	10.8	6.7	17.5
Short term portion	3.0	0.0	3.0

Elia has conducted soil surveys on over 200 sites in Flanders in accordance with contractual agreements and Flemish legislation. Significant soil contamination was found on some sites, and the contamination is mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.).

Elia carried out analyses and studies in a number of substations and on a number of plots on which pylons for overhead power lines were built in the Region of Brussels Capital and the Walloon Region, in order to detect any possible contamination. On the basis of the analyses and studies, Elia has made provisions for possible future soil remediation costs in line with the respective legislation.

Environmental provisions are recognized and measured based on the appraisal of an external expert bearing in mind the BATNEEC (Best Available Techniques Not Entailing Excessive Costs) as well as on the circumstances known at the end of the reporting period. Timing of settlement is uncertain but for the premises where utilizations occur, the underlying provision is qualified as short term provision.

The utilization of provisions for environment is mainly related to further soil research and remediation on certain sites in Brussels, Wallonia and Flanders for a total amount of €1.4 million. On the one hand, a reversal for an amount of €2.4 million was recorded for sites in Wallonia and Flanders; and on the other hand an increase for an amount of €0.7 million, for sites in Wallonia and Flanders, following on new estimates.

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.

7.15. Other non-current liabilities

(in million EUR)	2015	2014
Investment grants	2.4	2.5
Total	2.4	2.5

The investment grants consist of deferred income for capital subsidies received from the European Union and the Brussels region.

7.16. Trade and other payables

(in million EUR)	2015	2014
Trade debts	199.9	198.8
VAT, other taxes	5.6	9.1
Remuneration & social security	27.7	27.2
Dividend	1.3	1.5
Levies	63.0	47.4
Other	12.7	17.3
Accrued liabilities	0.1	0.0
Total	310.3	301.2

The outstanding payable position for levies can be split into federal green certificates (€ 34.2 million, compared to € 33.6 million end of 2014), federal certificates for offshore wind energy (€ 18.1 million, compared to € 7.7 million end of 2014) and levy for financing the connection of offshore wind parks (€ 10.4 million, compared to € 6.1 million end of 2014).

The section "Other" consists mainly of cash guarantees received from customers and advance payments for projects.

7.17. Accruals and deferred income

(in million EUR)	2015	2014
Accruals and deferred income	18.8	11.4
Settlement mechanism	352.4	216.1
Total	371.2	227.5

The settlement mechanism is described in Note 9.1. The change in the settlement mechanism in Belgium is described in Note 4.2.

The settlement mechanism at 31 December 2015 is set out in the table here below:

(in million EUR)	Belgium
To be refunded to the tariffs of the following period	301.5
Discount future tariffs	301.5
Moratorium interest on income tax	50.9
Settlement mechanism	352.4

Settlement mechanism

A calculation of the amount is given in Note 9.1.

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). A surplus or deficit arising from the settlement mechanism is therefore not 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'.

7.18. Financial instruments – fair values

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

(in million 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 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 hedging		(25.4)				(25.4)		(25.4)		(25.4)
Unsecured financial bank loans and other loans					(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)
31 December 2015										
Other financial assets	13.5					13.5	13.3		0.2	13.5
Trade and other receivables				342.5		342.5				0.0
Cash and cash equivalents				626.4		626.4				0.0
Interest rate swaps used for hedging		(18.0)				(18.0)		(18.0)		(18.0)
Unsecured financial bank loans and other loans					(620.2)	(620.2)		(620.2)		(620.2)
Unsecured bond issues					(2,589.6)	(2,589.6)		(2,847.1)		(2,847.1)
Trade and other payables					(310.3)	(310.3)				0.0
Total	13.5	(18.0)	0.0	968.9	(3,520.0)	(2,555.7)	13.3	(3,485.4)	0.2	(3,471.9)

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 2015 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 the change in accounting policies regarding reimbursement rights

The Group has changed the accounting policy regarding reimbursement rights. In Note 3.2 the accounting policy of reimbursements rights is disclosed.

Those reimbursement rights are existing rights, already recorded as non-current assets in prior years.

The changes in assumptions were recorded in profit or loss in previous periods. Since 2015 those changes are recorded in OCI, consistent with the elements of the relevant IAS 19 provisions.

Since the reimbursement right is directly linked to the pension liability, the Group decided to change the accounting policy to adopt a consistent treatment between the asset and the corresponding pension liability.

The Group restated comparative figures in these consolidated financial statements to reflect this changed accounting policy. The restatement of 2014 has mainly impact on the following sections within the profit or loss statement:

- decrease of other income €2.6 million (from €53.4 million to €50.8 million);
- increase of personnel expenses €4.4 million € (from 135.2 to €139.7 million €);
- decrease of income tax expense -€2.4 million € (from 23.8 to €21.4 million €)

decreasing the profit for the previous reporting period by €4.6 million, impact which is fully compensated by the increase of the OCI by €4.6 million €.

This change did not impact the balance sheet as at 31 December 2014.

The cash flow statement was impacted as follows:

- Cash flow from operating activities decreased by €7.0 million as a result of the above mentioned impact on the profit and the deferred taxes for the previous reporting period;
- Changes in working capital increased from €200.8 million to €207.8 million;

8.2. Effect of new acquisitions/sales of shares

CHANGES IN SEGMENT ELIA TRANSMISSION (BELGIUM)

Sale of HGRT and APX shares

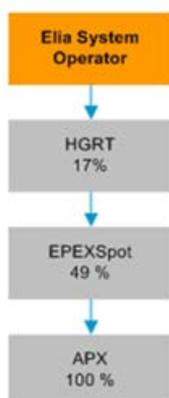
In the 2nd quarter of 2015, the power exchanges EPEX SPOT and the APX group, including Belpex, integrated their businesses in order to form a power exchange for Central Western Europe (CWE) and the UK. Both companies have signed respective agreements, including the sale of the Clearing activities of APX to ECC Clearing. As a result of this restructuring APX group is now directly held by EPEX SPOT. APX is therefore no longer a direct associate of the Elia Group. In the 3rd quarter the current shareholders sold part of their shares to 3 new shareholders.

The stake of Elia in HGRT decreased from 24.5% to 17% as a result of 3 distinct transactions:

1. Exchange of Elia's APX share for EPEX SPOT shares, which were then contributed to HGRT
2. Sale of 6.2% stake in HGRT to RTE, resulting in decrease of the stake to 20%.
3. Sale of 3.0% stake in HGRT to APG, Amprion and Swissgrid (1% to each new shareholder).

Following these transactions Elia (17%), RTE, TenneT, APG, Amprion and Swissgrid together own 49% of the new EPEX SPOT capital through HGRT. HGRT is still accounted for using the equity method as the Group continues to have significant influence over the company.

The current structure of HGRT and its associates is as follows:



Incorporation of Nemo Link

On 27 February 2015 Elia System Operator together with National Grid signed a joint venture agreement to build the Nemo Link Interconnector; each shareholder holds 50% in Nemo Link Limited, a UK company. As per 31 December 2015 Elia provided funding to Nemo Link Limited in the amount of € 25.6 million, of which 40% via equity contributions and 60% via loans (with an annual interest rate of 4% and a maturity of 25 years as of starting date of the commercial operations of the Interconnector). This joint venture is included in the Belgian segment using the equity method.

Sale of Coreso shares

The Group had a control percentage of 28.5% in Coreso, a company which provides coordination services for the secure operation of the high-voltage electricity system. In November 2015, the Portuguese transmission system operator, REN, was appointed as additional shareholder in Coreso. The 5 existing shareholders each sold part of their shares to REN, resulting in a decrease of the stake of the Group to 26%.

Incorporation of JAO

On 1st September 2015 JAO (Joint Allocation Office) SA was incorporated, a Luxemburg-based service company of twenty transmission system operators from seventeen countries. It will mainly perform the yearly, monthly and daily auctions of transmission rights on 27 borders in Europe and act as a fall-back for the European Market Coupling. The company is established following a merger of regional allocation offices for cross border electricity transmission capacities, being CAO Central Allocation Office GmbH (in which the Group had a stake of 6.66%) and Capacity Allocation Service Company.eu SA (in which the Group had a stake of 8.33%). The Group holds 8% of the shares of the newly created company.

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 IFM Investors (UK) Ltd (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).

CHANGES IN SEGMENT 50HERTZ TRANSMISSION (GERMANY)

Acquisition of extra share in EEX in 2015

50Hertz Transmission acquired extra shares in the European Energy Exchange (EEX) worth €10.5 million and therefore now holds 8.7% of the shares in EEX, amounting to €21.0 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.

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

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.

8.3. 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 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 guarantees 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)	2015	2014
Loans and receivables	16.4	138.4
Cash and cash equivalents	626.4	171.1
Immediately claimable deposits	13.3	13.3
<i>Interest rate swaps used for hedging:</i>		
Liabilities	(18.0)	(25.4)
Total	638.0	297.3

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 2014	1.5	(1.2)	0.3
Opening balance	1.5	(1.2)	0.3
Changes during the year	0.1	(0.1)	0.0
Balance at 31 December 2015	1.6	(1.3)	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, 2014 and 2015, 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	3,011.5	(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)
Non-derivative financial liabilities	3,520.0	(4,147.4)	(884.7)	(3.4)	(96.3)	(699.6)	(2,463.4)
Unsecured bond issues	2,589.6	(3,234.0)	(530.2)	0.0	(68.5)	(679.3)	(1,956.0)
Unsecured financial bank loans and other loans	620.2	(603.1)	(44.2)	(3.4)	(27.8)	(20.4)	(507.4)
Trade and other payables	310.3	(310.3)	(310.3)				
Derivative financial liabilities	18.0	(17.2)	(4.4)	(4.3)	(8.5)	0.0	0.0
Interest rate swaps used for hedging	18.0	(17.2)	(4.4)	(4.3)	(8.5)		
Total at 31 December 2015	3,538.1	(4,164.6)	(889.1)	(7.7)	(104.8)	(699.6)	(2,463.4)

In November, Elia Transmission successfully issued a €500 million 8.5-year Eurobond as part of its €3 billion EMTN programme. Investors showed strong interest leading to an order book of €2.75 billion and attracting 256 investors from 28 investors resulting in a coupon of 1.375. The proceeds from the bond issue will be used to pay back a Eurobond for an amount of € 500.0 million, with maturity date in April 2016 and for general corporate purposes.

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 + margin when concluding the deal	0.0	100.0
Belgian dematerialised treasury notes	unlimited	250.0	Euribor + margin when concluding the deal	0.0	250.0
Total		900.0		0.0	900.0

As at 31 December 2015 the German segment have un-used facilities amounting to in total €900 million (€150 million overdraft facility and €750 million revolving facilities).

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 7.12) 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	(3.2)	3.3

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 2015 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 2015, 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 2015 totalled €18.0 million and was entirely composed of liabilities. The amounts are included as derivatives at fair value.

As at 31 December 2015, no significant 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.

8.4. 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 following:

(in million EUR)	<1 year	1–5 years	>5 years
Buildings	2.5	3.2	0.0
Cars, it equipment and others	5.3	9.9	0.0
Balance at 31 December 2014	7.8	13.1	0.0
Buildings	2.4	1.2	0.0
Cars, it equipment and others	5.3	10.9	0.0
Balance at 31 December 2015	7.7	12.1	0.0

The following expenses related to these lease contracts were recognised in the profit or loss:

(in million EUR)	2015	2014
Buildings	2.5	2.4
Cars, it equipment and others	6.2	5.8
Total	8.7	8.3

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	12.7	9.8	14.2
Buildings	0.2	0.3	0.0
Balance at 31 December 2014	12.8	10.2	14.2
Telecom	14.7	9.6	13.4
Buildings	0.2	0.1	0.0
Balance at 31 December 2015	14.9	9.7	13.4

The following revenue related to these lease contracts was recognised in the income statement:

(in million EUR)	2015	2014
Telecom	14.6	12.8
Buildings	0.2	0.2
Total	14.7	13.0

CONTINGENT RENTS – PURCHASE OPTION

The Group has no contracts which include contingent rental payments and no purchase options were agreed in the significant lease contracts.

CAPITAL EXPENDITURE COMMITMENT

As at 31 December 2015, the Group has a commitment of €802.7 million relating to the purchase contracts for the installation of property, plant and equipment for further grid extensions. These capital expenditure commitments include the commitments of the German segment for an amount of €465.6 million (at 60% stake of Elia).

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2015, the Group has a commitment of €143.3 million relating to purchase contracts for general expenses, maintenance and repair costs. The amount includes the commitments of the German segment for an amount of €24.6 million (at 60% stake of Elia).

Elia System operator also provided a parent company guarantee to her joint venture Nemo Link Limited amounting to €238.7 million in relation to the EPC contracts in order for Nemo link Ltd to be able build to the interconnector, Elia System Operator also issued a letter of credit in name and on behalf of Nemo Link Limited amounting to GBP1.8 million (€1.9 million) with maturity in May 2016 for Nemo Link to be able to participate to the auctioning once they are operational in 2019.

After having received an approval from the Walloon Government and from the CREG, on 22 June 2015, Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates for a total amount of €275 million. The mission of Solar Chest is to buy, hold and sell Walloon green certificates for a period of respectively 5, 6 and 7 years. At the end of each period (30th June 2020, 30th June 2021 and 30th June 2022) potential unsold certificates will be bought back by Elia. The CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost and any expense for repurchase of nonmarketable certificates will be authorized to recover fully through the tariffs for "levies", as consequence the impact of the potential repurchase by Elia will have no impact on financial performance of the Company.

8.5. Related parties

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The key management includes members of the Board of Directors (see table below) and Elia's Management Committee, which comprises of the Chief Executive Officer, Chief Financial Officer, Chief Officer Infrastructure Development, Chief Officer Operations, Maintenance & Methods, Chief Corporate Affairs Officer and Chief Officer Customers, Market & System.

The members of the Board of Directors are no employees of the Group. The remuneration of their mandate is detailed below (for more details on the policy we refer to the Corporate Governance Statement of this annual report):

Amounts in 'EUR	2015	2014
Jacques DE SMET	59,135.00	53,332.00
Luc DE TEMMERMAN (from 20 May 2014)	46,058.74	27,730.84
Frank DONCK (from 20 May 2014)	52,252.00	23,882.84
Cécile FLANDRE	31,860.00	32,066.00
Claude GRÉGOIRE	49,142.00	49,763.92
Philip HEYLEN	44,606.00	43,763.92
Luc HUJOEL (from 20 May 2014)	45,626.00	31,578.84
Jean-Marie LAURENT JOSI (until 29 July 2015)	32,115.75	56,077.52
Miriam MAES	49,320.00	56,821.16
Jane MURPHY	49,449.00	50,536.00
Dominique OFFERGELD	43,586.00	36,067.92
Steve STEVAERT (until 2 April 2015)	9,876.50	36,067.92
Saskia VAN UFFELEN	42,998.74	23,882.84
Geert VERSNICK	51,182.00	34,913.70
Jennifer DEBATISSE (until 20 May 2014)	0.00	12,185.08
Clément DE MEERSMAN (until 20 May 2014)	0.00	15,109.56
Luc VAN NEVEL (until 20 May 2014)	0.00	21,202.10
TOTAL	607,207.73	604,982.16

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)	2015	2014
Short term employee benefits	2.2	2.0
Basic remuneration	1.6	1.5
Variable remuneration	0.5	0.5
Post-employment benefits	0.3	0.3
Other variable remuneration	0.5	0.6
Total gross remuneration	3.0	2.9
Number of persons (in units)	7	7
Average gross remuneration per person	0.4	0.5
Number of shares (in units)	19,111	22,128

From 14 January 2015 until 5 July 2015 Mr. François Cornélis was acting as CEO ad interim and president of the Elia Management Committee. He earned a remuneration through his management company Monticello SPRL, amounting to €0.3 million (this amount is included in above table).

Following the decision to end the collaboration with the former CEO, a compensation indemnity of €1.7 million was paid, an allowance for the group insurance to cover for his notice period, his basic remuneration for his mandate for the period 1 January til 14 January 2015 amounting to €0.012 million and an additional remuneration to cover for his earned vacation allowance amounting to €0.1 million.

Some members of the Management Committee also hold shares in Elia System Operator:

Number of shares per member	2015	2014
Chris Peeters Chief Executive Officer – President of Management Committee	-	-
Markus Berger Chief Officer Infrastructure Development	9,156	9,156
Frédéric Dunon Chief Officer Operations, Maintenance & Methods	1,986	1,961
Ilse Tant Chief Corporate Affairs Officer	1,825	1,825
Frank Vandenberghe Chief Officer Customers, Market & System	4,774	4,749
Catherine Vandendorre Chief Financial Officer	1,370	1,120

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 2015, all at arms' length, with some distribution system operators. The total amount of realized sales equals to €113.4 million. The total amount of expenses equals to €3.8 million. As per 31 December 2015 there was an outstanding trade receivable position of €0.2 million and no significant outstanding trade debt position.

TRANSACTIONS WITH JOINT VENTURES 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 2015 and 2014 financial years, there were no transactions with 50Hertz Offshore, E-Offshore and Atlantic Grid Investment.

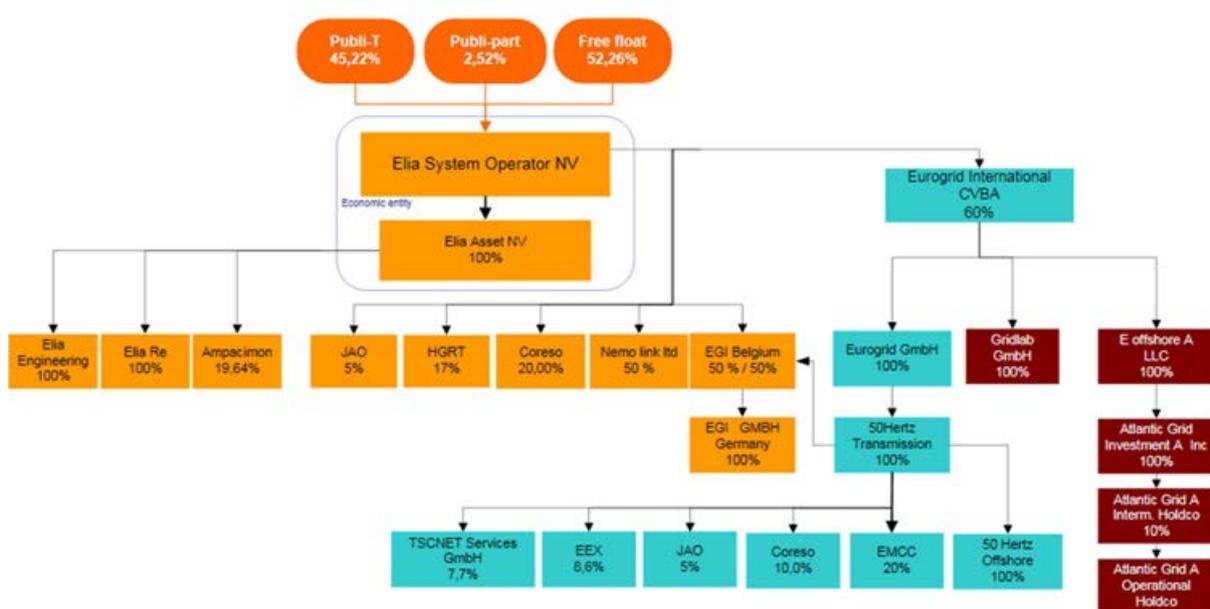
Transactions with joint ventures and associated companies are not eliminated; details of transactions with other related parties are shown below:

(in million EUR)	2015	2014
Transactions with joint ventures and associated companies	0.7	10.3
Sales of goods	4.4	7.1
Purchases of goods	(4.7)	(3.2)
Interest and similar revenue	1.0	0.0
Outstanding balances with joint ventures and associated companies	(6.6)	0.1
Long-term debtors	15.2	0.0
Trade debtors	5.6	0.4
Trade debts	(27.5)	(0.3)
Deferred charges and accrued revenues	0.3	0.0

We also refer to Note 8.4 in which we disclosed the guarantees Elia System Operator issued in favour of her joint venture Nemo Link Limited.

8.6. Subsidiaries, joint ventures 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 %	
			2015	2014
Elia Asset SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	99.99	99.99
Elia Engineering SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	100.00	100.00
Elia Re	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	80.00	80.00
Elia Grid International GmbH	Germany	Eichenstraße 3a, 12435 Berlin	80.00	80.00
Joint ventures				
Eurogrid International CVBA	Belgium	Bd de l'Empereur 20, 1000 Bussels	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
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH - UK	50.00	0.00
Associated companies accounted for using the equity method				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	24.50
Coreso SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	26.00	28.49
APX Group	Netherlands	Strawinskylaan 729, 1077 XX Amsterdam	0.00	29.16
Ampacimon SA	Belgium	Rue des Chasseurs Ardennais 3, 4031 Angleur	19.64	36.81
Other participations				
CASC.EU	Luxembourg	2 Rue de Bitbourg, 1273 Luxembourg-Hamm	0.00	8.33
EMCC European Market Coupling Company GmbH	Germany	Hopfenmarkt 31, 20457 Hamburg	12.00	12.00
CAO Central Allocation Office GmbH	Germany	Gute Änger 15, 85356 Freising	0.00	6.66
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	8.00	0.00
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	5.20	2.59
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	4.62	6.00

8.7. Subsequent events

In the tax assessment dated from 2008, the Belgian tax administration considered the tariff surpluses at year end 2004 as taxable revenues. As Elia did not agree with this position, Elia filed legal proceedings against this tax claim. In December 2011, the Brussels Court of First Instance judged in favour of Elia, but the tax administration lodged an appeal in February 2012, suspending the effects of the Court of First Instance's judgment. On Friday 12 November 2015, the Brussels Court of Appeal again ruled in favour of Elia, confirming the judgement of the Brussels Court of First Instance. As the Belgian Tax authorities did not file within the required time frame an appeal before the Belgian Supreme Court, the decision of the Court of Appeal is final. As a consequence of this judgement, the tax authorities should reimburse the amount of 93.8 M€, increased with interest and costs.

8.8. Services provided by the auditors

The General Meeting of Shareholders appointed as 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 following table sets forth the fees of the joint auditors and its associated companies related to the delivered services with respect to accounting year 2015:

in EUR	Belgium	Other offices in the network	Total
Statutory Audit	169,348	316,880	486,228
Other Audit	87,034	255,480	342,514
Tax advice	69,482	45,529	115,011
VAT advice	84,254	5,200	89,454
Other advisory	172,429	0	172,429
Total	582,547	623,089	1,205,636

9. REGULATORY FRAMEWORK AND TARIFFS

9.1 Regulatory framework in Belgium

9.1.1 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 transposition 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

9.1.2 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.

9.1.3 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 infrastructure 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.

9.1.4 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: $[33\% \times \text{average RAB} \times ((\text{OLO } n) + (\text{Beta} \times \text{risk premium}))]$; plus
- B: $[(S - 33\%) \times \text{average RAB} \times (\text{OLO } n + 70 \text{ base points})]$; 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: $[(\text{OLO } n + 70 \text{ base points})]$.

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.

Tariff regulation applicable as of January 1 2016

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, has 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 methodology which was applicable from 2012 to 2015: 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 elements have been used as a basis for the tariff proposition 2016-2019 which ELIA submitted to the CREG in June 2015. The tariffs 2016-2019 have been approved by the CREG and take effect on 1 January 2016.

9.2 Regulatory framework in Germany

9.2.1 Relevant legislation

The German legal framework is laid down in various pieces of legislation. The key law is the German Energy Act (Energiewirtschaftsgesetz – EnWG), which defines the overall legal framework for the gas and electricity supply industry in Germany. The EnWG is 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 Energieversorgungsnetze (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.

9.2.2 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.

9.2.3 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 influenceable 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. Since the report was published there were no further developments which would have an impact on the TSO's.

As of 31 December 2015, 50Hertz had obtained approval for 73 of the 94 active investment budget requests made since 2008. Based on the total investment budget request volume of 10.0 bn. € the approved investment budget as of the same date accounts for 5.9 bn. €.

TARIFFS

Grid access tariffs were calculated based on the respective revenue cap and published on a provisional basis on the 15th of October 2015 for the year 2016. As of 1st Jan 2016, they have been redefined for 2016 and have increased by about 30% compared to 2015 due to a significant increase in redispatch costs and also due to investment costs for offshore expansion in the Baltic Sea and in the North Sea.

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**Joint statutory auditors' report to the general meeting of Elia System Operator NV/SA
as of and for the year ended 31 December 2015**

In accordance with the legal requirements, we report to you in the framework 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 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2015 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 6.435,5 million and the consolidated statement of profit or loss shows a profit for the period of EUR 210,6 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.

Joint statutory 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 (ISA). 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.



KPMG Bedrijfsrevisoren BCVBA

Ernst & Young Bedrijfsrevisoren BCVBA

*Joint statutory auditor's report to the general meeting
of Elia System Operator NV/SA on the consolidated financial statements
for the year ended 31 December 2015*

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 31 December 2015 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, we draw attention to note 7.17 of the consolidated financial statements that provides a description of the uncertainties resulting from the final settlements arising from the tariff regulation mechanisms to be approved by the competent authorities.

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, 31 March 2016

Joint statutory auditors

KPMG Bedrijfsrevisoren BCVBA
Represented by



Benoit Van Roost
Partner

Ernst & Young Bedrijfsrevisoren BCVBA
Represented by



Marnix Van Dooren
Partner*

*Acting on behalf of a BVBA/SPRL

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 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.

Statement of financial position after distribution of profits

ASSETS (in million EUR)	2015	2014
FIXED ASSETS	3,602.1	3,607.5
Financial fixed assets	3,602.1	3,607.5
Affiliated companies	3,579.5	3,585.5
Participating interests	3,579.5	3,585.5
Other enterprises linked by participating interests	22.7	22.0
Participating interests	22.5	21.7
Other participating interests	0.2	0.3
CURRENT ASSETS	1,895.5	1,208.1
Amounts receivable after more than one year	15.4	93.8
Other amounts receivable	15.4	93.8
Inventories and contracts in progress	4.7	3.5
Contracts in progress	4.7	3.5
Amounts receivable within one year	1,271.9	967.4
Trade debtors	198.5	135.3
Other amounts receivable	1,073.4	832.0
Investments	217.3	20.0
Other term deposits	217.3	20.0
Cash at bank and in hand	380.7	110.5
Deferred charges and accrued income	5.6	13.0
TOTAL ASSETS	5,497.7	4,815.6
EQUITY AND LIABILITIES (in million EUR)	2015	2014
CAPITAL AND RESERVES	1,717.8	1,686.2
Capital	1,515.2	1,514.9
Issued capital	1,515.2	1,514.9
Share premium account	10.0	9.9
Reserves	173.1	138.7
Legal reserve	173.0	138.7
Profit carried forward	19.5	22.6
PROVISIONS, DEFERRED TAXES	0.3	0.4
Provisions for risks and charges	0.3	0.4
Other risks and charges	0.3	0.4
LIABILITIES	3,779.6	3,129.1
Amounts payable after one year	2,610.2	2,650.6
Financial debts	2,610.2	2,650.6
Unsubordinated debentures	2,094.5	2,094.8
Credit institutions	20.0	60.0
Other loans	495.8	495.8
Amounts payable within one year	825.8	274.0
Current portion of amounts payable after more than one year	540.0	0.0
Financial debts	0.0	0.0
Credit institutions	0.0	0.0
Trade debts	168.7	157.4
Suppliers	161.3	146.6
Advances received on contracts in progress	7.4	10.8
Amounts payable regarding taxes, remuneration and social security costs	8.6	8.2
Taxes	0.2	0.2
Remuneration and social security	8.4	8.0
Other amounts payable	108.6	108.4
Accrued charges and deferred income	343.5	204.5
TOTAL EQUITY AND LIABILITIES	5,497.7	4,815.6

Income statement

(in million EUR)	2015	2014
OPERATING INCOME	792.6	792.5
Turnover	780.4	786.8
Increase (+), decrease (-) in inventories of finished goods, works and contracts in progress	1.2	(3.8)
Other operating income	11.0	9.4
OPERATING CHARGES	(661.9)	(659.2)
Services and other goods	(622.4)	(622.1)
Remuneration, social security costs and pensions	(39.5)	(37.1)
Provisions for liabilities and charges (write-ups +, utilizations and reversals -)	0.0	(0.1)
OPERATING INCOME	130.8	133.2
Financial income	117.9	108.2
Income from financial fixed assets	113.0	100.2
Income from current assets	4.9	8.0
Financial charges	(112.2)	(118.8)
Interest and other debt charges	(109.8)	(115.9)
Other financial charges	(2.4)	(2.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	136.5	122.7
Extraordinary income	1.0	0.0
Proceeds from sale of investments	1.0	0.0
Extraordinary charges	(1.6)	0.0
Other extraordinary charges	(1.6)	0.0
PROFIT FOR THE FINANCIAL PERIOD BEFORE TAXATION	135.8	122.7
Income taxes	(10.4)	(10.0)
Income taxes	(10.4)	(10.0)
PROFIT FOR THE FINANCIAL PERIOD	125.4	112.6

