

Elia Group is progressing well on key investments while achieving solid results



24/02/2017

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Highlights 2016

- **Grid investments of €440 million in Belgium and €737 million in Germany to secure further the uninterrupted supply of electricity and to accommodate increasing renewable energy flows.**
- **Very high system reliability (99.999%), benefiting 30 million end-users in Belgium and Germany.**
- **Normalised net profit down 4.4% to €168.0 million following increased maintenance expenses in Germany (result down by 22.2%) partly compensated by a strong operational year in Belgium (up by 13.4%)**
- **Dividend of €1.58 will be proposed at the General Assembly on 16 May 2017**

1. 2016 in a nutshell

Elia Group, consisting mainly of the Belgian system operator Elia and the German system operator 50Hertz, plays a key role in the energy transition that is currently taking place.

In 2016, the Elia Group once again succeeded in delivering the **investments** needed for a gradual energy transition. Geared to society's needs and choices, its extensive CAPEX programme primarily includes – in addition to replacements of existing installations – investments for integrating renewable energy and enabling the further integration of the European energy market via interconnections.

In May, for example, Elia commissioned the first section of the Stevin line, namely the 380-kV connection between the Horta and Eeklo Noord high-voltage substations. September saw the start of construction work on the Herdersbrug converter station near Bruges for Nemo Link, the interconnector with Great Britain. On 29 September, the German transmission system operator Amprion and Elia signed the contract to deliver the cable system for the first interconnector between Germany and Belgium as part of the ALEGrO project. Two months later, the contracts for the two HVDC (high-voltage direct-current) converter stations were awarded.

In June, 50Hertz together with Polish system operator PSE commissioned four phase-shifting transformers on the German-Polish border at Mikulowa. The transformer platform for the Wikingen offshore wind farm was equipped and installed in the Baltic Sea. The platform was a joint project between the Spanish energy group Iberdrola and 50Hertz. Onshore, the connection works for the Ostwind offshore grid continue unabated.

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 12, point 8 for a detailed reconciliation of the non-recurring items.

2016 saw further efforts to promote **market coupling** at European level. On 5 October, the Belgian intraday market was successfully coupled with the intraday markets in Germany, France, Austria, the Netherlands and Switzerland. To this end, a new intraday allocation mechanism was introduced in the Belgian-French and Belgian-Dutch bidding zones. This mechanism will further increase liquidity on the intraday markets.

At the same time, Elia has worked on developing market products that will allow new players and technologies to meet the growing demand for flexible balancing products for system operation.

In 2016, the Elia Group also strengthened its focus on **safety**, which in Belgium resulted in, among other things, the launch of the Safety for Contractors programme, an expansion of the GoforZero accidents project aimed at subcontractors. The pilot projects tested in 2016 will be translated into improved safety procedures for subcontractors from the second quarter of 2017. The 2016 targets set for the GoforZero accidents programme were also successfully met.

Finally, international expansion continued via subsidiary Elia Grid International, through which the Elia Group offers a range of consultancy and engineering services abroad. 2016 saw the company sign a raft of new contracts in Rwanda, Kosovo and Cameroon as well as renewing existing contracts in the Middle East.

See section 3 for further information on the various significant events for the Elia Group in 2016.

2. Key figures

Consolidated results and financial position of the Elia Group:

Key figures	2016	2015	Difference (%)
Total revenues	868.1	851.4	2.0%
EBITDA	425.0	442.8	(4.0%)
EBIT	295.0	336.4	(12.3%)
<i>Non-recurring items</i>	12.0	33.5	<i>n.r.</i>
Normalised EBIT	283.0	302.9	(6.6%)
Net finance costs	(82.9)	(92.8)	(10.7%)
Net profit	179.8	210.6	(14.6%)
<i>Non-recurring items</i>	11.8	34.8	<i>n.r.</i>
Normalised net profit	168.0	175.8	(4.4%)
Total assets	6,241.5	6,435.6	(3.0%)
Equity	2,511.4	2,413.6	4.1%
Net financial debt	2,557.3	2,583.4	(1.0%)
Key figures per share	2016	2015	Difference (%)
Reported earnings per share (EUR)	2.95	3.47	(15.0%)
Normalised earnings per share (EUR)	2.76	2.89	(4.6%)
Dividend per share (EUR)	1.58	1.55	1.9%
Equity per share (EUR)	41.2	39.7	3.8%

EBIT = Result from operating activities and share of profit of equity-accounted investees (net of income tax)

EBITDA = EBIT + depreciation/amortisation + changes in provisions

Non-recurring items: see section 8 for more information on the non-recurring items.

Net profit = Profit for the period attributable to owners of the company

Equity = Equity attributable to owners of the company

Net financial debt = non-current and current loans and borrowings less cash and cash equivalents

Analyst & Investor conference call

Elia will host a conference call for institutional investors and analysts on 24 February 2017 at 10:30 a.m. CET. For dial-in details and webcast links please visit our website (<http://www.eliagroup.eu>).

Elia Group CEO Chris Peeters comments on 2016:

“We were able to improve the operational performance within the new regulatory framework in Belgium, in place since the beginning of 2016, resulting in solid results. On the German side, as expected, temporary increased maintenance activities were putting pressure on the results. We made good progress on the major on- and offshore investments while continuing the development and strengthening of the European energy market and ensuring security of supply.”

Financial

The Elia Group’s normalised net profit was down 4.4% at €168.0 million. This is a combined result from a decreasing net profit in Germany (down by 22.2%) partly compensated by increased net profit in Belgium (up 13.4%).

In Germany maintenance costs temporarily increase. They were impacted among others by substantial damage to electrical installations resulting from major storms back in 2015. These increased maintenance activities caused productivity pressure in 2016. Furthermore, following the substantial investment programme, the personnel base grew, leading to higher personnel costs (up by €11.5 million). Finally, Eurogrid locked in substantial financing through debt capital market transactions back in November 2015 and in April 2016 resulting in increased net finance costs (up by €36.5 million). These effects were only partly covered by the increased investment cost coverage following the investments made in 2016. The normalised net profit came in at €113.8 million, of which €68.3 million (60%) is included in the Elia Group’s results.

In Belgium solid results were achieved on the back of a strong operational year. The new tariff methodology came into force in 2016, linking the regulated net profit more closely to the operational performance of the company. Despite the decrease in the yearly average OLO, from 0.86% in 2015 to 0.49% in 2016, the regulated net profit increased by €8.5 million thanks to the full realisation of the mark-up investments plan and high efficiencies, which the consumers are also benefiting from. Furthermore, there was a significant increase in the customer contributions received (up €8.1 million). Finally, the normalised net profit was also negatively impacted by increased damage to electrical installations (down €3.1 million) and the movement in the pension provision (down €4.5 million). This all resulted in a normalised net profit of €99.8 million for the Belgian activities.

Taking into account the non-recurring items, which were considerably higher in 2015, the **reported Elia Group net profit** decreased by 14.6% to €179.8 million.

More details of the financial performance of the two constituent TSOs (Elia Transmission in Belgium and 50Hertz Transmission in Germany) are to be found in the individual segment reporting sections below.

The **net financial debt** decreased to €2,557.3 million (down 1.0%). Elia’s sizeable CAPEX programme, almost 25% bigger than in 2015, could be fully financed through internal resources, partly thanks to the final settlement of a fiscal claim which resulted in a cash inflow of €146.5 million.

Shareholders’ equity for the Elia Group rose 4.1% compared with 31 December 2015 from €2,413.6 million to €2,511.4 million. The increase was due to reservation of the 2016 profit less payment of dividends for 2015 and the capital increase of €5.3 million reserved for personnel. As a result, equity per share rose from €39.7 to €41.2.

At the General Meeting of Shareholders to be held on 16 May 2017, the Board of Directors will recommend that a gross dividend of €1.58 per share be paid, i.e. a net dividend of € 1.106 per share.

2.A. Segment reporting for Elia Transmission (Belgium)

Key results:

Elia Transmission key figures (in million EUR)	2016	2015	Difference (%)
Total revenues	868.1	851.4	2.0%
EBITDA	349.6	324.4	7.8%
EBIT	219.6	218.0	0.7%
<i>Non- recurring items</i>	4.9	2.9	<i>n.r.</i>
Normalised EBIT	214.7	215.1	(0.2%)
Net finance costs	(82.9)	(92.8)	(10.7%)
Income tax expenses	(32.0)	(32.9)	(2.7%)
Net profit	104.5	92.2	13.3%
<i>Non- recurring items</i>	4.7	4.2	<i>n.r.</i>
Normalised net profit	99.8	88.0	13.4%
Total assets	5,463.6	5,669.7	(3.6%)
Total equity	1,999.1	1,920.5	4.1%
Net financial debt	2,557.3	2,583.4	(1.0%)
Free cash flow	98.8	50.7	95.0%

Free cash flow = net cash from operating activities – net cash used in investing activities

The new tariff methodology approved by the regulator CREG on 26 November 2015 came into force at the start of 2016. The methodology is again applicable for a period of four years and introduces some new elements compared to the previous methodology, which was applicable from 2012 until 2015. The most important changes are 1) the way the allowed net profit is built up, which is now more linked to the operational performance, 2) the structure of the tariffs, which still apply a cost plus methodology, and 3) the definition of the cost categories: reservation costs of ancillary services (except black start) are qualified as "influenceable costs" (and no longer non-controllable costs) and are eligible for an incentive within predefined limits. Finally, tariffs are no longer fixed for a period of four years: yearly tariffs are agreed within the four-year time frame. For more information about the new regulated framework, please see note 9 of the consolidated financial statements.

Financial

Elia Transmission's revenue increased by 2.0% compared with the same period the previous year, to €868.1 million. The increase in revenues is a result of the higher allowed regulated net profit, higher revenues generated by EGI and the recovery of the pre-FID development costs for the interconnection between the UK and Belgium from Nemo Link. These increases were largely compensated by lower costs, mainly for ancillary services, financing and taxes, which are all being passed through into revenues. As noted above, the tariff structure applicable since 2016 has changed from the previous year and is now more "service driven".

The table below provides more details of changes in the various revenue components:

Detailed revenues (in million EUR)	2016	2015	Difference (%)
Revenues according to old tariff mechanism	(1.3)	792.6	n/a
Grid connection	40.8	42.1	(2.9%)
Management and development of grid infrastructure	476.8	0.0	n/a
Management of the electrical system	118.1	0.0	n/a
Compensation for imbalances	146.4	0.0	n/a
Market integration	23.5	0.0	n/a
International revenue	38.9	67.6	(42.4%)
Other income (including EGI revenues)	105.8	85.3	24.0%
Subtotal revenues & other income	949.1	987.6	(3.9%)
Settlement mechanism: deviations from approved budget	(81.0)	(136.3)	n/a
Total revenues and other income	868.1	851.4	2.0%

In 2016 there was still a final invoicing of the 2015 **revenues (according to the old tariff structure)**, amounting to a reduction of €1.3 million.

Grid connection revenues have not materially changed compared to the previous tariff structure. The revenues slightly decreased as a result of lower revenues from new grid connections with direct customers.

Costs incurred for planning, maintenance and the further development of the transmission grid in order to maintain the long-term capacity and to cope with reasonable demand for electricity transmission are paid within the **management and development of the grid infrastructure revenues**. Part of the regulated allowed net profit is also paid within these revenues.

The **management of the electrical system revenues** covers primarily the costs incurred for enabling a permanent balance between supply and demand of electricity, which includes the costs of congestion management, compensation for losses of energy and the management of electricity flows. Within these revenues, there is also a contribution to the regulated allowed net profit.

Services rendered in the context of energy management (incl. black start) and individual balancing of balancing groups are paid within the **revenues for compensation of imbalances**.

Finally, the last section of the tariff revenues encompasses the services Elia Transmission provides within the context of **market integration**. Besides the associated with performing this task, a final contribution to the regulated allowed net profit is included.

International revenue decreased by €28.7 million (down 42.4%), mainly due to reduced congestion on the borders resulting from the increased availability of Doel 3 and Tihange 2 compared to 2015.

Other income increased by 24.0% compared to the same period last year to €105.8 million. This came principally from EGI revenues, which increased from €12.7 million to €19.7 million, and from the recovery of the pre-FID development costs for the interconnection between the UK and Belgium from Nemo Link (€8.8 million).

The **settlement mechanism** (€81 million) encompasses both deviations in the current year from the **budget approved by CREG** (€66.0 million) and the settlement of old deficits and surpluses realised before 2016 (€15.0 million). The 2016 operational surplus compared to the budget is primarily a result of the higher tariff sales (€1.8 million), increased cross border revenues (€3.9 million), lower costs for ancillary services (€39.1 million), lower financial charges (€16.0 million) and lower tax charges resulting from tax credit on R&D investments (€13.6 million). This was partly offset by a higher regulated net profit compared to budget (€8.9 million).

The **reported EBITDA** (up 7.8%) and **EBIT** (up 0.7%) are mainly impacted by increased regulated net profit, higher depreciations, lower financing costs and lower current taxes to be passed on in the tariffs. However, excluding the non-recurrent items the **normalised EBIT** decreases by 0.2%. These were mainly consisting of an important positive regulatory settlement of prior years linked to the good management and

positive outcome of the tax claim (€ 5.9 million) and a tax efficiency realized for 2015 through a R&D tax credit (€ 2.4 million). Finally a one-off negative impact of €3.1 million was recorded following the reversal of a prior year adjustment on inventories not covered via tariffs.

Net **finance costs** (down 10.7%) fell by €9.9 million compared with 2015, mainly as a result of the pre-financing transaction in late 2015 for a € 500 million bond reaching maturity in April 2016. Owing to strong investor interest and lower market interest rates, the coupon of 1.375% was lower than the matured Eurobond, leading to a lower interest charge on a yearly basis. The lower lending costs are entirely at the benefit of the consumers in accordance with the regulatory framework.

The **normalised net profit** increased by 13.4% from €88.0 million in 2015 to €99.8 million in 2016 mainly due to the following items:

1. Increase in the **fair remuneration** (up €11.4 million):
The decrease in the OLO was more than compensated by the increased beta and the newly applied illiquidity premium, resulting in a fair remuneration of €36.1 million ;
2. Decrease in the **incentives** realised (down €24.5 million):
Comparing the old incentives (€47.8 million), including the offsetting in tariffs of the decommissioning of obsolete fixed assets, to the new incentives (€23.3 million), there is a decrease of €24.5 million ;
3. Newly introduced **mark-up** for strategic investments, which was fully realized in 2016, accounts for €21.6 million ;
4. Increase in the customer contributions for specific investments (up €8.1 million) ;
5. Greater damage to electrical installations (down €3.1 million) ;
6. Movement in the pension provision (down €4.5 million) ;
7. Increase in the net profit of EGI (up €1.4 million).

Total assets reduced by 3.6% to €5,463.6 million as a result of the payback of a Eurobond which came to maturity in April 2016 and which was pre-refinanced at the end of 2015, partly compensated by the CAPEX realised.

The **net financial debt** decreased slightly to €2,557.3 million (down 1.0%). The sizeable CAPEX programme could be fully financed through internal resources, partly thanks to the final settlement of the fiscal claim resulting in a cash inflow of €146.5 million. This resulted in a positive **free cash flow** of €98.8 million.

The **equity** increased mainly as a result of the reservation of the 2016 profit and payment of dividends for 2015.

Operational

The **load** measured on the Elia grid remained stable in comparison with 2015 at 77.3 TWh. The **net offtake** from the Elia network decreased from 68.1 TWh in 2015 to 67.4 TWh (down 0.9%).

In 2016, Belgium was again a net importer, although the net import decreased from 21.0 TWh in 2015 to 6.2 TWh. The total import decreased by 38.2% to 14.6 TWh whereas the export of energy increased by 211.5%, coming in at 8.5 TWh. In total, the electricity flows between Belgium and its neighbouring countries decreased (down 12.6%) to 23.1 TWh.

Investments

A net sum of €440.2¹ million (including Nemo) was invested in 2016, mainly on upgrading the high-voltage stations and laying high-voltage cables. The largest investment in 2016 was for the Stevin project, where €133 million was invested, mainly in substations and power lines. Investments in Alegro (€26.5 million) and Brabo (€16.4 million) were also made in 2016. Finally, Elia Transmission continued to finance Nemolink for an amount of € 64.5 million.

¹ Excluding Nemo and including capitalisation of software, IAS 23 (Borrowing Costs) and IFRIC 18 (Transfers of Assets from Customers – with customer contributions to grid connections fully recognised in IFRS as revenue), this gives €406.9 million.

2.B. Segment reporting for 50Hertz Transmission

Key results:

50Hertz Transmission key figures (in million EUR)	2016*	2015*	Difference (%)
Total revenues	1,291.2	1,495.6	(13.7%)
EBITDA	376.3	393.3	(4.3%)
EBIT	237.2	305.4	(22.3%)
<i>Non-recurring items</i>	16.7	72.2	<i>n,r</i>
Normalised EBIT	220.5	233.2	(5.4%)
Net finance costs	(55.4)	(18.9)	193.1%
Income tax expenses	(56.3)	(89.3)	(37.0%)
Net profit	125.6	197.3	(36.3%)
<i>Of which 60% attributable to the Elia Group</i>	<i>75.4</i>	<i>118.4</i>	<i>(36.3%)</i>
<i>Non-recurring items</i>	11.8	51.0	<i>n,r</i>
Normalised net profit	113.8	146.3	(22.2%)
<i>Of which 60% attributable to the Elia Group</i>	<i>68.3</i>	<i>87.8</i>	<i>(22.2%)</i>
Total assets	5,663.6	4,958.4	14.2%
Total equity	1,296.4	1,276.3	1.6%
Net financial debt	1,623.5	915.6	n/a
Free cash flow	(593.3)	(832.3)	n/a

* Income, expenses, assets and liabilities are reported in the table at 100%

Financial

50Hertz Transmission's revenue was down 13.7% compared with the same period last year. This decrease is a result of lower costs to be recovered primarily following a large drop in the energy costs, mainly linked to redispatch measures, which was partly compensated by higher costs for investments.

Total revenues are detailed in the table below.

Total revenues (in million EUR)	2016	2015	Difference (%)
Vertical grid revenues	944.3	769.7	22.7%
Horizontal grid revenues	167.2	123.3	35.6%
Ancillary services revenues	99.5	190.2	(47.7%)
Other revenues	64.9	61.9	4.8%
Subtotal revenues	1,275.9	1,145.1	11.4%
Settlement mechanism: deviations from approved budget	15.3	350.5	n.r.
Total revenues and other income	1,291.2	1,495.6	13.7%

Vertical grid revenue (tariffs to end customers) increased by €174.6 million (up 22.7%) primarily as a result of the increase 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 impacted by higher cost covering of energy costs and lower settlement of old tariff surpluses. Furthermore, following the ongoing investment programme, there is an increased allowed cost recovery for investments.

Horizontal grid revenue (tariffs to TSOs) increased (up 35.6%) compared to 2015 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, which in 2016 related mainly to the offshore grid connection of Ostwind 1 and Kriegers Flak Combined Grid Solution, the cost recovery charged horizontally to the other TSOs is rising and thus impacting the horizontal revenues.

Ancillary services revenues decreased by 47.7% following a decrease in redispatch measures taken and lower balancing group revenues compared to 2015.

The **settlement mechanism** includes on the one hand the annual offsetting of deficits and surpluses arising accounted for before 2016 (€95.8 million) and on the other the net surplus generated in 2016 between the costs allowed to be passed on in the tariffs and the actual costs (- €80.5 million). The operational surplus in 2016 results principally from the lower real energy costs as a result of favourable weather conditions and preventative grid measures.

The important decrease in the **reported EBITDA** (down 4.3%) and **EBIT** (down 22.3%) is mainly a result of substantial one-off effects in 2015. Excluding the non-recurring elements, the **normalised EBIT** decreased by 5.4% to €220 million. This is a result of the maintenance works that were carried out in 2016, due amongst other things to the substantial damage to electrical installations caused by major storms back in 2015. These increased maintenance activities caused productivity pressure in 2016. Furthermore, following the substantial investment programme, the personnel base grew, leading to higher personnel costs (up by €11.5 million). Finally, following the commissioning of the offshore Baltic 2 cable in late 2016, the normalised EBIT was impacted by increased depreciation (up €44.4 million)

Following the debt capital market transactions concluded in November 2015 and April 2016 for a total amount of €1,640 million, the **net finance costs** increased in 2016 by €36.4 million to €55.4 million.

Given the change in the profit before taxes, the **income tax expense** decreased by 37.0% to €56.3 million.

The decrease in the normalised net profit (down 22.2%) is mainly a result of:

1. increased cost recovery for onshore investments (up €15.5 million) ;
2. increased cost recovery for offshore investments (up €79.1 million) ;
3. increased OPEX (down €60.3 million) ;
4. increased depreciation (down €44.4 million) ;
5. increased net finance costs (down €36.4 million) ;
6. decreased taxes (up €16.5 million).

Total assets rose by 14.2% to €5,663.6 million following the investments made. Those investments also resulted in a negative **free cash flow** of €593.3 million.

Consequently, the **net financial debt** – a result of the investment volume realised – increased to €1,623.5 million at the end of 2016. The net debt includes an EEG cash position of €591.2 million.

The **equity** of 50Hertz Transmission increased by 1.6%, mainly as a result of the reservation of current year's result and the dividend distribution of €99.3 million over 2015.

Operational

In 2016 a net volume of 51.5 TWh was drawn off from the 50Hertz grid. The net offtake of electricity was 1.8% lower than during the same period last year (52.4 TWh). 50Hertz imported 12.2 TWh of electricity in 2016 (12.8 TWh in 2015) and exported 52.6 TWh (52.2 TWh in 2015). As a result, net exports of electricity increased by 3% from 39.4 TWh to 40.4 TWh. The maximum offtake within the 50Hertz grid was 9,181 MW in 2016, slightly lower (down 3.1%) than the maximum offtake in 2015 (9,478 MW).

Investments

To meet grid users' requirements, 50Hertz invested €737.3 million in 2016, 18% less than in 2015 (€901.8 million). The onshore investments amounted to €317.9 million while the offshore investments totalled €419.4 million.

The most significant onshore investments were for the overhead line project North Ring (€32.2 million), a grid rearrangement in the northern area of Berlin, for the construction of new phase shifters in the substations at Vierraden (€27.6 million) and Röhrsdorf (€17.4 million) and for the construction of substations at Altentreptow/Süd (€13.4 million) and Gransee (€10.1 million).

Offshore investments related mainly to the offshore grid connections of Ostwind 1 (€360.9 million) and the offshore interconnector project Kriegers Flak Combined Grid Solution (€28.4 million).

3. Significant events in 2016

Significant progress on crucial investments in Belgium and Germany

Nemo project - Belgium

In February 2015, Elia and National Grid signed a joint-venture agreement to build the first-ever subsea power line between the UK and Belgium. When all the work is finished, the new interconnector will have a maximum capacity of 1,000 MW. The line will comprise 140 km of cables and will provide enough electricity to power half a million homes. On both sides (Herdersbrug and Richborough), Nemo Link started in September 2016 with the construction of the converter station buildings. As a result of an unsuccessful quality test on the onshore cable however, the Nemo project has been delayed. This will not compromise the planned commissioning in the first quarter of 2019. Main challenges for 2017 are the full clearance of the unexploded ordnances found in the seabed survey and the first cable laying starting from the UK.

Stevin project - Belgium

The works evolve according to plan. In 2016 Elia already doubled the existing transport capacity between Zomergem and Eeklo by using a new type of conductor. At Damme, Maldegem and Bruges, up to 80 new high-tech towers have been installed which are considerably more compact compared to the standard towers, thereby minimizing the impact on the environment. Furthermore, the new Stevin-connection is partly realized underground. In 2016 Elia installed 60 km of underground 380kV cables, realized twin tunnels to cross the Boudewijn Canal and constructed three new substations.

Brabo project - Belgium

Elia completed the first phase of the Brabo project, upgrading the second high-voltage line between Doel and Zandvliet and commissioning an additional phase-shifting transformer on the Dutch border. The Brabo project is part of ongoing efforts by Elia to enhance the security of supply in Belgium.

Alegro project - Belgium

On 29 September, the German transmission system operator Amprion and Elia signed the contract to deliver the cable system for the first interconnector between Germany and Belgium as part of the ALEGrO project. In November 2016, Amprion and Elia signed a contract to deliver the two high-voltage direct-current (HVDC) converter stations for the first electricity interconnector between Germany and Belgium, ALEGrO. It includes the construction of two converter stations at both ends of the 90-km underground cable with a capacity of 1,000 MW. The European Commission has designated the ALEGrO project as one of its projects of common interest as it will help to bring the European energy market closer together.

Boucle de l'Est (East Loop) - Belgium

Work started on Boucle de l'Est on 1 June 2015. The primary aim of the Boucle de l'Est project is to be able to accommodate the energy generated from renewable sources in the region. It will also contribute to enhancing the security of electricity supply for the area in question. In December 2016, Stage 1 of the Boucle de l'Est project took a major milestone with the commissioning of the line linking Bévercé, Bütgenbach and Amel and will be completed in the course of 2017.

Ostwind 1 - Germany

In August 2015, at the same time as the successful connection of the Baltic 2 offshore wind farm, 50Hertz started rolling out the Ostwind 1 offshore cable project. With completion anticipated in the summer of 2019, the 93 km cable route will connect the offshore wind farms in the Westlich Adlergrund Cluster (CWA) to the grid. Costing over €1 billion, the project represents the largest investment in the history of the company so far and another key step towards the culmination of the German energy transition.

Successful launch of the new Belgian-French & Belgian-Dutch intraday capacity allocation solution

On 5 October, the Belgian intraday market was successfully connected with the intraday markets in Germany, France, Austria, the Netherlands and Switzerland through the implementation of a new Belgian-French and Belgian-Dutch intraday capacity allocation solution. This solution further improves liquidity in the intraday market.

German regulator sets return on equity for electricity and gas networks

On 12 October, the German regulator announced the new return on equity applying from 2019, setting a pre-tax rate of 6.91% for investments made after 2006 and 5.12% for investments prior to 2006 compared to respectively 9.05% and 7.14% currently applied. The new rates will remain in place for the duration of the next five-year period (2019–2023). The system will be completed within the next two years by the determination of general and individual efficiency requirements and the applicable imputed cost base for the third regulatory period. All of these items will impact the financial position of the company.

Successful debt capital market transaction by 50Hertz

In April, Eurogrid GmbH, under its EMTN programme, issued a corporate bond worth €750 million. The bond has a duration of 12 years and a coupon of 1.5%. The bond, which was placed with investors from over 25 countries, is also meant to finance the ambitious investment programme, entailing expenditure of about €3.5 billion over the next five years, in line with the objectives of the energy transition.

New RCF signed by Elia Transmission

In early July, a new revolving credit facility was signed with six banks, for a total of €650 million. The RCF has a duration of five years and can be extended twice for one year.

Downgrade of S&P rating from A- to BBB+

In September, the rating agency S&P downgraded Elia from A- with negative outlook to BBB+ on the back of the heavy investment programme that Elia is facing over the coming years in both Belgium and Germany. Given Elia's real commitment to implementing the CAPEX programme for the benefit of the community, S&P sees limited financial flexibility and is therefore applying a negative modifier within its rating.

Elia Group signs MOU with KAHRAMAA

At the GCC Power Conference held in Doha, Qatar in November 2016, the Elia Group, through its affiliate EGI, signed a Memorandum of Understanding with the Qatar General Electricity and Water Corporation (KAHRAMAA) - the sole transmission and distribution system owner and operator for the electricity and water sector in the State of Qatar. The memorandum covers the general exchange of information on the electricity industry of each country as well as the exchange of technology in such fields as power system operation and control, power system planning in the medium and long term, asset management (including maintenance methodologies), Smart Grid, FACTS, renewable energy integration, power market studies and innovative technologies.

4. Important events after 31 December 2016

There are no important events to report after 31 December 2016.

5. Outlook

In Belgium, the results achieved in 2016 within the new regulatory framework provide a good base for further work. However, significant proportion of the results is directly linked to the realisation of investments for which a certain external risk is always present. In 2017, Elia Transmission expects to invest approximately €488 million in further strengthening and expanding its grid, namely €347 million in the Belgian high-voltage grid (including €27.4 million in the Modular Offshore Grid) and €141 million in the Nemo project. €164 million of CAPEX is linked to realisation of the specific incentive on strategic investments ("mark-up incentive").

In Germany, we remain positive in the mid-term thanks to a stable regulatory framework until 2018 and the significant maintenance activities carried out in 2016. 50Hertz Transmission is expecting an investment budget of around €600 million for 2017.

6. Declaration of the joint statutory auditors

The joint statutory auditors, Ernst & Young Bedrijfsrevisoren/Réviseurs d'Entreprises represented by Mr Marnix Van Dooren and KPMG Bedrijfsrevisoren/Réviseurs d'Enterprises represented by Mr Benoit Van Roost, have confirmed that their audit procedures, which have been substantially completed, have not revealed any material adjustments which would have to be made to the accounting information included in this press release.

7. Financial calendar for 2017

Publication of 2016 Annual Report
Interim statement Q1 2017
2017 General Meeting
Payment of dividend for 2016
Publication of 2017 half-yearly results
Interim statement Q3 2017

early April 2017
17 May 2017
16 May 2017
early June 2017
28 July 2017
30 November 2017

8. Non-recurring items - reconciliation table

(in million EUR) - Period ended 31 December 2016	Elia Transmission	50Hertz Transmission à 100%	Consolidation entries	Elia Group
EBIT – Non-recurring items				
Regulatory settlements prior year	8.1	9.1	(9.1)	8.1
Reversal adjustment prior year not covered via tariffs	(3.1)	0.0	0.0	(3.1)
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	7.1	7.1
Energy bonuses	0.0	7.6	(7.6)	0.0
Total EBIT non-recurring items	4.9	16.7	(9.6)	12.0
Tax impact	(0.2)	(4.9)	4.9	(0.2)
Net profit – non-recurring items	4.7	11.8	(4.7)	11.8

(in million EUR) - Period ended 31 December 2015	Elia Transmission	50Hertz Transmission à 100%	Consolidation entries	Elia Group
EBIT – Non-recurring items				
HGRT transactions	3.1	0.0	0.0	3.1
Regulatory settlements prior year	(0.2)	0.0	0.0	(0.2)
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	30.6	30.6
Commissioning Baltic 2	0.0	45.6	(45.6)	0.0
Energy bonuses	0.0	11.3	(11.3)	0.0
Non-recurrent customer contributions	0.0	9.9	(9.9)	0.0
Non-recurrent provisions	0.0	5.4	(5.4)	0.0
Total EBIT non-recurring items	2.9	72.2	(41.6)	33.5
Net finance costs - APX transaction	1.2	0.0	0.0	1.2
Tax impact	0.1	(21.2)	21.2	0.1
Net profit – non-recurring items	4.2	51.0	(20.4)	34.8

About Elia:

The Elia Group is organised around two electricity transmission system operators: Elia Transmission in Belgium and (in cooperation with Industry Funds Management) 50Hertz Transmission, one of the four German transmission system operators, active in the north and east of Germany. With more than 2,000 employees and a transmission grid comprising some 18.300 km of high-voltage connections serving 30 million consumers, the Elia Group is one of Europe's top five TSOs. It efficiently, reliably and securely transmits electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The Group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources.

In addition to its system operator activities in Belgium and Germany, the Elia Group offers businesses a range of consultancy and engineering services.

The Group operates under the legal entity Elia System Operator, a listed company whose reference shareholder is municipal holding company Publi-T.

Website: This press release and the annexes are available on www.elia.be

ANNEXES

- Consolidated statement of financial position
- Consolidated statement of profit and loss
- Consolidated statement of profit and loss and other comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Segment reporting – reconciliation
- Notes

ANNEXES:

Consolidated statement of financial position

(in million EUR)	31 December 2016	31 December 2015
ASSETS		
NON CURRENT ASSETS	5,653.9	5,306.6
Property, plant and equipment	2,956.5	2,687.2
Intangible assets and goodwill	1,735.8	1,734.6
Trade and other receivables	63.0	16.4
Equity-accounted investees	832.4	793.4
Other financial assets (including derivatives)	65.4	73.3
Deferred tax assets	0.8	1.7
CURRENT ASSETS	587.7	1,128.9
Inventories	22.6	24.2
Trade and other receivables	379.6	326.1
Current tax assets	2.8	148.0
Cash and cash equivalents	176.6	626.4
Deferred charges and accrued revenues	6.1	4.2
Total assets	6,241.6	6,435.5
EQUITY AND LIABILITIES		
EQUITY	2,512.6	2,414.4
Equity attributable to owners of the Company	2,511.4	2,413.6
Share capital	1,517.2	1,512.8
Share premium	11.8	10.0
Reserves	173.0	138.7
Hedging reserve	(6.2)	(11.9)
Retained earnings	815.6	764.0
Non-controlling interest	1.2	0.8
NON CURRENT LIABILITIES	2,728.0	2,730.3
Loans and borrowings	2,586.4	2,605.4
Employee benefits	75.1	80.1
Derivatives	9.4	18.0
Provisions	23.3	17.5
Deferred tax liabilities	28.7	6.9
Other liabilities	5.1	2.4
CURRENT LIABILITIES	1,001.0	1,290.8
Loans and borrowings	147.5	604.3
Provisions	2.4	3.0
Trade and other payables	390.8	310.3
Current tax liabilities	0.5	2.0
Accruals and deferred income	459.8	371.2
Total equity and liabilities	6,241.6	6,435.5

Consolidated statement of profit and loss

(in million EUR) – Year ended 31 December	2016	2015
Continuing operations		
Revenue	800.1	780.1
Raw materials, consumables and goods for resale	(18.8)	(15.5)
Other income	68.0	71.3
Services and other goods	(336.6)	(346.5)
Personnel expenses	(143.9)	(137.6)
Depreciation, amortisation and impairment	(124.8)	(114.2)
Changes in provisions	(5.3)	7.8
Other expenses	(22.1)	(32.2)
	216.6	213.2
Results from operating activities		
Share of profit of equity-accounted investees (net of income tax)	78.4	123.2
	295.0	336.4
Earnings before interest and tax (EBIT)		
	(82.8)	(92.8)
Net finance costs		
Finance income	7.0	10.6
Finance costs	(89.9)	(103.4)
	212.2	243.5
Profit before income tax		
Income tax expense	(32.0)	(32.9)
	180.2	210.6
Profit from continuing operations		
	180.2	210.6
Profit for the period		
Profit attributable to:		
Owners of the Company	179.9	210.6
Non-controlling interest	0.3	0.0
	180.2	210.6
Profit for the period		
	180.2	210.6
Earnings per share (EUR)		
Basic earnings per share	2.95	3.47
Diluted earnings per share	2.95	3.47

Consolidated statement of profit and loss and other comprehensive income

(in million EUR) – Year ended 31 December	2016	2015
Profit for the period	180.2	210.6
Other comprehensive income (OCI)		
Items that may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	8.7	7.4
Equity-accounted investees - share of OCI	0.0	0.7
Related tax	(2.9)	(2.5)
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligations	1.2	8.5
Equity-accounted investees - share of OCI	(0.6)	(0.4)
Related tax	(0.4)	(2.7)
Other comprehensive income for the period, net of tax	6.0	10.9
Total comprehensive income for the period	186.2	221.5
Total comprehensive income attributable to:		
Owners of the Company	185.9	221.5
Non-controlling interest	0.3	0.0
Total comprehensive income for the period	186.2	221.5

Consolidated statement of changes in equity

(in million EUR)	Share capital	Share premium	Hedging reserve	Foreign currency translation Reserves	Retained earnings	Total	Non-controlling interests	Total equity	
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			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	0.3	0.1					0.4		0.4
Share-based payment expenses	0.1						0.1		0.1
Transfer to legal reserve					22.3	(22.3)			
Dividends						(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
Balance at 1 January 2016	1,512.8	10.0	(11.9)	0.1	138.8	763.8	2,413.6	0.8	2,414.4
Profit for the period						179.8	179.8	0.3	180.2
Other comprehensive income			5.8			0.2	6.0		6.0
Total comprehensive income for the period			5.8			180.0	185.8	0.3	186.2
Transactions with Owners, recorded directly in equity									
Contributions by and distributions to Owners									
Shares issued	3.5	1.8					5.3		5.3
Share-based payment expenses	0.9						0.9		0.9
Transfer to legal reserve					34.3	(34.3)			
Dividends						(94.1)	(94.1)		(94.1)
Total contributions and distributions	4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Total transactions with Owners	4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Balance at 31 December 2016	1,517.2	11.8	(6.1)		173.0	815.5	2,511.4	1.2	2,512.6

Consolidated statement of cash flows

(in million EUR)	31 December 2016	31 December 2015
Cash flows from operating activities		
Profit for the period	179.9	210.6
Adjustments for:		
Net finance costs	82.9	92.8
Other non-cash items	1.0	0.1
Income tax expense	12.5	17.3
Profit or loss of equity-accounted investees, net of income tax	(78.5)	(123.2)
Depreciation of property, plant and equipment and amortisation of intangible assets	124.4	113.8
Gain on sale of property, plant and equipment and intangible assets	8.8	15.2
Impairment losses of current assets	0.6	0.6
Change in provisions	(1.2)	(19.8)
Change in fair value of derivatives	1.0	1.0
Change in deferred taxes	19.4	15.5
Cash flow from operating activities	350.9	323.9
Change in inventories	1.3	(9.8)
Change in trade and other receivables	(61.4)	(21.1)
Change in other current assets	3.9	7.3
Change in trade and other payables	80.5	9.2
Change in other current liabilities	91.2	148.5
Changes in working capital	115.5	134.1
Interest paid	(115.6)	(111.1)
Interest received	56.5	1.4
Income tax paid	80.3	(14.4)
Net cash from operating activities	487.6	333.9
Cash flows from investing activities		
Acquisition of intangible assets	(9.6)	(7.0)
Acquisition of property, plant and equipment	(388.6)	(327.5)
Acquisition of equity-accounted investees	(25.8)	(10.2)
Proceeds from sale of property, plant and equipment	3.2	6.0
Proceeds from sales of investments	6.3	11.5
Proceeds from capital decrease from equity-accounted investees	7.2	6.0
Dividend received from equity-accounted investees	57.3	54.4
Loans and long term receivables to joint ventures	(38.7)	(16.4)
Net cash used in investing activities	(388.7)	(283.2)
Cash flow from financing activities		
Proceeds from the issue of share capital	5.3	0.4
Expenses related to the issue of share capital	(0.1)	0.0
Dividends paid (-)	(94.2)	(93.7)
Repayment of borrowings (-)	(540.0)	0.0
Proceeds from withdrawal of borrowings (+)	80.0	497.9
Non-controlling interests	0.3	0.0
Net cash flow from (used in) financing activities	(548.7)	404.6
Net increase (decrease) in cash and cash equivalents	(449.8)	455.3
Cash & cash equivalents at 1 January	626.4	171.1
Cash & cash equivalents at 31 December	176.6	626.4
Net variations in cash & cash equivalents	(449.8)	455.3

Segment reporting - reconciliation

Consolidated results (in million EUR) - Period ended 31 December	2016	2016	2016	2016
	Elia Transmission (Belgium) (a)	50Hertz Transmission (Germany) (b)	Consolidation entries & intersegment transactions (c)	Elia Group (a) + (b) + (c)
Total revenues and other income	868.1	1,291.2	(1,291.2)	868.1
Depreciation, amortisation, impairment and changes in provisions	(130.0)	(139.1)	139.1	(130.0)
Results from operating activities	216.6	237.2	(237.2)	216.6
Share of profit of equity-accounted investees, net of income tax	3.1	0.0	75.3	78.4
Earnings before interest and tax (EBIT)	219.6	237.2	(161.8)	295.0
Earnings before depreciations, amortisations, interest and tax (EBITDA)	349.6	376.3	(300.9)	425.0
Finance income	7.0	1.8	(1.8)	7.0
Finance costs	(89.9)	(57.1)	57.1	(89.9)
Income tax expenses	(32.0)	(56.3)	56.3	(32.0)
Profit attributable to the Owners of the Company	104.5	125.6	(50.2)	179.9
Consolidated statement of financial position (in million EUR)	31.12.2016	31.12.2016	31.12.2016	31.12.2016
Total assets	5,463.6	5,663.6	(4,885.6)	6,241.6
Capital expenditures	406.9	737.3	(737.3)	406.9
Net financial debt	2,557.3	1,623.5	(1,623.5)	2,557.3

Consolidated results (in million EUR) - Year ended 31 December	2015	2015	2015	2015
	Elia Transmission (Belgium) (a)	50Hertz Transmission (Germany) (b)	Consolidation entries & intersegment transactions (c)	Elia Group (a) + (b) + (c)
Total revenues and other income	851.4	1,495.6	(1,495.6)	851.4
Depreciation, amortisation, 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 income tax	4.8	0.0	118.4	123.2
Earnings before interest and tax (EBIT)	218.0	305.4	(187.0)	336.4
Earnings before depreciations, amortisations, interest and tax (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 expenses	(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

Notes

a. Basis of preparation and significant accounting policies used for preparation of the financial statements

The consolidated financial information is an extract from the consolidated financial statements that will be published in April 2017.

The same accounting policies were used to prepare the Elia Group's consolidated financial statements for the financial year ending 31 December 2016 as were used to prepare the consolidated financial statements for the financial year ending 31 December 2015 (see section 3. 'Significant accounting policies' of the financial part of the annual report for 2015), as published in April 2016, with the exception of the following:

(i) the application of the new, revised or amended IASB standards below, which came into effect on 1 January 2016:

- Amendments to IAS 16 and IAS 38 – Clarifies Acceptable Methods of Depreciation and Amortisation;
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants;
- Amendments to IAS 27 Equity Method in Separate Financial Statements;
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: applying the consolidation exception;
- Amendments to IAS 1 Disclosure Initiative;
- Annual Improvements to IFRS 2012-2014 cycle – collection of minor improvements to 4 existing standards.

These new, revised or amended standards did not have a material impact on the consolidated financial statements of the Group.

The Elia Group did not early adopt any new standards, amendments of standards or interpretations.

b. Scope of consolidation

There have been no changes to the subsidiaries, joint ventures and associates related to the relevant note in the annual report relating to the situation as at 31 December 2015.

Company	31 December 2016	31 December 2015
Parent company:		
- Elia System Operator SA/NV	Full	Full
Subsidiaries:		
- Elia Asset SA/NV	Full	Full
- Elia Engineering SA/NV	Full	Full
- Elia Re SA	Full	Full
- Elia Grid International SA/NV	Full	Full
- Elia Grid International GmbH	Full	Full
Joint ventures:		
- Eurogrid International CVBA	Equity	Equity
- Eurogrid GmbH	Equity	Equity
- 50Hertz Transmission GmbH	Equity	Equity
- 50Hertz Offshore GmbH	Equity	Equity
- Gridlab GmbH	Equity	Equity
- E-Offshore A LLC	Equity	Equity
- Atlantic Grid Investment A Inc	Equity	Equity
- Nemo Link Ltd.	Equity	Equity
Associates:		
- HGRT SAS	Equity	Equity
- Coreso SA/NV	Equity	Equity
- Ampacimon SA/NV	Equity	Equity
Other participations:		
- Atlantic Grid A LLC	-	-
- EMCC GmbH	-	-
- European Energy Exchange AG	-	-
- TSCNET Services GmbH	-	-
- JAO SA	-	-