PRESS RELEASE

27 July 2018

# Consolidating our position in 50Hertz while delivering solid operational performance

## HIGHLIGHTS

- **Grid investments of €234 million in Belgium and €104 million in Germany to ensure reliable supply of electricity and accommodate growing renewable energy flows.**
- **Very high system reliability (99.998%), benefitting 30 million end users in Belgium and Germany.**
- **Acquisition of an additional 20% stake in Eurogrid International in April 2018, resulting in full control of Eurogrid and a change in consolidation method.**
- **Net profit (Elia Group share)[1] up 38.6% to €142.2 million as a result of the acquisition of additional shares of Eurogrid, strong operational performance and the release of a legal claim provision in Germany and the realisation of strategic investments in Belgium.**
- **Outlook slightly more positive for 2018.**

## 1. H1 2018 IN A NUTSHELL

### In the interest of society

The Elia Group is active in electricity transmission. With subsidiaries in Belgium (Elia) and northeast Germany (50Hertz), we operate 18,600 km of high-voltage connections that supply power to 30 million end users. Our robust grid is critical to socioeconomic development in our control areas. We also aspire to be a catalyst for a successful energy transition towards a reliable, sustainable and affordable energy system. In addition to its activities as a transmission system operator (TSO), the Elia Group provides various consulting services to international customers through its subsidiary Elia Grid International (EGI).

### Full control over German subsidiary 50Hertz

On 26 April 2018, Elia System Operator NV/SA (Elia) completed its acquisition of an additional 20% stake in Eurogrid International CVBA/SCRL (Eurogrid), the holding company of German transmission system operator 50Hertz. Elia now has full control of Eurogrid and can fully consolidate the results of Eurogrid and its subsidiaries into the Group's results. This transaction is a key step in realising our growth strategy. It shores up cooperation between Elia and 50Hertz and underscores Elia's desire to become a leading group of European transmission system operators.

### Notification on the remaining 20% stake in Eurogrid

In late May 2018, Elia received a second notification from IFM that it intends to sell its remaining 20% stake in Eurogrid. As Elia had already acquired a first 20% share package from IFM in April, Elia's objective to fully control 50Hertz in order to realise the full potential of its growth strategy and become a leading group of TSOs in Europe was achieved. In order to foster

[1] Net profit attributable to the equity holder of the parent

a Belgian-German cooperation regarding critical grid infrastructure, Elia will exercise its pre-emption right on the remaining 20% stake of IFM and sell them immediately at the same financial conditions to the state-owned German bank KfW.

## Infrastructure work for greater interconnectivity

Major progress was made in Belgium on the construction of two new interconnectors: **Nemo Link** (with Great Britain) and **ALEGrO** (with Germany). Greater interconnectivity promotes increased integration of renewable energy and allows for more affordable prices on the European internal market.

The commissioning of the Nemo Link cable (joint venture with Britain's National Grid) is expected in Q1 2019. On the Belgian side, work began in April 2018 with the laying of 71 kilometres of subsea cable. Construction of the converter stations on both sides of the Channel is almost complete. These will convert the direct current from the subsea cable into alternating current for transmission onshore (and vice versa). Work on the ALEGrO project began in mid-January 2018 and should take two years to complete. The 90-km-long underground HVDC connection (of which 40 km is in Belgium) is being built in partnership with German system operator Amprion.

In Germany, two phase-shifting transformers were commissioned at **Röhrsdorf** high-voltage substation in early 2018, making it possible to better control cross-border electricity flows between Germany and the Czech Republic.

## Infrastructure work to integrate offshore wind power

In Belgium, all the main contracts for the construction of the **Modular Offshore Grid** (MOG) have been awarded. The MOG project comprises the erection of an offshore switchyard platform - functioning as a kind of 'electric hub' - for four future wind farms to bring the energy generated to the mainland. This project is a first for Belgium and opens up opportunities for the further development of renewable energy in the North Sea.

In Germany, key milestones were reached in the **Ostwind 1** project connecting the onshore high-voltage grid with the (future) Westlich Adlergrund Cluster wind farms in the Baltic Sea. The Arkona offshore switchyard platform was successfully placed on the foundations in early April. A second transformer has been commissioned at Lubmin high-voltage substation.

In February 2018, foundations were also laid in the Baltic Sea for the two transformer platforms in the Kriegers Flak area. The platforms are eight kilometres apart. The largest will connect Denmark's Kriegers Flak offshore wind farm with Germany's Baltic 2 offshore wind farm. With the **Combined Grid Solution** project 50Hertz will build the world's first interconnector between two offshore wind farms.

Following an offshore wind tender in late April 2018, Germany's Bundesnetzagentur allocated 733MW of connection capacity to the Baltic Sea, specifically to the Arcadis-Ost 1, Baltic Eagle and Wikinger Süd wind farms. This represents another key step towards the culmination of the German energy transition. This decision will create additional load on the 50Hertz offshore grid.

## Future development of the electricity grid

In line with its legal obligation to draw up a federal development plan every four years, in late May 2018 Elia submitted a draft report to CREG on the medium-term future of the Belgian high-voltage grid (Federal Development Plan 2020-2030). Elia advocates an accelerated approach to infrastructure development in order to fully exploit the advantages of the energy transition. The Federal Development Plan 2020-2030 will be available for viewing in late 2018 during a public consultation.

A similar planning process was launched in Germany. 50Hertz will examine how it can meet the revised renewables targets set by the new German government. The Merkel government wants to increase the share of renewables from 55 to 65% by 2030. 50Hertz is primarily considering greater use of the capacity of the existing transmission system. Key expansion projects are also being developed, such as the HVDC SuedOstlink and additional offshore grid connections.

## Market developments

Elia and 50Hertz signed an agreement with system operators TenneT, RTE, Swissgrid, Amprion, APG and Transnet on creating a reflection group on the market model for the future European energy system. We want to develop a sustainable vision, together. Depending on the reflection group's results and any subsequent steps proposed, the participants will jointly devise and promote the future market model.

Following five years of development and testing the **XBID platform** (Cross-Border-Intra-Day) was launched on 12 June 2018, opening up intraday cross-border trading between 14 European countries. The XBID project is a major step forward on the path to an integrated European intraday market.

The first shared **datahub** for the Belgian grid was launched in early 2018. The central IT platform is the result of close cooperation between Elia and the distribution system operators. The new IT system will promote flexibility on the electricity market to maintain balance between supply and demand at the best price at all times. It is an example of efficient collaboration between Elia and Belgian DSOs that will also be essential for ensuring a successful energy transition.

After two years of intensive talks with all market players involved, on 15 March 2018 Elia launched a formal public consultation to revise the **Federal Grid Code**. This forms the legal foundations converting the European Network Codes into Belgian directives. It governs cross-border transactions on the Belgian electricity market, among other things. This is the first time it has been extensively revised since 2002. After a period of consultation, the amended proposal was submitted to the relevant authorities on 17 May 2018.

## 2. KEY FIGURES

Consolidated results and financial position of the Elia Group for the first six months of 2018:

| Key figures (in € million) | H1 2018 | H1 2017 (restated[2]) | Difference (%) |
|---|---|---|---|
| Total revenues | 632.1 | 425.2 | 48.7% |
| Equity accounted investees | 64.7 | 52.8 | 22.5% |
| EBITDA | 316.3 | 224.2 | 41.1% |
| EBIT | 219.2 | 160.8 | 36.3% |
| *Non-recurring items* | *(0.1)* | *0.0* | *n/a* |
| Normalised EBIT | 219.3 | 160.8 | 36.4% |
| Net finance costs | (35.7) | (37.2) | (4.2%) |
| **Normalised net profit** | **142.7** | **102.5** | **39.2%** |
| **Net profit** | **147.6** | **102.5** | **44.0%** |
| *Non-controlling interests* | 5.4 | (0.1) | n/a |
| **Net profit attributable to Elia** | **142.2** | **102.6** | **38.6%** |
| Total assets | 13,095.9 | 6,582.3 | 99.0% |
| Equity | 2,612.8 | 2,563.3 | 1.9% |
| Net financial debt | 4,815.9 | 2,689.1 | 79.1% |
| Key figures per share | 2018 | 2017 | Difference (%) |
| Reported earnings per share (EUR) (Elia Group share) | 2.33 | 1.68 | 38.4% |
| Normalised earnings per share (EUR) | 2.26 | 1.68 | 34.5% |
| Equity attributable to owners of the company per share (EUR) | 42.9 | 42.1 | 1.9% |

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 7 for more information on the non-recurring items.
Equity = equity attributable to owners of the company
Net financial debt = non-current and current loans and borrowings less cash and cash equivalents
Comparative figures for Total assets, Equity, Net financial debt and Equity per share are 31/12/2017

**Analyst & Investor conference call**

**The Elia Group will host a conference call for institutional investors and analysts on 27 July 2018 at 10:00 a.m. CET. For dial-in details and webcast links please visit our website (http://www.eliagroup.eu).**

[2] The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated. We refer to note 13 in the attached Condensed consolidated financial statements for more details.

## Financial

The H1 2018 results reflect the acquisition of an additional 20% stake in Eurogrid, which Elia acquired on 26 April 2018. This transaction increased Elia's shareholding in Eurogrid from 60% to 80%, giving Elia full control over Eurogrid. Consequently, the consolidation of Eurogrid and its affiliates switched from the equity method, which applied for the first four months of the 2018 financial year, to a full consolidation as of May 2018. The total acquisition price amounts to €976.5 million for the additional 20% stake, plus €12.2 million in interest.

The acquisition was initially financed by a 12-month bridge loan of €968.1 million, extendable twice for a further 6 months. Elia intends to replace the bridge loan by issuing a combination of a hybrid bond (€700 million) and a senior bond (€300 million) during H2 2018, depending on market conditions. In order to benefit from the low interest rate environment, the mid-swap rate linked to this takeout financing is fully hedged per half year.

For the first six months of 2018, **revenues** totalled €632.1 million, representing a 48.7% increase compared to the €425.2 million revenues recorded in the first half of 2017. The reported revenue was primarily driven by the inorganic growth resulting from the aforementioned acquisition of Eurogrid, adding a full two months of Eurogrid revenues amounting to €191.9 million. On a rebased basis[3], revenues increased by €31.6 million (up 5.3%), driven by higher revenues in Belgium (up €12.7 million) and a strong increase in revenues for the last two months in Germany compared to prior year (up €19.9 million) and this despite the general drop in revenues over the first half of 2018.

First half **reported EBIT** increased by 36.3% compared to H1 2017, to €219.2 million. The reported EBIT for the first six months of 2018 included Eurogrid's contribution of €115.4 million (€63.5 million based on the equity method and €51.9 million under full consolidation). On a rebased basis, EBIT increased by 13.3% driven by strong operational performance in both Belgium and Germany.

The **normalised net profit of the Elia Group** increased by 39.2% to €142.7 million. This increase was the result of the aforementioned acquisition (and its consolidation impact) and a higher normalised result in both Belgium and Germany:

- In **Belgium**, solid results were achieved for the first six months of 2018, with a normalised net profit of €53.3 million (up 3.8%) driven by the realisation of the strategic investment programme. The regulated net profit was up €5.9 million due to the cumulative effect from the full realisation of the mark-up investments since the start of the tariff period in 2016 and the strong progress made on these strategic investments during the first half of 2018 (up €3.7 million), an increase in the yearly average OLO compared to 2017 (up €2.7 million) and lower regulatory settlements from prior year (up €1.3 million). These impacts were offset to some extent by a lower contribution from incentives (down €1.8 million). Furthermore, the result was negatively impacted by a lower contribution from Elia Grid International (down €1.2 million), lower activation of borrowing costs (down €1.1 million) and financial expenses linked to the bridge funding (down €1.1 million).

- In **Germany** (on a 100% basis), the normalised net profit increased considerably (up 55.3%), mainly due to the release of a legal claim provision. This provision was established after German unification to cover possible legal claims by land owners in Eastern Germany. Following a re-assessment driven by a tax audit, part of the provision was released (up €48.7 million) in April of this year (60% attributable to Elia). The profit figure also benefitted from the ongoing investment programme leading to higher remuneration on both onshore and offshore CAPEX (up €10.1 million) and the efficiency programme launched in 2017 resulted in lower operational costs (up €7.8 million). Finally, the offshore investment cost coverage decreased by €20.1 million due to a transition towards a cost-plus mechanism starting in 2019. Indeed, the regulatory allowance for offshore OPEX changed from a 3.4% OPEX lump sum on invested CAPEX, as applied in the past, to a pass-through mechanism for incurred costs. This all resulted in a normalised net profit of €132.4 million for German activities.

Taking into account the non-recurring items, mainly related to the aforementioned acquisition, the **reported Elia Group net profit** increased by 44.0% to €147.6 million.

The **net profit of the Elia Group attributable to the owners of the company** (after deducting the €5.4 million in non-controlling interests) was up 38.6% to €142.2 million. This increase was driven by the acquisition of the additional 20% stake in Eurogrid and the combined result of an increase in net profit in both Belgium (up 9.1%) and Germany (up 56.9%).

[3] Rebased financial statements: Purely for comparative purposes the 2017 financial statements have been rebased as if the acquisition and change in consolidation would have occurred in 2017 by (1) increasing the participation in Eurogrid from 60% to 80% as from May 1st 2017, (2) applying a Full Consolidation method for Eurogrid as from May 1st, 2017 identical to the change in consolidation method as applied as from May 1st, 2018, (3) not adjusting pre-acquisition periods (i) with effects directly related to the transaction (eg purchase cost, financing, goodwill, business combination impacts (IFRS 3)…) (ii) with remeasurement of topics resulting from changes in estimates occurred in 2018, but not known in 2017, and (4) considering IFRS 15 as if it had been implemented on January 1, 2017. The rebased figures are only presented as a support for assessing growth rates on a comparable basis, and not as a measure of our pro forma financial performance.

As of June 30, 2018, the acquisition of an additional 20% stake in Eurogrid contributed positively to the Elia Group net result for an amount of €7.5 million. This positive contribution is linked to the 20% share of Eurogrid's net income since acquisition (up €5.4 million) and the remeasurement at fair value of the initial 60% participation (up €9.2 million), offset to some extend by financial costs linked to the bridge financing (down €1.1 million) and hedging of the mid-swap rate for the hybrid bond (down 3.9 million) and acquisition related expenses (down €2.1 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.

As of June 30, 2018, Elia Group carried a total **net financial debt** of €4,815.9 million (up €2,126.8 million), of which €1,044.2 million is linked to the full consolidation of Eurogrid. In addition to the consolidation effect, the net debt increased with the €968.1 million of bridge financing that has been contracted to finance the aforementioned acquisition. During the first half, the sizeable CAPEX programme of the Elia Group was mainly financed by cash flow from operating activities and the use of €50 million of commercial paper in Belgium. No external debt was issued by Eurogrid in 2018.

**Equity attributable to the owners of the company** rose 1.9% compared with year end 2017, rising from €2,563.3 million to €2,612.8 million. This is mainly due to the profit from the first half of the year (€142.2 million) being partially offset by the dividend payment for 2017 (€98.7 million).

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

**Key results**

| Elia Transmission key figures (in € million) | H1 2018 | H1 2017 (restated[4]) | Difference (%) |
|---|---|---|---|
| Total revenues | 437.9 | 425.2 | 3.0% |
| Equity accounted investees | 1.2 | 1.6 | (22.2%) |
| EBITDA | 173.8 | 173.0 | 0.5% |
| EBIT | 103.8 | 109.6 | (5.3%) |
| *Non-recurring* | *(3.1)* | *0.0* | *n.r.* |
| Normalised EBIT | 107.0 | 109.6 | (2.4%) |
| Net finance costs | (28.8) | (37.3) | (22.7%) |
| Income tax expenses | (19.1) | (21.1) | (9.7%) |
| **Net profit** | **56.0** | **51.3** | **9.1%** |
| *Non-recurring* | *2.7* | *0.0* | *n.r.* |
| **Normalised net profit** | **53.3** | **51.3** | **3.8%** |
| Total assets | 7,073.4 | 6,030.7 | 17.3% |
| Total equity | 1,962.9 | 2,011.7 | (2.4%) |
| Net financial debt | 3,771.7 | 2,689.1 | 40.3% |
| Free cash flow | (1,019.0) | (18.2) | n.r. |

Free cash flow = net cash from operating activities – net cash used in investing activities
Comparative figures for Total assets, Total equity and Net financial debt are 31/12/2017

### Financial

First half **revenues** increased by 3.0% compared to H1 2017 to €437.9 million. The increase in revenues is a result of the higher allowed regulated net profit, higher depreciation and higher taxes that are passed through into revenues. These increases were partly offset by lower costs, mainly for ancillary services and financing, which are all passed through into revenues to the benefit of consumers, and the lower revenues generated by Elia Grid International (EGI).

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

| Detailed revenues (in € million) | H1 2018 | H1 2017 (restated[4]) | Difference (%) |
|---|---|---|---|
| Grid connection | 21.7 | 21.2 | 2.4% |
| Management and development of grid infrastructure | 237.5 | 240.8 | (1.4%) |
| Management of the electrical system | 58.8 | 60.0 | (2.0%) |
| Compensation for imbalances | 95.6 | 81.4 | 17.5% |
| Market integration | 13.1 | 12.3 | 6.3% |
| International revenue | 24.6 | 20.8 | 18.7% |
| Other income (including EGI revenues) | 34.6 | 35.7 | (3.1%) |
| **Subtotal revenues & other income** | **485.9** | **472.2** | **2.9%** |
| Settlement mechanism: deviations from approved budget | (47.9) | (47.0) | (2.0%) |
| **Total revenues and other income** | **437.9** | **425.2** | **3.0%** |

**Grid connection revenues** increased slightly to €21.7 million (up 2.4%) due to higher revenues from new grid connections with direct customers.

Revenues from **management and development of grid infrastructure** (down 1.4%) and **management of the electrical system** (down 2.0%) decreased slightly, mainly due to a tariff decrease.

[4] The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated. We refer to note 13 in the attached Condensed consolidated financial statements for more details.

Services rendered in the context of energy management and individual balancing of balancing groups are paid within the revenues from **compensation of imbalances**. These revenues increased by €14.2 million to €95.6 million, largely due to the tariff increase for management of power reserves and black-start (up €5.9 million) and by higher revenues from compensation of imbalances, in particular for the month of March due to an unexpected cold snap and higher imbalance prices during the first half of 2018 (up 8.3 million).

Finally, the last section of tariff revenues encompasses the services Elia Transmission provides within the context of **market integration**, which increased by 6.3% to €13.1 million, mainly driven by a tariff increase.

**International revenue** increased by €3.8 million (up 18.7%) due to higher congestion income on the southern border as a result of improved nuclear availability in France combined with low nuclear availability in Belgium.

**Other income** declined by 3.1% compared to the same period last year, to €34.6 million. The fall is due to EGI revenues, which decreased from €6.0 million to €2.7 million, as fewer owner engineering services were delivered compared to the same period last year.

The **settlement mechanism** (€47.9 million) encompasses both deviations in the current year from the budget approved by the regulator (€58.6 million) and the settlement of net surpluses from prior tariff period (-€10.7 million). The operating excess, in relation to the budget of the costs and revenues authorised by the regulator, must be returned to the consumers and therefore does not form part of the revenues. The operational surplus compared to the budget is primarily a result of the higher tariff sales (€3.8 million), increased cross-border revenues (€8.4 million), lower costs for ancillary services (€39.0 million) and lower financial charges (€14.8 million). This was partly offset by a higher regulated net profit (€1.9 million) and higher taxes compared to the budget (€5.1 million).

The **normalised EBIT** (down 2.4%) was mainly impacted by higher non-regulated costs, the lower contribution from EGI and equity-accounted investees, partially offset to some extent by the increase in the regulated net profit and higher depreciations that are passed through into revenues. The decrease in **reported EBIT** (down 5.3%) is more pronounced due to non-recurring expenses of €3.1 million, related to legal and advisory fees, linked to the acquisition of Eurogrid.

Net **finance costs** (down 22.7%) fell by €8.5 million compared to the same period the previous year. This decrease was mainly driven by lower financing costs (down €4.4 million) related to the financing of the regulated activities in Belgium, to the benefit of consumers, in accordance with the regulatory framework. This was offset to some extent by the financial costs related to the acquisition of Eurogrid, which is regarded as non-regulated financing and therefore does not impact tariffs. A bridge loan of €968.1 million was initially contracted to finance the additional stake in Eurogrid, resulting in financial expenses of €1.4 million. The bridge loan will be replaced by the issuance of a €700 million hybrid bond and a €300 million senior debt in the second half of 2018. In this respect the mid-swap rate linked to both the hybrid and senior debt have been hedged. This hedging results in a temporary non-recurring financial cost of €3.9 million recognised in the income statement (hybrid bond) and €4.9 million in other comprehensive income (senior debt). Lastly, a financial non-recurring gain of €9.2 million linked to the remeasurement to fair value of the Group's initial 60% interest in Eurogrid was recognised.

The **normalised net profit** increased by 3.8% to €53.3million, mainly due to the following factors:

1. Increase in the **fair remuneration** (up €2.7 million):
   The higher average OLO compared to the first half of 2017 (up 0.19%) led to a fair remuneration of €22.5 million.
2. Decrease in the **incentives** realised (down €1.8 million):
   Strong operational performance, primarily on the incentive linked to import capacity (up €0.7 million) and continuity of supply (up €0.3 million), was offset by a higher average tax rate (down €1.1 million) and lower efficiency (down €1.6 million)
3. Higher **mark-up** for strategic investments (up €3.7million) accounted for €18.1 million.
4. Lower result of **Elia Grid International** (down €1.2 million)
5. Lower activation of borrowing costs (down €1.1 million)
6. Others (down €0.3 million): represents mainly the regulatory settlement for prior year (up €1.3 million), net financial expenses linked to bridge financing (down €1.1 million) and deferred tax effects.

The **reported net profit** increased more significantly, up 9.1% to €56.0 million, considering the non-recurring items linked to the acquisition of Eurogrid, as the remeasurement to fair value of the Group's initial participation in Eurogrid was partially offset by acquisition-related expenses and financial costs largely related to the intended issuance of €700 million hybrid bond.

Total **assets** increased by €1,042.7 million to €7,073.4 million, mainly as a result of the strong progress made on the investment programme and the increased participation in Eurogrid. Goodwill of €703.3 million was recognised[5] on this acquisition.

[5] We refer to note 4 in the attached Condensed consolidated financial statements for more details

The **net financial debt** increased by €1,082.6 million to €3,771.7 million. This increase mainly reflects the bridge loan (€968.1 million) that was contracted to finance the additional 20% stake in Eurogrid. For the first six months of 2018, Elia's capex programme was mainly financed by cash flows generated from operating activities of €172.4 million and the drawing of commercial paper totalling €50 million.

## Operational

The load measured on the Elia grid at the end of June 2018 (38.8 TWh) remained stable in comparison with 2017 (39.1 TWh). Net offtake from the Elia grid also remained stable: 34.1 TWh at the end of June 2017 and 33.9 TWh at the end of June 2018.

At the end of June 2018, Belgium was again a net importer. Net imports increased from 4.6 TWh at the end of June 2017 to 7.0 TWh at the end of June 2018. Total imports increased by 26.7% to 10.1 TWh, whereas energy exports decreased by 9% to 3.1 TWh. Overall electricity flows between Belgium and its neighbouring countries increased by 16% to 13.2 TWh.

## Investments

In the first half of 2018, Elia further accelerated its investments to a net amount of €234 million[6] (including Nemo), mainly for upgrading high-voltage substations and installing high-voltage interconnections, intended to incorporate renewable energy into the grid and facilitate the further integration of the European energy market through interconnection.

Work on important interconnection projects such as Brabo (€22.9 million) and ALEGrO (€21.2 million) continued, as well as investments to upgrade the high-voltage Mercator-Horta line (€21.1 million). In addition, €27.4 million was invested in the Modular Offshore Grid. Finally, Elia Transmission continued to finance Nemo Link to the tune of €21.7 million.

[6] Excluding Nemo and including capitalisation of software and IAS 23 (Borrowing Costs) and IFRS 15 (Revenue Recognition - Transfer of Assets from Customers), this gives €222.1 million.

## 2.B. Segment reporting for 50Hertz Transmission (Germany)

**Key results**

| 50Hertz Transmission key figures (in € million) | H1 2018 | H1 2017 (restated[7]) | Difference (%) |
|---|---|---|---|
| Total revenues | 600.0 | 683.0 | (12.2%) |
| EBITDA | 228.2 | 231.7 | (1.5%) |
| EBIT | 218.2 | 158.6 | 37.6% |
| *Non-recurring* | *2.2* | *0.1* | *n.r.* |
| Normalised EBIT | 216.0 | 158.5 | 36.3% |
| Net finance costs | (23.4) | (28.0) | (16.5%) |
| Income tax expenses | (61.0) | (45.2) | 34.8% |
| **Net profit** | **133.9** | **85.3** | **56.9%** |
| ***Of which attributable to the Elia Group*** | ***127.5*** | ***51.2*** | ***149.1%*** |
| *Non-recurring* | *1.5* | *0.1* | *n.r.* |
| ***Normalised net profit*** | **132.4** | **85.3** | **55.3%** |
| Total assets | 6,574.8 | 6,196.0 | 6.1% |
| Total equity | 1,500.9 | 1,361.9 | 10.2% |
| Net financial debt | 1,044.2 | 1,435.6 | (27.3%) |
| Free cash flow | 402.5 | 463.6 | (13.2%) |

* Income, expenses, assets and liabilities are reported in the table at 100%
Comparative figures for Total assets, Total equity and Net financial debt are 31/12/2017

### Financial

**50Hertz Transmission's revenue** decreased by 12.2% compared to the same period last year. This was the result of growing revenues following the increase in onshore and offshore investments, partially offset by lower pass-through energy costs and a reduced allowance for offshore operational costs.

**Total revenues** are detailed in the table below.

| Total revenues (in € million) | H1 2018 | H1 2017 (restated[7]) | Difference (%) |
|---|---|---|---|
| Vertical grid revenues | 514.8 | 631.2 | (18.4%) |
| Horizontal grid revenues | 125.3 | 103.2 | 21.4% |
| Ancillary services revenues | 37.6 | 61.5 | (38.9%) |
| Other revenues | 29.6 | 30.5 | (3.0%) |
| ***Subtotal revenues*** | **707.3** | **826.4** | **(14.4%)** |
| Settlement mechanism: deviations from approved budget | (107.3) | (143.4) | n.r. |
| **Total revenues and other income** | **600.0** | **683.0** | **(12.2%)** |

**Vertical grid revenues** (tariffs to end customers) declined by €116.4 million (down by 18.4%) primarily as a result of the decrease in the total allowed revenues by the regulator. The allowance for non-controllable energy costs reduced by €136.3 million, mainly from the balancing of historical differences. In 2017 a tariff deficit was recovered (caused by high energy costs in 2015), while in 2018 a tariff surplus is paid back to the customers (caused by low energy costs in 2016). Furthermore the cost recovery for investments increased following the ongoing CAPEX programme (up €26.4 million).

**Horizontal grid revenues** (tariffs to other TSOs) increased by €22.1 million compared to the first half of 2017 due to higher congestion income (up €3.5 million) and a higher offshore allowance (up €18.6 million). In Germany, all offshore connection 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 rising offshore investments, which in 2018 pertain mainly to the offshore grid connection for Ostwind 1, the cost recovery charged horizontally to the other TSOs is rising and thus impacting horizontal revenues.

[7] The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated. We refer to note 13 in the attached Condensed consolidated financial statements for more details.

**Ancillary services revenues** decreased by €23.9 million compared to the first half of 2017. A new cost-sharing mechanism for redispatch was agreed between the German TSOs, while the completion of the southwest coupling line reduced the requirements for redispatch measures. Consequently, it was possible to further reduce redispatch volume, leading to lower revenues and costs for 50Hertz. Additionally, revenues received from the balancing groups dropped, as the corresponding costs for control energy were lower than in the first half of 2017.

The **settlement mechanism** includes both the annual offsetting of deficits and surpluses arising accounted for prior to 2018 (+ €28.5 million) and the net surplus generated in 2018 between the costs allowed to be passed on in the tariffs and the actual costs (- €135.8 million). The liability for the first half of 2018 mainly results from the continuously low redispatch costs compared to a high allowance in the revenue cap. Furthermore, grid revenues (horizontal and vertical) include an offshore OPEX allowance of 3.4% on invested capital. With the transition towards a cost-plus mechanism starting in 2019, there is a strong conviction that only incurred offshore costs will be accepted in 2018 (pass-through approach). This generated a difference between the allowance in the revenues and the lower actual costs incurred, which will be paid back to the customer, and for which a liability was recognised (-€33.6 million).

**EBITDA** decreased slightly by €3.5 million to €228.2 million (down 1.5%). The investment remuneration decreased (down €14.5 million), as the higher onshore (up €9.1 million) and offshore (up €5.0 million) remuneration driven by the ongoing investment programme, was fully offset by the lower regulatory allowance for offshore OPEX (down €28.6 million). The efficiency programme already implemented in 2017, resulted in a further drop in operational expenses driven by lower maintenance and insurance costs, while own work capitalised revenues increased due to a higher allocation of personnel costs to new investments (up €8.5 million). **Normalised EBIT** (up 36.3%) was further impacted by the release of a provision for legal claim easements (up €69.2 million). This provision was established after the German unification to cover possible legal claims by landowners in Eastern Germany. Following a re-assessment driven by a tax audit, part of the provision was released. This was partly offset by the increased depreciations resulting from the commissioning of the southwest coupling line and the North Ring in the second half of 2017 (down €5.5 million). Taking into account non-recurring revenues of €2.2 million for the regulatory settlement of prior years, the **reported EBIT** came in at €218.2 million (up 37.6%).

The **normalised net profit** increased by 55.3% to €132.4 million as a result of:

1. Growing asset base leading to higher investment remuneration (up €14.1 million)
2. Decreased Offshore OPEX remuneration (down €28.6 million):
3. Lower OPEX and other costs (up €8.5 million)
4. Release of provision (up €69.2 million);
5. Increased depreciation (down €5.5 million) driven by commissioning of investments;
6. Reduced net finance costs (up €4.6 million), mainly due to a provisioning of €4.4 million for interest on tax risk in 2017
7. Increased income tax expense (down €15.1 million)

**Total assets** increased by 6.1% to €6,574.8 million, mainly due to the favourable development of EEG's cash flows and the investments made. The first half of 2018 showed a positive **free cash flow** of €402.5 million linked to the positive EEG cash flows and the strong operational cash flow exceeding the investment payouts. Consequently, the **net financial debt** decreased to €1,044.2 million from the end of 2017. The net debt includes an EEG cash position of €954.2 million.

## Operational

A net volume of 24.8 TWh was drawn off from the 50Hertz grid, 2.5% higher than during the same period last year (24.2 TWh). The year's peak load was 8,469 MW (8,664 MW in H1 2017). In the first half of 2018, 50Hertz was again a net exporter of electricity, with net exports of 25.8 TWh (23.8 TWh in H1 2017). Some 6.6 TWh of electricity was imported and 32.4 TWh exported (6.2 TWh and 30.0 in H1 2017).

## Investments

To meet grid users' requirements, 50Hertz Transmission invested €104.0 million in the first half of 2018, 7% more than in the first half of 2017 (€97.1 million).

The onshore investments amounted to €69.6 million, while the offshore investments totalled €34.4 million. The most significant onshore investments were for the modernisation of the telecommunications network (€10.0 million), the overhead line project North Ring (€2.7 million) and the reinforcement of high voltage pylons in order to increase the operational safety (€4.0 million). Offshore investments were mainly made for the offshore grid connection of Ostwind 1 (€23.2 million) and the offshore interconnector project Kriegers Flak Combined Grid Solution (€4.9 million).

# 3. SIGNIFICANT EVENTS DURING THE FIRST HALF OF 2018

## Significant progress on crucial investments in Belgium and Germany

### Nemo project - Belgium

Work on the Nemo Link, the joint project between Elia and National Grid to operate the first electricity interconnector between Belgium and the United Kingdom (UK), is progressing well. On the Belgian side, the Herdersbrug converter station is finished and ready for connection to the grid in September. On the British side, work on the Richborough converter station is nearing completion and scheduled for connection to the UK grid later this year.

Land-based cable works on both shores of the North Sea have been completed. The last section of subsea cable will be connected to the land cable in Belgium in September. The energizing test of the interconnector is planned for the last quarter of the year.

In the meantime, the project partners are also making good headway in their efforts to prepare the business side of things by establishing the required contractual frameworks and commercial agreements and developing and testing essential IT platforms. The electricity interconnector is scheduled to be commissioned in Q1 2019, provided there are no technical setbacks, allowing bidirectional energy flows between the UK and Belgium.

### ALEGrO project – Belgium

In late 2017, the ALEGrO project – constructing the first electricity interconnector between Belgium and Germany – obtained all the permits and authorisations needed for work to commence in Belgium. Consequently, three parallel subprojects have been launched since the beginning of the year: firstly, the construction of a 49-km underground connection alongside existing infrastructure (the E40 motorway, high-speed rail link, etc.) between the transformer substation at Lixhe and the connection point with Amprion on the German border; secondly, the converter station at Lixhe, in the municipality of Visé, which will link the ALEGrO connection to the existing network; and thirdly, a microtunnel to enable cables to pass under the River Meuse and Albert Canal at the Cheratte viaduct.

Elia expects construction work on the infrastructure for this interconnection to take two years and commission in 2020.

### Brabo project - Belgium

The Brabo project is part of work to upgrade the Belgian electricity grid and is necessary to safeguard supply to the whole of Belgium and in particular the Antwerp port area. Preparatory work in and along the River Scheldt were carried out between January and April 2018. On each bank of the river Elia is erecting a new pylon, the biggest in Belgium, to connect the high-voltage substation at Lillo with Liefkenshoek. Work on the foundations will be completed by July and the new pylons will then be assembled, this work taking until Q2 2019.

### Mercator-Horta – Belgium

Work has progressed well on the 49-km, 380-kV Mercator-Horta high-voltage line in East Flanders, running from Kruibeke to Zomergem. The project's initial phase involved reinforcing the pylons and their foundations and replacing the first conductors. The reinforcement work will end in 2019, enabling the line, which has become an increasingly important link in the European electricity system in recent years, to transmit more energy. The Mercator-Horta upgrade is crucial for ensuring efficient energy exchanges with Belgium's neighbours and guaranteeing security of supply.

### Modular Offshore Grid - Belgium

Following the final investment decision taken in April 2017, Elia awarded all the main construction contracts for the Modular Offshore Grid (MOG). The implementation of the project is on schedule and aims to go live by the end of Q3 2019 and become fully operational in 2020. The MOG project entails Elia constructing an electricity hub for four offshore wind farms to bring the energy they generate onshore as efficiently as possible. This is the first project of its kind in Belgium and will create further opportunities for the development of renewable energy in the North Sea.

### Ostwind 1 - Germany

Work on the Ostwind 1 project is progressing well. The main aim of this project is to lay three cable systems connecting the Lubmin onshore substation with two offshore substations (OSSs) and interconnect the latter. The first and second cable links were completed during H2 2017. After undergoing successful high-voltage tests, the cables are now in test operation mode. During H1 2018, the two OSSs were constructed and then successfully interconnected by cable. Since good progress is being made on laying the third and final cable system, the project is well on track to become fully operational by its binding completion dates. Thanks to various savings made, for consumers' benefit, the project's overall cost will be less than initially planned.

## Ostwind 2 - Germany

Following an offshore wind tender issued in April 2018, the German Federal Network Agency (BNetzA) allocated 733 MW of connection capacity to three wind farms in the Baltic Sea: Arcadis-Ost 1, Baltic Eagle and Wikinger Süd. This represents another key step towards the culmination of the German energy transition. Meanwhile, 50Hertz has initiated talks with the wind farm operators to reach a mutual understanding on the timeframes and technical design of the required grid connections. The alternating current (AC) connection to be built by 50Hertz will consist of three cable systems connecting the Lubmin onshore substation with the offshore substations. A tender for manufacturing, laying and installing the cables has been launched and good progress is being made with other preparatory work, such as seabed surveys and preparation for unexploded ordnance (UXO) clearance. A final decision on the investment is scheduled for the end of 2018.

## Kriegers Flak Combined Grid Solution - Germany

Work on the Kriegers Flak Combined Grid Solution project is progressing well. This entails constructing the first interconnector between two national offshore wind farms, with a planned transfer capacity of 400 MW. Early in 2018, foundations for the transformer platforms were shipped from Ostend (Belgium) to Denmark. After waiting for an appropriate weather window, these foundations were laid on the seabed and the offshore platforms were successfully installed. The platforms will serve to collect power generated by the future offshore wind farm on the Kriegers Flak reef and enable Denmark and Germany to exchange electricity. Work to lay and pull in the two interconnector cables was successfully concluded in early July, and work on the back-to-back system is under way at the onshore substation at Bentwisch. When finished, this system will convert the different frequencies in the Danish and German control areas, making it possible to couple the two countries' grids. The interconnector's first energisation is scheduled for the end of 2018, followed by a trial operation period beginning in 2019.

## Acquisition of additional 20% stake in Eurogrid International SCRL

On 26th April 2018, Elia completed the acquisition of an additional 20% stake in Eurogrid International SCRL, the holding company of German TSO 50Hertz Transmission GmbH. Elia increased its participation after being notified by the Australian infrastructure fund IFM Investors of its intention to sell half of its 40% shareholding in Eurogrid. The total acquisition price was €976.5 million for the 20% stake plus €12.2 million in interest. Following the transaction, Elia now owns 80% of Eurogrid and as result fully controls 50Hertz. Going forward, Eurogrid and its affiliates will be fully consolidated in Elia's group result.

This acquisition represents a major step forward in realising Elia Group's growth strategy. It enables the further strengthening of cooperation between Elia and 50Hertz, and underscores Elia's ambition to be one of Europe's leading transmission system operators. The transaction enhances the Group's profile and resources, enabling it to develop a reliable, sustainable, affordable and integrated power system, and will not affect end consumer tariffs, which are regulated in the respective countries.

## A shared datahub for the Belgian Grid

The first shared central data hub for the Belgian grid has been up and running since March 2018. This new IT system is the result of close collaboration between the distribution system operators (DSOs) and Elia, and will encourage further market flexibility. It gathers all the data needed to perform an economic assessment of used flexibility, e.g. the consumption profiles of all grid users who opt to offer flexibility. The system calculates the quantity of energy 'not consumed' or generated over a given period, thereby ensuring that the market processes involved in flexibility run smoothly. Against a backdrop of growing intermittent renewable energy generation, greater grid flexibility is becoming increasingly necessary to ensure that supply and demand are balanced at all times at the lowest possible cost.

## Innovation

In Belgium, battery storage was contracted for primary reserves for the first time. The 140 Tesla batteries were developed by Limburg-based investment company LRM and demand-management company REstore. They have a capacity of 18 MW and will help to maintain balance on the Elia grid.

Elia successfully tested a fixed wing drone in March 2018. The drone completed a 10-km demo flight while performing a visual inspection along a 70-kV high-voltage line. Belgian law currently only permits drones that remain within the pilot's field of vision.

## New tariff methodology 2020-2023

On June 28, the Belgian regulator approved the new tariff methodology that will be applicable for the period 2020-2023. The precise treatment of the non-regulated activities is still under discussion. This methodology represents a continuation of the main principles already applicable today. The regulatory framework remains a cost-plus model, with cost coverage of all reasonable costs and remuneration. This remuneration is based on an equity remuneration and incentives and also the embedded debt principle remains applicable. The parameters for the computation of the equity-based remuneration were revised: the risk-free rate will be fixed ex-ante at 2.4% for the whole period and also the regulatory gearing increases from 33% to 40%. The remuneration includes specific incentives, covering a wide range of regulated activities in Belgium.

## Elia awarded Top Employer label

Elia was awarded the Top Employer 2018 label, identifying it as one of Belgium's 64 top employers and one of the three best in the energy sector. This is excellent news with a view to the energy transition, as Elia is set to play a major role in the changes ahead and needs to attract new talent and cultivate its in-house expertise.

# 4. OUTLOOK AND OTHER INFORMATION[8]

In Belgium, the implementation of our investment plan is progressing well, so assuming a stable trend in the Belgian 10-year OLO, we can retain a positive outlook for our 2018 results with expected regulated return slightly above 2017, despite the change in accounting treatment for customer contributions following the adoption of IFRS15. Having invested €234 million in the first six months of 2018, with good progress on strategic interconnection projects like Brabo, ALEGrO and Nemo, we expect total investments of around €630 million for 2018 as a whole.

Forecast results for **Germany** remain positive with the regulatory framework remaining stable throughout 2018. The lower offshore OPEX remuneration, due to a transition towards a cost-plus mechanism as of 2019, is more than offset by the reversal of a legal claim provision and stronger operational performance. As a result we are confident that we will achieve a return (RoE) in the upper end of the targeted 10-12% range. With capital expenditures of €104 million in the first six months of 2018, we remain on track to achieve the announced investment programme of €470 million for the full year of 2018.

In the second half of 2018, Elia intends to replace the current bridge loan by issuing a mix of a hybrid bond (€700 million) and a senior bond (€300 million). Although the mid-swap rate for both the hybrid bond and the senior bond are fully hedged, the final terms depend on market conditions and will only be known at the time the take-out funding is issued.

# 5. JOINT AUDITORS' REVIEW REPORT

The condensed consolidated interim financial statements for the six-month period ending on 30 June 2018 attached to this press release were reviewed by the Joint Auditors.

# 6. FINANCIAL CALENDAR FOR 2018

| | |
|---|---|
| Interim statement Q3 2018 | 30 November 2018 |
| Publication of 2018 annual results | 22 February 2019 |
| Publication of 2018 Annual Report | Early April 2019 |
| General Meeting of Shareholders | 14 May 2019 |

[8] The following statements are forward looking and actual results may differ materially

## 7. NON-RECURRING ITEMS - RECONCILIATION TABLE

| (in € million) – Period ended 30 June 2018 | Elia Transmission | 50Hertz Transmission (100%) | Consolidation entries | Elia Group |
|---|---|---|---|---|
| **EBIT – Non-recurring items** | | | | |
| Regulatory settlements prior year | 0.0 | 2.2 | 1.4 | 3.6 |
| Equity consolidation 50Hertz (60% net profit) | 0.0 | 0.0 | (0.6) | (0.6) |
| Acquisition costs 50Hertz | (3.1) | 0.0 | 0.0 | (3.1) |
| **Total EBIT non-recurring items** | **(3.1)** | **2.2** | **0.8** | **(0.1)** |
| Non-recurring financial costs | (4.4) | 0.0 | 0.0 | (4.4) |
| Remeasurment participation Eurogrid | 9.2 | 0.0 | 0.0 | 9.2 |
| **Total below EBIT non-recurring items** | **1.7** | **2.2** | **0.8** | **4.7** |
| Tax impact | 1.1 | (0.7) | (0.2) | 0.1 |
| **Net profit – non-recurring items** | **2.7** | **1.5** | **0.6** | **4.8** |

| (in € million) - Period ended 30 June 2017 | Elia Transmission | 50Hertz Transmission (100%) | Consolidation entries | Elia Group |
|---|---|---|---|---|
| **EBIT – Non-recurring items** | | | | |
| Regulatory settlements prior year | 0.0 | (1.0) | 1.0 | 0.0 |
| Equity consolidation 50Hertz (60% net profit) | 0.0 | 0.0 | 0.0 | 0.0 |
| Energy bonuses | 0.0 | 1.1 | (1.1) | 0.0 |
| **Total EBIT non-recurring items** | **0.0** | **0.1** | **(0.1)** | **0.0** |
| Tax impact | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net profit – non-recurring items** | **0.0** | **0.1** | **(0.1)** | **0.0** |

# About the Elia Group

## ONE OF EUROPE'S TOP FIVE PLAYERS

The Elia Group is active in electricity transmission. We ensure that production and consumption are balanced around the clock, supplying 30 million end users with electricity. With subsidiaries in Belgium (Elia) and northwest Germany (50Hertz), we operate 18,600 km of high-voltage connections. As such, our group is one of Europe's top five. With a reliability level of 99.998%, we give society a robust power grid, which is important for socioeconomic prosperity. We also aspire to be a catalyst for a successful energy transition towards a reliable, sustainable and affordable energy system.

## WE MAKE THE ENERGY TRANSITION HAPPEN

By expanding international high-voltage connections and integrating ever-increasing amounts of renewable energy production, the Elia Group promotes both the integration of the European energy market and the decarbonisation of our society. The Elia Group is also innovating its operational systems and developing market products so that new technologies and market parties can access our grid, thus making the energy transition happen.

**Headquarters**

**Elia System Operator**
**Boulevard de l'Empereur 20**
**1000 Brussels – Belgium**

**50Hertz GmbH**
**Heidestraße 2**
**D-10557 Berlin – Germany**

## IN THE INTEREST OF SOCIETY

As a key player in the energy system, the Elia Group is committed to working in the interest of society. We respond to the rapidly changing energy mix, i.e. the increase in renewable energy, and constantly adapt our transmission grid. We also ensure that investments are made on time and within budget, with a maximum focus on safety. When we carry out our projects, we manage stakeholders proactively by establishing two-way communication with all affected parties very early on in the development process. We also offer our expertise to our sector and relevant authorities to build the energy system of the future.

## INTERNATIONAL FOCUS

In addition to its activities as a transmission system operator, the Elia Group provides various consulting services to international customers through its subsidiary Elia Grid International (EGI). Elia is also part of the Nemo Link consortium that is building the first subsea electrical interconnector between Belgium and the UK.

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

www.elia.be/www.eliagroup.eu

## ANNEXES:

## 1. STATEMENT ON THE TRUE AND FAIR VIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND THE FAIR OVERVIEW OF THE INTERIM MANAGEMENT REPORT

Chris Peeters, Chief Executive Officer and Chairman of the Management Committee, and Catherine Vandenborre, Chief Financial Officer, certify on behalf of the company that, to their knowledge,

a) the condensed consolidated interim financial statements, which have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, gives a true and fair view of the equity, financial position and financial performance of the company, and the entities included in the consolidation as a whole,

b) the interim management report includes a fair overview of the information required under Article 13, paragraphs 5 and 6 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Brussels, 26 July 2018

| | |
|---|---|
| Catherine Vandenborre | Chris Peeters |
| Chief Financial Officer | Chairman of the Management Committee & Chief Executive Officer |

## 2. INTERIM MANAGEMENT REPORT

- Key figures, reported in sections 1 and 2 of the press release
- Significant events in the first half of 2018, reported in section 3 of the press release
- The report of the joint statutory auditors on their review of the condensed consolidated interim financial information

## 3. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Condensed consolidated statement of financial position

| (in € million) | Notes | 30 June 2018 | 31 December 2017 (restated *) |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | **10,742.0** | **6,079.1** |
| Property, plant and equipment | (7) | 7,875.3 | 3,202.4 |
| Intangible assets and goodwill | | 2,497.8 | 1,738.6 |
| Trade and other receivables | | 162.0 | 147.8 |
| Equity-accounted investees | (4) | 120.3 | 928.6 |
| Other financial assets (including derivatives) | | 85.0 | 60.9 |
| Deferred tax assets | (10) | 1.6 | 1.0 |
| **CURRENT ASSETS** | | **2,353.9** | **503.2** |
| Inventories | | 18.8 | 13.6 |
| Trade and other receivables | | 380.8 | 281.1 |
| Current tax assets | | 15.2 | 3.8 |
| Cash and cash equivalents | | 1,908.8 | 195.2 |
| Deferred charges and accrued revenues | | 30.3 | 9.6 |
| **Total assets** | | **13,095.9** | **6,582.3** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | **2,913.4** | **2,564.4** |
| Equity attributable to owners of the Company | | 2,612.8 | 2,563.3 |
| Share capital | | 1,517.6 | 1,517.6 |
| Share premium | | 11.9 | 11.9 |
| Reserves | | 173.0 | 173.0 |
| Hedging reserve | | (4.8) | 0.0 |
| Retained earnings | (6) | 915.1 | 860.8 |
| Non-controlling interest | | 300.6 | 1.1 |
| **NON-CURRENT LIABILITIES** | | **6,130.6** | **3,047.9** |
| Loans and borrowings | (8) | 5,665.6 | 2,834.7 |
| Employee benefits | | 91.6 | 84.3 |
| Derivatives | | 10.4 | 0.0 |
| Provisions | | 105.7 | 20.8 |
| Deferred tax liabilities | (10) | 115.0 | 19.5 |
| Other liabilities | | 142.3 | 88.5 |
| **CURRENT LIABILITIES** | | **4,051.9** | **970.0** |
| Loans and borrowings | (8) | 1,059.1 | 49.5 |
| Provisions | | 12.1 | 4.5 |
| Trade and other payables | | 1,842.8 | 378.5 |
| Current tax liabilities | | 89.7 | 2.9 |
| Accruals and deferred income | | 1,048.2 | 534.6 |
| **Total equity and liabilities** | | **13,095.9** | **6,582.3** |

** See note 13 for details regarding the restatement as a result of a change in accounting policy.*

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

## Condensed consolidated statement of profit or loss

| (in € million) - Period ended 30 June | Notes | 2018 | 2017 (restated *) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | 594.4 | 393.8 |
| Raw materials, consumables and goods for resale | | (11.6) | (5.6) |
| Other income | | 37.7 | 31.4 |
| Services and other goods | | (257.9) | (157.7) |
| Personnel expenses | | (93.5) | (72.5) |
| Depreciations, amortisations and impairments | | (96.3) | (63.8) |
| Changes in provisions | | (0.9) | 0.4 |
| Other expenses | | (17.4) | (18.0) |
| **Results from operating activities** | | **154.5** | **108.0** |
| Share of profit of equity-accounted investees (net of tax) | | 64.7 | 52.8 |
| **Earnings before interest and tax (EBIT)** | | **219.2** | **160.8** |
| **Net finance costs** | | **(35.7)** | **(37.2)** |
| Finance income | | 12.5 | 2.7 |
| Finance costs | | (48.2) | (39.8) |
| **Profit before income tax** | | **183.5** | **123.7** |
| Income tax expense | (11) | (36.0) | (21.2) |
| **Profit from continuing operations** | | **147.6** | **102.5** |
| **Profit for the period** | | **147.6** | **102.5** |
| Profit attributable to: | | | |
| Equity holders of ordinary shares | | 142.2 | 102.5 |
| Non-controlling interest | | 5.4 | 0.0 |
| **Profit for the period** | | **147.6** | **102.5** |
| | | | |
| **Earnings per share (EUR)** | | | |
| Basic earnings per share | | 2.33 | 1.68 |
| Diluted earnings per share | | 2.33 | 1.68 |

** See note 13 for details regarding the restatement as a result of a change in accounting policy.*

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

## Condensed consolidated statement of profit or loss and other comprehensive income

| (in € million) | Notes | 30 June 2018 | 30 June 2017 (restated *) |
|---|---|---|---|
| **Profit for the period** | | **147.6** | **102.5** |
| **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 | | (6.5) | 4.7 |
| Related tax | | 1.6 | (1.6) |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurements of post-employment benefit obligations | | 9.5 | 7.6 |
| Related tax | | (2.4) | (2.6) |
| **Other comprehensive income for the period, net of tax** | | **2.2** | **8.1** |
| **Total comprehensive income for the period** | | **149.8** | **110.6** |
| Total comprehensive income attributable to: | | | |
| Equity holders of ordinary shares | | 144.4 | 110.6 |
| Non-controlling interest | | 5.4 | 0.0 |
| **Total comprehensive income for the period** | | **149.8** | **110.6** |

** See note 13 for details regarding the restatement as a result of a change in accounting policy.*

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

## Condensed consolidated statement of changes in equity

| (in € million) | Share capital | Share premium | Hedging reserve | Foreign currency translation | Reserves | Retained earnings | Equity attributable to the owners of the company | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2017, as reported | 1,517.2 | 11.8 | (6.1) | 0.0 | 173.0 | 815.5 | 2,511.4 | 1.2 | 2,512.6 |
| Change in accounting policy IFRS 15 * | | | | | | (56.9) | (56.9) | | (56.9) |
| Restated balance at 1 January 2017 | 1,517.2 | 11.8 | (6.1) | 0.0 | 173.0 | 758.6 | 2,454.5 | 1.2 | 2,455.7 |
| Profit for the period | | | | | | 102.5 | 102.5 | (0.0) | 102.5 |
| Other comprehensive income | | | 3.0 | 0.1 | | 5.0 | 8.1 | | 8.1 |
| **Total comprehensive income for the period** | | | **3.0** | **0.1** | **0.0** | **107.5** | **110.6** | **(0.0)** | **110.6** |
| **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 |
| Dividends | | | | | | (96.2) | (96.2) | | (96.2) |
| Total contributions and distributions | 0.4 | 0.1 | 0.0 | 0.0 | 0.0 | (96.2) | (95.7) | (0.0) | (95.7) |
| ***Changes in ownership interests*** | | | | | | | | | |
| Total transactions with Owners | 0.4 | 0.1 | | | | (96.2) | (95.7) | | (95.7) |
| **Balance at 30 June 2017** | **1,517.6** | **11.9** | **(3.1)** | **0.1** | **173.0** | **770.0** | **2,469.5** | **1.2** | **2,470.7** |
| | | | | | | | | | |
| Balance at 31 December 2017, as originally presented | 1,517.6 | 11.9 | 0.0 | 0.0 | 173.0 | 938.2 | 2,640.7 | 1.1 | 2,641.8 |
| Change in accounting policy (IFRS 15)* | | | | | | (77.4) | (77.4) | 0.0 | (77.4) |
| Restated balance at 31 December 2017 | 1,517.6 | 11.9 | 0.0 | 0.0 | 173.0 | 860.8 | 2,563.3 | 1.1 | 2,564.4 |
| Change in accounting policy (IFRS 9)* | | | | | | 2.9 | 2.9 | 0.0 | 2.9 |
| Restated balance at 1 January 2018 | 1,517.6 | 11.9 | 0.0 | 0.0 | 173.0 | 863.7 | 2,566.2 | 1.1 | 2,567.3 |
| Profit for the period ** | | | | | | 142.4 | 142.4 | 5.4 | 147.7 |
| Other comprehensive income | | | (4.8) | 0.0 | | 7.0 | 2.2 | | 2.2 |
| **Total comprehensive income for the period** | **0.0** | **0.0** | **(4.8)** | **0.0** | **0.0** | **149.4** | **144.6** | **5.4** | **149.9** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | |
| ***Contributions by and distributions to Owners*** | | | | | | | | | |
| Dividends | | | | | | (98.6) | (98.6) | | (98.6) |
| Total contributions and distributions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (98.6) | (98.6) | 0.0 | (98.6) |
| ***Changes in ownership interests*** | | | | | | | | | |
| Non-controlling interests adjustment on EGI, due to acquisition | | | | | | 0.5 | 0.5 | (0.5) | 0.0 |
| Acquisitions | | | | 0.0 | | 0.0 | 0.0 | 294.6 | 294.6 |
| Total transactions with Owners | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.5 | 294.1 | 294.6 |
| Total transactions with Owners | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (98.1) | (98.1) | 294.1 | 196.0 |
| **Balance at 30 June 2018** | **1,517.6** | **11.9** | **(4.8)** | **0.0** | **173.0** | **915.0** | **2,612.8** | **300.6** | **2,913.4** |

** See note 13 for details regarding the restatement as a result of a change in accounting policy. A full reconciliation is provided as at 31 December 2017, along with the impact on profit or loss as at 30 June 2017. The impact per 1 January 2017 is estimated at €56.9 million.*
*** Profit for the period equals profit for the period attributable to the Owners of the company, minus the effect of the change in accounting policy under IFRS 9 with regard recognition in profit or loss (€0.2 million).*

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

## Condensed consolidated statement of cash flows

| (in € million) - Period ended 30 June | Notes | 2018 | 2017 (restated *) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit for the period** | | **147.6** | **102.5** |
| Adjustments for: | | | |
| Net finance costs | | 35.7 | 37.2 |
| Other non-cash items | | 0.1 | 0.1 |
| Income tax expense | | 17.5 | 10.8 |
| Profit or loss of equity-accounted investees, net of tax | | (64.7) | (52.8) |
| Depreciation of property, plant and equipment and amortisation of intangible assets | | 95.7 | 63.8 |
| Loss on sale of property, plant and equipment and intangible assets | | 1.8 | 3.2 |
| Impairment losses of current assets | | 0.8 | 0.2 |
| Change in provisions | | (3.4) | (3.1) |
| Change in fair value of derivatives | | 0.1 | 0.5 |
| Change in deferred taxes | | 18.5 | 14.7 |
| **Cash flow from operating activities** | | **249.7** | **177.1** |
| Change in inventories | | (0.9) | (3.9) |
| Change in trade and other receivables | | 118.3 | 65.7 |
| Change in other current assets | | (6.2) | (0.8) |
| Change in trade and other payables | | (128.4) | (23.5) |
| Change in other current liabilities | | 65.9 | 60.0 |
| **Changes in working capital** | | **48.8** | **97.5** |
| Interest paid | | (86.8) | (78.4) |
| Interest received | | 0.2 | 1.3 |
| Income tax paid | | (43.7) | (2.8) |
| **Net cash from operating activities** | | **168.1** | **194.7** |
| **Cash flows from investing activities** | | | |
| Acquisition of intangible assets | | (8.1) | (5.3) |
| Acquisition of property, plant and equipment | (7) | (281.4) | (156.7) |
| Acquisition of equity accounted investees | (4) | (8.7) | (20.6) |
| Acquisition of subsidiary | (4) | (968.7) | 0.0 |
| Acquired cash from acquisition of subsidiary | (4) | 1,902.9 | 0.0 |
| Proceeds from sale of property, plant and equipment | | 2.7 | 0.4 |
| Proceeds from capital decrease from equity accounted investees | | 0.0 | 0.1 |
| Dividend received from equity-accounted investees | | 1.0 | 0.0 |
| Loans and long term receivables to joint ventures | (4) | (13.0) | (30.8) |
| **Net cash used in investing activities** | | **626.6** | **(212.9)** |
| **Cash flow from financing activities** | | | |
| Proceeds from the issue of share capital | | 0.0 | 0.4 |
| Dividends paid (-) | (6) | (98.7) | (96.2) |
| Repayment of borrowings (-) | | 0.0 | (100.0) |
| Proceeds from withdrawal of borrowings (+) | (8) | 1,018.7 | 247.2 |
| Other cash flows from financing activities | | (1.1) | 0.0 |
| **Net cash flow from (used in) financing activities** | | **918.9** | **51.4** |
| **Net increase (decrease) in cash and cash equivalents** | | **1,713.6** | **33.2** |
| | | | |
| Cash & cash equivalents at 1 January | | 195.2 | 176.6 |
| Cash & cash equivalents at 30 June | | 1,908.8 | 209.8 |
| **Net variations in cash & cash equivalents** | | **1,713.6** | **33.2** |

** See note 13 for details regarding the restatement as a result of a change in accounting policy.*
*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

# Notes to the condensed consolidated interim financial statements

## 1. General information

Elia System Operator SA/NV (hereinafter “the company” or “Elia”) is established in Belgium, having its head office at Boulevard de l’Empereur 20, B-1000 Brussels.

Elia's core business is managing, maintaining and developing very-high-voltage grids (380 kV, 220 kV and 150 kV) and high-voltage grids (70 kV, 36 kV and 30 kV). It is responsible for transmitting electricity from power generators in Belgium, Germany and elsewhere in Europe to customers, particularly distributors and major industrial users.

These unaudited and condensed consolidated interim financial statements of the company for the six months to 30 June 2018 contain the financial position and performance of the company and its subsidiaries (collectively referred to as "the Group") and the Group's interests in joint ventures.

The condensed consolidated interim financial statements were approved by the Board of Directors of Elia System Operator SA/NV on 26 July 2018.

## 2. Basis for preparation and changes to the Group's accounting policies

### a. Basis for preparation

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 *Interim Financial Reporting*, issued by the IASB as approved by the European Union.

The condensed consolidated interim financial statements do not include all the information and disclosures required for a complete set of IFRS financial statements and should be read in conjunction with the Group’s last annual consolidated financial statements for the year ended 31 December 2017. However, selected explanatory notes are included to explain events and transactions that are significant for an understanding of the changes in the Group's position and performance since the last annual consolidated financial statements.

Due to the acquisition of an additional 20% stake in 50Hertz Transmission (Germany) in April 2018 (refer to note 4), the Group acquired control over the 50Hertz Transmission (Germany)-segment. 50Hertz Transmission (Germany) is, as of that date, considered a subsidiary and its results and balance sheet are consolidated in full. Elia’s Transmission (Belgium)’s and 50Hertz Transmission (Germany)’s accounting policies were already aligned prior to the acquisition.

### b. New standards, interpretations and amendments adopted by the Group

The accounting policies applied when preparing the condensed consolidated interim financial statements are consistent with those used to prepare the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of IFRS 9 and IFRS 15. More details are to be found in note 13 in this respect.

Other new standards, interpretations and amendments had minor impact on the Group. Those new or amended requirements can be summarised as follows:

- Annual improvements to IFRSs 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Transfers of investment Property – Amendments to IAS 40

### c. Standards issued but not yet effective

IFRS 16 was issued in January 2016 and replaces IAS 17: Leases, IFRIC 4: Determining whether an Arrangement contains a Lease, SIC 15: Operating Leases - Incentives and SIC 27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees; leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The endorsed standard IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transitional provisions allow for certain reliefs.

Whilst contracts have been analysed, the Group is currently in the process of quantifying the effect of IFRS 16 on the consolidated financial statements. The Group is also in the process of amending its accounting policies (along with the application of practical expedients) in order to align with the requirements of IFRS 16. In addition to the above, the Group is also evaluating the effects of the following standards issued, but not yet effective:

- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual improvements to IFRSs 2015-2017 Cycle

## 3. Use of estimates and judgements

The condensed consolidated interim financial statements for the first half of 2018 were prepared using estimates and judgements as indicated in note 2.4 accompanying the Group's annual consolidated financial statements as of and for the year ended 31 December 2017.

The most substantial estimates and judgements for 50Hertz Transmission (Germany) were not included in the Group's annual accounts as at 31 December 2017, as the segment was equity-accounted for at that point in time. The most important estimates and judgements for 50Hertz Transmission (Germany) have been summarised here-under.

- <u>50Hertz Transmission (Germany): Key estimates and judgements:</u>
  50Hertz Transmission (Germany) makes estimates and assumptions especially when calculating and deriving fair values, measuring fixed assets, calculating and measuring provisions as well as determining deferred revenue in the energy business. Those judgments are reassessed continuously based on experience and expectations as to future events that appear to be appropriate in the circumstances.

  In addition, estimates on the amount of the future expected cash flows, the forecast utilisation, escalation factors and discount rates have a particularly large influence on the measurement of provisions. The interest rates used for discounting are derived from interest rate curves with appropriate maturities taking into account the financing situation of the segment and the market interest rate. Provisions for litigation are subject to uncertainty regarding the outcome of the court case. The segment recognises provisions for pending and contingent litigation proceedings if the outcome is likely to result in an obligation of an uncertain amount.

All external borrowings which are actually drawn are included in the calculation of the capitalisation rate used for determining the amount of borrowing costs. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period. The capitalisation ceases in the event of test operation.

Expenses and income and the corresponding receivables and liabilities in the area of grid-based accounting were determined based on preliminary data provided by third parties and partly based on forecasts. The related items of the financial information were determined using the data available as well as relying on estimates and take into account the information available as of the time of preparing the financial information.

# 4. Subsidiaries, joint ventures and associates

## a. Acquisitions in subsidiaries

In April 2018, the Group completed the acquisition of an additional 20% stake in Eurogrid International SCRL ('Eurogrid'), the holding company which holds the 50Hertz Transmission (Germany) segment. Following this transaction, Elia owns 80% of Eurogrid and has full control over 50Hertz Transmission (Germany).

The acquisition resulted from Elia's decision to exercise its pre-emption right after the IFM Global Infrastructure Fund, a fund advised by IFM Investors Pty Ltd, stated that it intended to sell half of its 40% shareholding in Eurogrid on February 2, 2018. Through the acquisition, the Group acquired an additional 20% stake in Eurogrid. The finalisation of this acquisition is a major step forward in realising Elia Group's growth strategy. It will allow further strengthening of the cooperation between Elia and 50Hertz, and underscores Elia's ambition to be one of the leading transmission system operators in Europe. The transaction enhances the Group's profile and resources, enabling it to realise a reliable, sustainable, affordable and integrated power system and will not negatively affect the tariffs for the end consumer, which are regulated in the respective countries.

As from the date of closing of this transaction (i.e. 26 April 2018), Elia obtained full control over 50Hertz Transmission (Germany) and, as such, its financials have been consolidated in full in the Elia's group accounts as from that date. The transaction is currently financed using a bridge loan, which will be replaced by a hybrid bond (€700 million) and a senior bond (€300 million) in the second half of 2018.

We also refer to the segment reporting in note 5, which provides the 6 month profit or loss statement of the German segment. In case the acquisition would have occurred on 1 January 2018, the Group's net revenues and net profit for the period would have been higher for approximately €386.0 million, respectively €42.3 million.

For detailed accounting policies in respect to 'Business combinations and Goodwill', we refer to note 3.1 in the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017.

The below table provides an overview of subsidiaries, joint ventures, associated companies and other shareholdings held across the group.

| Name | Country of establishment | Headquarters | Shareholding (%) | |
|---|---|---|---|---|
| | | | 2018 | 2017 |
| Elia Asset SA | Belgium | Bd de l'Empereur 20, 1000 Brussels | 99.99 | 99.99 |
| Elia Engineering SA | Belgium | Bd de l'Empereur 20, 1000 Brussels | 100.00 | 100.00 |
| Elia Re SA | Luxembourg | Rue de Merl 65, 2146 Luxembourg | 100.00 | 100.00 |
| Elia Grid International SA | Belgium | Bd de l'Empereur 20, 1000 Brussels | 90.00 | 80.00 |
| Elia Grid International GmBH | Germany | Heidestraße 2a, 12435 Berlin | 90.00 | 80.00 |
| Eurogrid International CVBA (*) | Belgium | Bd de l'Empereur 20, 1000 Brussels | 80.00 | 60.00 |
| Eurogrid GMBH (*) | Germany | Heidestraße 2a, 12435 Berlin | 80.00 | 60.00 |
| 50Hertz Transmission GmbH (*) | Germany | Heidestraße 2a, 12435 Berlin | 80.00 | 60.00 |
| 50Hertz Offshore GmbH (*) | Germany | Heidestraße 2a, 12435 Berlin | 80.00 | 60.00 |
| Gridlab GmbH (*) | Germany | Mittelstraße 7, 12529 Schönefeld | 80.00 | 60.00 |
| E-Offshore A LLC (*) | U.S. | 874, Walker Road, Suite C, 19904 Dover, Delaware | 80.00 | 60.00 |
| Atlantic Grid Investment A Inc (*) | U.S. | 1209 Orange Street, 19801 Wilmington, Delaware | 80.00 | 60.00 |

| | | | | |
|---|---|---|---|---|
| **Joint ventures** | | | | |
| Nemo Link Ltd | United Kingdom | Strand 1-3, London, WC2N 5EH - UK | 50.00 | 50.00 |
| **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 | 17.00 |
| Coreso NV/SA | Belgium | Avenue de Cortenbergh 71, 1000 Brussels | 22.16 | 20.58 |
| Ampacimon SA | Belgium | Rue des Chasseurs Ardennais 3, 4031 Angleur | 20.54 | 20.54 |
| Enervalis NV | Belgium | Centrum-Zuid 1111, 3530 Houthalen-Helchteren | 12.47 | 12.47 |
| **Other shareholdings** | | | | |
| JAO SA | Luxembourg | 2, Rue de Bitbourg, 1273 Luxembourg Hamm | 9.00 | 8.00 |
| Atlantic Grid A LLC | USA | 4445, Willard Av, Suite 1050, | 7.82 | 5.86 |
| European Energy Exchange (EEX) | Germany | Augustusplatz 9, 04109 Leipzig | 5.76 | 4.32 |
| TSCNET Services GmbH | Germany | Dingolfinger Strasse 3, 81673 Munich | 6.16 | 4.62 |

*(*) During the four first months of financial year 2018, these shareholdings were consolidated using the equity method. As such, 60% of the profit attributable to the owners of the Company is included in the Share of profit of equity-accounted investees (net of tax) of the Group. During the last 2 months of the 6 month period ended 30 June 2018, these entities were considered subsidiaries (as control has been obtained as part of the acquisition) and results were consolidated in full.*

## Consideration transferred for the additional 20% stake in 50Hertz Transmission (Germany)

The following table summarises the acquisition fair value of each major class of consideration transferred for the additional 20% stake in 50Hertz Transmission (Germany):

| (in € million) | |
|---|---|
| Cash – base consideration | 956.5 |
| Interest – ticker fee | 12.2 |
| Dividend mechanism in favour of IFM | 20.0 |
| **Total consideration transferred** | **988.7** |

The €12.2 million in interest is an integral element of the consideration transferred for the acquisition in 50Hertz Transmission (Germany). As part of the share purchase agreement, 4% interest is due on the base consideration as from 31 December 2017 up to the date of closing.

The dividend mechanism grants IFM rights to consideration as a way to compensate for the reduced dividend over financial year 2017 to be paid out in 2018, as the share transfer took place prior to annual dividend payment.

## Acquisition related costs

The Group incurred acquisition related costs of €3.6 million, mainly relating to legal fees and advisory fees. These costs were included as follows: €2.6 million in 'Services and other goods', €0.5 million in 'Personnel expenses' and €0.5 million in 'Finance costs'.

### Identifiable assets acquired and liabilities assumed

The table below summarises the recognised amounts of assets and liabilities assumed at the date of acquisition.

| **(in € million)** | |
|---|---|
| Intangible assets | 52.6 |
| Property, plant and equipment | 4,493.4 |
| Other non-current assets | 45.6 |
| Trade and other receivables (current) | 220.5 |
| Cash and cash equivalents | 1,902.9 |
| Other current assets | 22.4 |
| Long-term borrowings | (2,829.9) |
| Provisions for liabilities and charges | (43.6) |
| Deferred tax liabilities | (96.3) |
| Other non-current liabilities | (73.7) |
| Trade and other payables | (1,612.1) |
| Income tax payable | (105.0) |
| Regulatory liability | (421.3) |
| Other current liabilities | (82.5) |
| **Total identifiable net assets acquired** | **1,472.9** |

## b. Measurement of fair values of assets acquired and liabilities assumed from 50Hertz Transmission (Germany)

The valuation methods used for measuring the fair value of material assets were as follows:

| **Assets acquired** | **Valuation conclusion** |
|---|---|
| Property, plant and equipment | The vast majority of all property, plant and equipment are held by the entity 50Hertz Transmission -- the TSO for the region -- for an indefinite period. The fair value of property, plant and equipment was considered to be very close to its book value and this for the following reasons:<br>• Due to the very specific nature of the assets, no market exists or is available in which the assets could be traded. Hence, it is not possible to reliably estimate the value for which knowledgeable parties would trade these assets. The Group is therefore of the opinion that there is no better estimate of the assets' fair value than its existing book value.<br>• The value of the company is mainly driven by an 'expected increase' in the RAB value (Regulated Asset Base). These expected increases are mainly driven by future cash outflows. It would therefore be inappropriate to (already) assume uplifts in the value of assets, considering that this value will only crystallise through a continued capital program to be carried out in the future.<br>• The useful lives of the fixed assets are chosen so as to obtain the best possible match with the actual depreciation of each asset. Depreciation of property, plant and equipment is calculated based on the useful lives recognised by the Federal Network Agency for regulatory purposes; it believes that these values represent the best possible approximation of actual events in terms of economic utilisation.<br>Considering this, the Group considers that the book value of 50Hertz Transmission (Germany)'s property, plant and equipment is the best estimation of the fair value. |

| | |
|---|---|
| Trade and other receivables | The fair value is determined by considering open outstanding receivables, minus adjustments for non-collectability. |
| Cash and cash equivalents | The book value of cash and cash equivalents was considered equal to its fair value, so that no adjustments to the book value were needed to be made. |
| Loans and borrowings | Eurobonds are valued at amortised cost, which at the date of acquisition give a very close approximation of its fair value. |
| Trade and other payables | The fair value is determined by considering open outstanding payables. |

## c. Fair values measured on a provisional basis

The above fair values were measured on a provisional basis. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition and which identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

### Goodwill

Based on the preliminary fair value exercise mentioned here above, goodwill arising from this acquisition was recognised as follows:

| (in € million) | |
|---|---|
| Fair value of the identified net assets acquired | 1,472.9 |
| Consideration transferred | (988.7) |
| Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of 50Hertz Transmission (Germany) | (294.6) |
| Fair value of the pre-existing interests in 50Hertz Transmission (Germany) | (892.9) |
| **Goodwill** | **703.4** |

The remeasurement to fair value of the Group's existing 60% interest in 50Hertz Transmission (Germany) resulted in a gain of €9.2 million (€892.9 million less €883.7 million carrying amount of the equity accounted investee at the date of the acquisition). This amount has been included in 'finance income'.

The provisional goodwill is mainly attributable to the skills and technical expertise of 50Hertz Transmission (Germany)'s work force and the synergies expected to be achieved from further integrating the German segment in to the Group's activities. None of the goodwill recognised is expected to be deductible for tax purposes.

## d. Acquisitions in joint ventures and associates

In the first half-year, Elia provided further funding of €21.7 million to Nemo Link Limited, 40% via equity contribution (€8.7 million) and 60% via loans (€13.0 million).

# 5. Segment reporting

## 5.1. Elia Transmission (Belgium)

| Results Elia Transmission (in € million) - Period ended 30 June | 2018 | 2017 (restated *) | Difference (%) |
|---|---|---|---|
| Total revenues and other income | 437.9 | 425.2 | 3.0% |
| Depreciation, amortisation, impairment and changes in provisions | (70.0) | (63.4) | 10.4% |
| Results from operating activities | 102.6 | 108.0 | (5.0%) |
| Share of profit of equity-accounted investees (net of income tax) | 1.2 | 1.6 | (25.0%) |
| Earnings before interest and tax (EBIT) | 103.8 | 109.6 | (5.3%) |
| Earnings before depreciations, amortisations, interest and tax (EBITDA) | 173.8 | 173.0 | 0.5% |
| Finance income | 12.4 | 2.7 | 359.5% |
| Finance costs | (41.2) | (39.8) | 3.3% |
| Income tax expenses | (19.1) | (21.1) | (9.5%) |
| **Profit attributable to the Owners of the Company** | **56.2** | **51.3** | **9.6%** |

| Consolidated statement of financial position (in € million) | 30 June 2018 | 31 December 2017 | Difference (%) |
|---|---|---|---|
| Total assets | 7,073.4 | 6,030.7 | 17.3% |
| Capital expenditures | 222.1 | 388.1 | (42.8%) |
| Net financial debt | 3,771.7 | 2,689.1 | 40.3% |

** See note 13 for details regarding the restatement as a result of a change in accounting policy.*

EBIT = operating profit and share of profit of equity-accounted investees (net of income tax)
EBITDA = EBIT + depreciation/amortisation + changes in provisions
Net financial debt = non-current and current loans and borrowings less cash and cash equivalents

## 5.2. 50Hertz Transmission (Germany)

| Results 50Hertz Transmission (Germany) (in € million) 100% - Period ended 30 June | 2018 | 2017 (restated *) | Difference (%) |
|---|---|---|---|
| Total revenues and other income | 600.0 | 683.0 | (12.2%) |
| Depreciation, amortisation, impairment and changes in | (9.9) | (73.1) | (86.5%) |
| Results from operating activities | 218.2 | 158.6 | 37.6% |
| Share of profit of equity-accounted investees (net of income | 0.0 | 0.0 | n.r. |
| Earnings before interest and tax (EBIT) | 218.2 | 158.6 | 37.6% |
| Earnings before depreciations, amortisations, interest and tax (EBITDA) | 228.2 | 231.7 | (1.5%) |
| Finance income | 0.4 | 1.2 | (66.7%) |
| Finance costs | (23.8) | (29.2) | (18.5%) |
| Income tax expenses | (61.0) | (45.2) | 35.0% |
| **Profit attributable to the Owners of the Company ** ** | **127.5** | **85.3** | **49.5%** |

| Consolidated statement of financial position (in € million) | 30 June 2018 | 31 December 2017 | Difference (%) |
|---|---|---|---|
| Total assets | 6,574.8 | 6,196.0 | 6.1% |
| Capital expenditures | 123.3 | 478.1 | (74.2%) |
| Net financial debt | 1,044.2 | 1,435.6 | (27.3%) |

** See note 13 for details regarding the restatement as a result of a change in accounting policy.*

** For the six-month period ended June 2017 and for the first four months of financial year 2018, 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. For the last two months of the six-month period ended 30 June 2018, the results of 50Hertz Transmission (Germany) were consolidated in full in the Group's consolidated accounts, due to the additional 20% shareholding acquired in 2018. See note 13 for more details.

## 5.3. Segment reporting reconciliation

| Consolidated results (in € million) - Period ended 30 June | 2018<br>Elia Transmission (Belgium)<br>(a) | 2018<br>50Hertz Transmission (Germany)<br>(b) | 2018<br>Consolidation entries & intersegment transactions<br>(c) | 2018<br>Elia Group<br>(a)+(b)+(c) |
|---|---|---|---|---|
| Total revenues and other income | 437.9 | 600.0 | (405.8) | 632.1 |
| Depreciation, amortisation, impairment and changes in provisions | (70.0) | (9.9) | (17.2) | (97.1) |
| Results from operating activities | 102.6 | 218.2 | (166.3) | 154.5 |
| Share of profit of equity-accounted investees, net of tax | 1.2 | 0.0 | 63.5 | 64.7 |
| Earnings before interest and tax (EBIT) | 103.8 | 218.2 | (102.8) | 219.2 |
| Earnings before depreciations, amortisations, interest and tax (EBITDA) | 173.8 | 228.2 | (85.7) | 316.3 |
| Finance income | 12.4 | 0.4 | (0.3) | 12.5 |
| Finance costs | (41.2) | (23.8) | 16.8 | (48.2) |
| Income tax expenses | (19.1) | (61.0) | 44.1 | (36.0) |
| **Profit attributable to the Owners of the Company** | **56.2** | **127.5** | **(41.5)** | **142.2** |
| Consolidated statement of financial position (in € million) | 30.06.2018 | 30.06.2018 | 30.06.2018 | 30.06.2018 |
| Total assets | 7,073.4 | 6,574.8 | (552.3) | 13,095.9 |
| Capital expenditures | 222.1 | 123.3 | (51.9) | 293.5 |
| Net financial debt | 3,771.7 | 1,044.2 | 0.0 | 4,815.9 |

| Consolidated results (in € million) - Period ended 30 June | 2017<br>Elia Transmission (Belgium)<br>(restated *)<br>(a) | 2017<br>50Hertz Transmission (Germany)<br>(restated *)<br>(b) | 2017<br>Consolidation entries & intersegment transactions<br>(restated *)<br>(c) | 2017<br>Elia Group<br>(restated *)<br>(a)+(b)+(c) |
|---|---|---|---|---|
| Total revenues and other income | 425.2 | 683.0 | (683.0) | 425.2 |
| Depreciation, amortisation, impairment and changes in provisions | (63.4) | (73.1) | 73.1 | (63.4) |
| Results from operating activities | 108.0 | 158.6 | (158.6) | 108.0 |
| Share of profit of equity-accounted investees, net of tax | 1.6 | 0.0 | 51.2 | 52.8 |
| Earnings before interest and tax (EBIT) | 109.6 | 158.6 | (107.4) | 160.8 |
| Earnings before depreciations, amortisations, interest and tax (EBITDA) | 173.0 | 231.7 | (180.5) | 224.2 |
| Finance income | 2.7 | 1.2 | (1.2) | 2.7 |
| Finance costs | (39.8) | (29.2) | 29.2 | (39.8) |
| Income tax expenses | (21.1) | (45.2) | 45.2 | (21.1) |
| **Profit attributable to the Owners of the Company** | **51.3** | **85.3** | **(34.0)** | **102.6** |

| Consolidated statement of financial position (in € million) | 31 December 2017 | 31 December 2017 | 31 December 2017 | 31 December 2017 |
|---|---|---|---|---|
| Total assets | 6,030.7 | 6,196.0 | (6,196.0) | 6,030.7 |
| Capital expenditures | 388.1 | 478.1 | (478.1) | 388.1 |
| Net financial debt | 2,689.1 | 1,435.6 | (1,435.6) | 2,689.1 |

** See note 13 for details regarding the restatement as a result of a change in accounting policy.*

All revenues are earned from external customers except for the intersegment revenues disclosed in note 14.

## 6. Dividends

On 15 May 2018, the shareholders approved payment of a gross dividend of €1.62 per share (i.e. a net dividend of €1.134 per share), corresponding to a total gross dividend of €98.7 million.

## 7. Acquisitions and disposals of PPE

A net sum of €334.7 million (excluding intangibles) was invested in the entire Elia Group, of which €217.4 million in the Belgian segment and €117.2 million in the German segment in the first half of 2018. Of this €117.2 million of acquisitions, €49.4 million was invested in the first four months. See section 2a of part I of the press release for more details.

## 8. Loans and borrowings

In April 2018, a bridge loan of €968.1 million (net of issuance costs) was concluded to finance the acquisition of 20% of 50Hertz. Additionally, a dematerialised treasury note worth €50 million was issued in June to cover short term financing needs.

Loans and borrowings as at 30 June 2018 also include the German segment indenture, resulting in a significant increase in the Group's outstanding debt compared to 31 December 2017.

Loans and borrowings as at 30 June 2018 comprise the following:

| (in € million) | Maturity | Amount | Interest rate before hedging | Interest rate after hedging | Current proportion - fixed | Current proportion - variable |
|---|---|---|---|---|---|---|
| Shareholders Loan | 2022 | 495.8 | 0.88% | 1.19% | 60.51% | 39.49% |
| Eurobond issues 2004 / 15 years | 2019 | 499.9 | 5.25% | 5.25% | 100.00% | 0.00% |
| Eurobond issues 2013 / 15 years | 2028 | 547.5 | 3.25% | 3.25% | 100.00% | 0.00% |
| Eurobond issues 2013 / 20 years | 2033 | 199.4 | 3.50% | 3.50% | 100.00% | 0.00% |
| Eurobond issues 2014 / 15 years | 2029 | 346.7 | 3.00% | 3.00% | 100.00% | 0.00% |
| Eurobond issues 2015 / 8.5 years | 2024 | 498.6 | 1.38% | 1.38% | 100.00% | 0.00% |
| Eurobond issues 2017 / 10 years | 2027 | 247.6 | 1.38% | 1.38% | 100.00% | 0.00% |
| Eurobond issues (DE) 2010 / 10 years | 2020 | 498.9 | 3.88% | 3.88% | 100.00% | 0.00% |
| Eurobond issues (DE) 2015 / 10 years | 2025 | 497.3 | 1.88% | 1.88% | 100.00% | 0.00% |
| Eurobond issues (DE) 2015 / 8 years | 2023 | 748.3 | 1.63% | 1.63% | 100.00% | 0.00% |
| Eurobond issues (DE) 2015 / 15 years | 2030 | 139.1 | 2.63% | 2.63% | 100.00% | 0.00% |
| Eurobond issues (DE) 2016 / 12 years | 2028 | 746.5 | 1.50% | 1.50% | 100.00% | 0.00% |
| Registered bond (DE) 2014 / 30 years | 2044 | 50.0 | 3.00% | 3.00% | 100.00% | 0.00% |
| Bridge Loan | 2018 | 968.1 | 0.25% | 0.25% | 100.00% | 0.00% |
| Dematerialised treasury notes | 2018 | 50.0 | (0.23%) | (0.23%) | 100.00% | 0.00% |
| Confirmed line of credit / drawn (DE) | 2026 | 150.0 | 0.900% | 0.900% | 100.00% | 0.00% |
| Accrued interest and other short term borrowings | 2018 | 41.1 | | | | |
| **Total** | | **6,724.7** | | | **97.09%** | **2.91%** |

| (in € million) – as at 31 December 2017 | Maturity | Amount | Interest rate before hedging | Interest rate after hedging | Current proportion - fixed | Current proportion - variable |
|---|---|---|---|---|---|---|
| Shareholders Loan | 2022 | 495.8 | 0.89% | 0.89% | 0.00% | 100.00% |
| Eurobond issues 2004 / 15 years | 2019 | 499.8 | 5.25% | 5.25% | 100.00% | 0.00% |
| Eurobond issues 2013 / 15 years | 2028 | 547.4 | 3.25% | 3.25% | 100.00% | 0.00% |
| Eurobond issues 2013 / 20 years | 2033 | 199.4 | 3.50% | 3.50% | 100.00% | 0.00% |
| Eurobond issues 2014 / 15 years | 2029 | 346.5 | 3.00% | 3.00% | 100.00% | 0.00% |
| Eurobond issues 2015 / 8.5 years | 2024 | 498.4 | 1.38% | 1.38% | 100.00% | 0.00% |
| Eurobond issues 2017 / 10 years | 2027 | 247.4 | 1.38% | 1.38% | 100.00% | 0.00% |
| **Total** | | **2,834.7** | | | **82.51%** | **17.49%** |

## 9. Financial instruments

The table below shows a comparison of the carrying amount and fair value of financial instruments as at 30 June 2018 and the fair value hierarchy:

| (in € million) | Carrying amount | | | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Designated at fair value | Fair value - hedging instruments | FVOCI investments | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| 31 December 2017 | | | | | | | | | | |
| Other financial assets | 7.3 | | | | | 7.3 | 7.1 | | 0.2 | 7.3 |
| Trade and other receivables | | | | 428.9 | 0.0 | 428.9 | | | | 0.0 |
| Cash and cash equivalents | | | | 195.2 | 0.0 | 195.2 | | | | 0.0 |
| Unsecured financial bank loans and other loans | | | | | (545.3) | (545.3) | | (545.3) | | (545.3) |
| Unsecured bond issues | | | | | (2,338.9) | (2,338.9) | | (2,621.2) | | (2,621.2) |
| Trade and other payables | | | | | (378.5) | (378.5) | | | | 0.0 |
| **Total** | **7.3** | **0.0** | **0.0** | **624.1** | **(3,262.7)** | **(2,631.3)** | **7.1** | **(3,166.5)** | **0.2** | **(3,159.3)** |
| 30 June 2018 | | | | | | | | | | |
| Other financial assets | 7,1 | | 25,0 | | | 32.1 | 7.0 | 25.0 | | 32.0 |
| Trade and other receivables | | | | 542.8 | | 542.8 | | | | 0.0 |
| Cash and cash equivalents | | | | 1,908.8 | | 1,908.8 | | | | 0.0 |
| Interest rate swaps used for hedging | | (10.4) | | | | (10.4) | | (10.4) | | (10.4) |
| Unsecured financial bank loans and other loans | | | | | (1,677.5) | (1,677.5) | | | | 0.0 |
| Unsecured bond issues | | | | | (5,047.2) | (5,047.2) | | (5,355.1) | | (5,355.1) |
| Trade and other payables | | | | | (1,842.8) | (1,842.8) | | | | 0.0 |
| **Total** | **7,1** | **(10.4)** | **25,0** | **2,451.6** | **(8,567.5)** | **(6,094.2)** | **7.0** | **(5,340.5)** | **0.0** | **(5,333.5)** |

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value, if the carrying amount is a reasonable approximation of the fair value.

The outstanding amount of unsecured financial bank loans increased significantly with the inclusion of a bridge loan of €968.1 million (net of issuance costs) to finance the acquisition of an additional 20% in 50Hertz.

The unsecured bond loans increased significantly due to the inclusion of the bonds issued by the Germany segment.

*Fair value hierarchy*

The above fair value of *SICAVS* falls under level 1, i.e. valuation is based on the (unadjusted) listed market price on an active market for identical instruments.

Level 2 implies that valuation is based on input, other than the stated prices in active markets. This category includes instruments valued on the basis of listed market prices on active markets; listed prices for identical or similar instruments on markets that are deemed insufficiently active; and other valuation techniques arising directly or indirectly from observable market.

*Estimate of fair value*

Brokers' statements are used for interest-rate swaps. The statements are checked using valuation models or techniques based on discounted cash flows.

## 10. Deferred tax liabilities

Deferred tax liabilities increased from €18.5 million to €113.4 million, following the inclusion of deferred tax liabilities accounted for in the 50Hertz Transmission segment.

The opening balance was restated at €21.4 million due to the adoption of IFRS 15 (see note 13 b. for further explanation).

Deferred tax liabilities on the Elia Transmission segment decreased from €18.5 million to €18.3 million.

| **(in € million)** | **Opening balance** | **Recognised in profit or loss** | **Recognised in OCI** | **Total Elia Transmission (Belgium)** | **50Hertz Transmission (Germany)** | **Total** |
|---|---|---|---|---|---|---|
| 2018 | | | | | | |
| Property, plant and equipment | (8.8) | (0.7) | 0.0 | (9.6) | (156.9) | (166.5) |
| Intangible assets | (8.4) | 0.3 | 0.0 | (8.1) | 0.0 | (8.1) |
| Interest-bearing loans and other non-current financial liabilities | (1.2) | 0.9 | 1.6 | 1.4 | (3.0) | (1.6) |
| Employee benefits | 7.5 | (2.2) | (2.4) | 2.9 | 4.5 | 7.4 |
| Provisions | 0.0 | 2.1 | 0.0 | 2.2 | 19.4 | 21.6 |
| Accrued charges and deferred income | 0.0 | 0.0 | 0.0 | 0.0 | 26.1 | 26.1 |
| Deferred tax on investment grants | (1.2) | 0.0 | 0.0 | (1.1) | 0.0 | (1.1) |
| Other items | (6.5) | 0.5 | 0.0 | (6.0) | 14.9 | 8.9 |
| **Total** | **(18.5)** | **0.9** | **(0.8)** | **(18.3)** | **(95.0)** | **(113.4)** |

## 11. Income tax expense

Excluding the share of profit of equity-accounted investees, the effective income tax rate was 30.3% for the six months to June 2018 compared to 29.9% for the six months to June 2017.

This calculation includes the activities of the 50Hertz Transmission segment for the period as of the acquisition date, for which the effective income tax rate is 31.3%. The rate on the Elia Transmission (Belgium) segment decreased from 30.5% for the six months to June 2017 to 25.8% for the six months to June 2018. The decrease in effective tax rate is mostly due to the lower percentage of corporate income tax rate in Belgium (29.58% compared to 33.99% in 2017) and the remeasurement gain of €9.2 million on the 50Hertz Transmission (Germany) shareholding which had no statutory tax effects (note 4). Both effects were partly offset by the lower notional interest deduction.

## 12. Settlement mechanism (regulatory framework)

In Belgium, the settlement arising from the tariff regulation mechanism for the year ended 31 December 2017 was accounted for in the period ended 30 June 2018 and decreased the net profit for the period by €0.4 million.

In Germany, there are no changes in the regulatory uncertainties due to the final settlements arising from the tariff regulation mechanisms to be approved by the relevant authorities.

We refer to notes 9.1 and 9.2 accompanying the annual consolidated financial statements as of and for the year ended 31 December 2017 for more details.

## 13. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the Group's interim financial statements and also discloses the new accounting policies that have been applied as from 1 January 2018. This section should be read in conjunction with section 2 'Basis for preparation and changes to the Group's accounting policies'.

Under 13 (c), the restated statement of financial position, as well as, the restated statement of profit or loss can be found.

### *a. IFRS 9 Financial Instruments – impact of adoption*

IFRS 9: Financial Instruments (effective as of 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 elected to apply the exemption in IFRS 9 relating to transition for classification, measurement and impairment, and, accordingly has not restated comparative periods in the year of initial application. In addition to this, the Group has elected to, in accordance with IFRS 9, to recognise changes in fair value of an equity investment that is not held for trading in OCI (aside from dividend income).

The Group also reviewed in detail the impact of all three aspects of IFRS 9.

#### Classification and measurement

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9.

Equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group decided to apply the option to present fair-value changes in OCI.

The impact of the change on the Group in equity shares in non-listed companies is detailed below:

| (in € million) – Equity shares in non-listed companies | Available for sale assets | FVOCI |
|---|---|---|
| **Closing balance 31 December 2017 – IAS 39** | **0.2** | **-** |
| Reclassify non-traded equities from available-for-sale to FVOCI | (0.2) | 0.2 |
| **Opening balance 1 January 2018 – IFRS 9** | - | **0.2** |

The impact of this change on the Group's equity is as follows:

| (in € million) – Equity shares in non-listed companies | Effect on Group's equity |
|---|---|
| Remeasurement of non-traded equities from available-for-sale to FVOCI - Elia Transmission (Belgium) | - |
| Remeasurement of non-traded equities from available-for-sale to FVOCI - 50Hertz Transmission (*) | 3.2 |
| **Effect on the Group's retained earnings** | **3.2** |

** Non-traded equities held within 50Hertz Transmission (Germany) were subject to a remeasurement of €5.4 million (at 100%) as at 1 January 2018.*

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. IFRS 9 does not have an impact on the accounting policies for derecognition of financial assets and liabilities.

## Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12 month or on a lifetime basis.

The assessment for the Belgian segment indicated that, due to the application of the Expected Credit Losses method (ECL) at 1 January 2018, the bad debt allowance for trade receivables needs to increase by €0.3 million at that date compared with the allowance for trade receivables recognised under IAS 39. Deferred tax assets would increase by €0.1 million and net profit for the period would decrease by €0.2 million.

A similar assessment for the German segment indicates that due to the application of the Expected Credit Losses (ECL) method at 1 January 2018 that the bad debt allowance for trade receivables needs to increase by €0.2 million at that date compared with the allowance for trade receivables recognised under IAS 39. Deferred tax assets would increase by less than €0.1 million, and net profit for the period would decrease by €0.2 million.

## Hedge accounting

Under the amended hedging requirements, more hedge relationships could be eligible for hedge accounting, as the new standard introduces a more principles-based approach. However, at 1 January 2018, there were no new hedge relationships to be designated.

## Accounting policies

The above implies changes to the accounting policies as at 1 January 2018, with an effect on the following items:

- Investments in equity instruments are measured at FV through OCI without recycling of fair value changes to profit and loss. Those assets are classified as non-trade equities measured at FVOCI.
- Loans and receivables, including short-term trade receivables: The Group aligned with to the new impairment approach for loans and receivables as incorporated in IFRS 9, including trade receivables. The 'expected loss' model has been applied that focuses on the risk that a loan will default rather than whether a loss has been incurred.

## b. IFRS 15 Revenue from contracts with Customers – impact of adoption

IFRS 15 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, IFRIC 18: Transfers of Assets from Customers, and IFRIC 13: Customer Loyalty Programmes.

The Group completed its assessment of the impact of the adoption of IFRS 15 on its consolidated financial statements and only identified an impact as a result of the application of IFRIC 18.
The Group opted for the full retrospective application of IFRS 15, which implied that comparatives were restated for the effect of IFRS 15.

The Group also used the practical expedients for completed contracts, meaning that completed contracts that began and ended in the same comparative period, as well as those that are completed at the beginning of the earliest period presented, were not restated.

Under IFRS 15, recognised revenue should reflect the consideration received by an entity in exchange for the transfer of control of promised goods or services to customers. The Group used a five-step approach to assess whether a contract falls within the scope of IFRS 15 and how revenue should be recognised.

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract(s)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when performance obligations are satisfied, or when control of goods or services is transferred to the customer

The Group has a number of standard contracts for its customers, covering most of its revenue. These contracts are specific to each segment. As a consequence, the impact of IFRS 15 is analysed by reviewing those standard contracts. In the table below gives an overview of the different revenue buckets, with reference to the relevant contracts and the result of the impact under IFRS 15.

| Revenue bucket (per segment) | Revenue bucket (Group) | Contracts | Status analysis | Within the scope of IFRS 15 | Change in accounting policy | Change in amount of revenue | Change in timing of revenue | Impact on opening equity on 1 January 2018 (net of tax) (*) |
|---|---|---|---|---|---|---|---|---|
| **Elia Transmission (Belgium) revenues** | | | | | | | | |
| Grid connection | Revenue | Connection contract | complete | yes | no | no | no | 0.0 |
| Management and development of grid infrastructure | Revenue | Access contract | complete | yes | no | no | no | 0.0 |
| Management of the electrical system | Revenue | Access contract | complete | yes | no | no | no | 0.0 |
| Compensation for imbalances | Revenue | ARP contract | complete | yes | no | no | no | 0.0 |
| Market integration | Revenue | ARP contract | complete | yes | no | no | no | 0.0 |
| International revenues | Revenue | Congestion revenues | complete | yes | no | no | no | 0.0 |
| Other income | Transfers of assets from customers | Customer contributions | complete | yes | yes | no | yes | (63.3) |
| Other income | Revenue | EGI contracts | complete | yes | no | no | no | 0.0 |
| Other income | Optimal use of assets | Telecom contracts | complete | yes | no | no | no | 0.0 |
| **50Hertz Transmission (Germany) revenues (at 100%)** | | | | | | | | |
| Vertical grid revenues | n/a | Grid use contract | complete | yes | no | no | no | 0.0 |
| Ancillary-services revenues | n/a | Contract for balancing groups | complete | yes | no | no | no | 0.0 |
| Other income | n/a | Customer contributions | complete | yes | yes | no | yes | (23.5) |

*(*) 50Hertz Transmission (Germany)'s equity adjustments are stated at 100%. Those adjustments have a 60% impact on the Group's consolidated equity. As such, the total impact on the Group's equity is €77.4 million.*

Received client contributions (IFRIC 18) were previously directly recognised in full as revenue, whereas under IFRS 15 the cash considerations should be presented as deferred revenue and will be recognised in revenue over the lifetime of the underlying asset.

The impact of the transition to IFRS 15 on the revenue of the segments Elia Transmission Belgium and 50Hertz Transmission Germany as at 30 June 2017 is shown below:

| **Elia Transmission (Belgium) revenues – Period ended** | **30 June 2017** (as originally reported) | **30 June 2017** (restated) | **30 June 2017** difference |
|---|---|---|---|
| Grid connection | 21.2 | 21.2 | 0.0 |
| Management and development of grid infrastructure | 240.8 | 240.8 | 0.0 |
| Management of the electrical system | 60.0 | 60.0 | 0.0 |
| Compensation for imbalances | 81.4 | 81.4 | 0.0 |
| Market integration | 12.3 | 12.3 | 0.0 |
| International revenue | 20.8 | 20.8 | 0.0 |
| Other income | 48.8 | 35.7 | (13.1) |
| **Subtotal revenues and other income** | **485.3** | **472.2** | **(13.1)** |
| Settlement mechanism: deviations from approved budget | (47.0) | (47.0) | 0.0 |
| **Total revenues and other income** | **438.3** | **425.2** | **(13.1)** |

| **50Hertz Transmission (Germany) revenues – Period ended** | **30 June 2017** (as originally reported) | **30 June 2017** (restated) | **30 June 2017** Difference |
|---|---|---|---|
| Vertical grid revenues | 631.2 | 631.2 | 0.0 |
| Horizontal grid revenues | 103.2 | 103.2 | 0.0 |
| Ancillary services revenues | 61.5 | 61.5 | 0.0 |
| Other income | 30.0 | 30.5 | 0.5 |
| ***Subtotal revenue and other income*** | **825.9** | **826.4** | **0.5** |
| Settlement mechanism: deviations from approved budget | (143.4) | (143.4) | 0.0 |
| **Total revenues and other income** | **682.5** | **683.0** | **0.5** |

The companies which are included in the 50Hertz Transmission Germany segment are accounted for using the equity method (at 60%) as at 30 June 2017, therefore the impact of IFRS 15 on their revenue recognition is given in the entry 'Share of profit of equity-accounted investees (net of income tax)' in the Group's results.

The summarised impact on the Group's revenue is detailed below:

| **Revenues – Period ended** | **30 June 2017** (as originally reported) | **30 June 2017** (restated) | **30 June 2017** difference |
|---|---|---|---|
| Revenue | 392.9 | 392.9 | 0.0 |
| Transfers of assets from customers | 13.9 | 0.8 | (13.1) |
| **Total revenue** | **406.8** | **393.7** | **(13.1)** |
| Other operating income | | | |

| | | | |
|---|---|---|---|
| Services and technical expertise | 2.1 | 2.1 | 0.0 |
| Own production | 10.4 | 10.4 | 0.0 |
| Optimal use of assets | 7.4 | 7.4 | 0.0 |
| Other | 11.4 | 11.4 | 0.0 |
| Gain on sale PPE | 0.2 | 0.2 | 0.0 |
| **Total other operating income** | **31.5** | **31.5** | **0.0** |

The impact on the results of the Group can be found in the table below for the period ended 30 June 2017, as well as, for the impact on the opening equity at 31 December 2017.

| **Key figures – Period ended** | **30 June 2017** (as originally reported) | **30 June 2017** (restated) | **30 June 2017** difference |
|---|---|---|---|
| Total revenues | 438.3 | 425.2 | (13.1) |
| Share of profit of equity-accounted investees (net of | 52.6 | 52.8 | 0.2 |
| Income tax expenses | (25.6) | (21.2) | 4.4 |
| **Net profit** | **111.0** | **102.5** | **(8.5)** |
| Total assets (*) | 6.596.5 | 6.582.3 | (14.2) |
| Total equity (*) | 2.640.7 | 2.563.3 | (77.4) |
| Key figures per share | | | |
| Basic earnings per share (EUR) (*) | 2.33 | 1.68 | (0.65) |
| Equity per share (EUR) (*) | 43.36 | 42.09 | (1.27) |

*(*) Total assets, total equity, basic earnings per share and equity per share are stated per 31 December 2017, instead of 30 June 2017.*

### Accounting policies

The above implies changes to the accounting policies as at 31 December 2017. Under IFRS 15, received client contributions are presented under 'Other liabilities' and recognised in revenues over the lifetime of the underlying asset.

## c. Impact on the interim financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note 13(a) here above, IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item.

## Condensed consolidated statement of financial position

| (in € million) | 31 December 2017 (as originally reported) | IFRS 15 | 31 December 2017 (restated) | IFRS 9 | 1 January 2018 (restated) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **NON CURRENT ASSETS** | **6,093.2** | **(14.1)** | **6.079,1** | **3.2** | **6,082.3** |
| Property, plant and equipment | 3,202.4 | 0.0 | 3.202,4 | 0.0 | 3,202.4 |
| Intangible assets and goodwill | 1,738.6 | 0.0 | 1.738,6 | 0.0 | 1,738.6 |
| Trade and other receivables | 147.8 | 0.0 | 147,8 | 0.0 | 147.8 |
| Equity-accounted investees | 942.7 | (14.1) | 928,6 | 3.1 | 931.7 |
| Other financial assets (including derivatives) | 60.9 | 0.0 | 60,9 | 0.0 | 60.9 |
| Deferred tax assets | 1.0 | 0.0 | 1,0 | 0.1 | 1.0 |
| **CURRENT ASSETS** | **503.2** | **0.0** | **503,2** | **(0.3)** | **502.9** |
| Inventories | 13.6 | 0.0 | 13,6 | 0.0 | 13.6 |
| Trade and other receivables | 281.1 | 0.0 | 281,1 | (0.3) | 280.8 |
| Current tax assets | 3.8 | 0.0 | 3,8 | 0.0 | 3.8 |
| Cash and cash equivalents | 195.2 | 0.0 | 195,2 | 0.0 | 195.2 |
| Deferred charges and accrued revenues | 9.6 | 0.0 | 9,6 | 0.0 | 9.6 |
| **Total assets** | **6,596.5** | **(14.1)** | **6.582,3** | **2.9** | **6,585.2** |
| **EQUITY AND LIABILITIES** | | | | | |
| **EQUITY** | **2,641.8** | **(77.4)** | **2,564.4** | **2.9** | **2,567.3** |
| Equity attributable to owners of the Company | 2,640.7 | (77.4) | 2,563.3 | 2.9 | 2,566.2 |
| Share capital | 1,517.6 | 0.0 | 1,517.6 | 0.0 | 1,517.6 |
| Share premium | 11.9 | 0.0 | 11.9 | 0.0 | 11.9 |
| Reserves | 173.0 | 0.0 | 173.0 | 0.0 | 173.0 |
| Retained earnings | 938.2 | (77.4) | 860.8 | 2.9 | 863.7 |
| Non-controlling interest | 1.1 | 0.0 | 1.1 | 0.0 | 1.1 |
| **NON CURRENT LIABILITIES** | **2,984.6** | **63.3** | **3,047.9** | **0.0** | **3,047.9** |
| Loans and borrowings | 2,834.7 | 0.0 | 2,834.7 | 0.0 | 2,834.7 |
| Employee benefits | 84.3 | 0.0 | 84.3 | 0.0 | 84.3 |
| Provisions | 20.8 | 0.0 | 20.8 | 0.0 | 20.8 |
| Deferred tax liabilities | 40.9 | (21.4) | 19.5 | 0.0 | 19.5 |
| Other liabilities | 3.8 | 84.6 | 88.5 | 0.0 | 88.5 |
| **CURRENT LIABILITIES** | **970.0** | **0.0** | **970.0** | **0.0** | **970.0** |
| Loans and borrowings | 49.5 | 0.0 | 49.5 | 0.0 | 49.5 |
| Provisions | 4.5 | 0.0 | 4.5 | 0.0 | 4.5 |
| Trade and other payables | 378.5 | 0.0 | 378.5 | 0.0 | 378.5 |
| Current tax liabilities | 2.9 | 0.0 | 2.9 | 0.0 | 2.9 |
| Accruals and deferred income | 534.6 | 0.0 | 534.6 | 0.0 | 534.6 |
| **Total equity and liabilities** | **6,596.5** | **(14.1)** | **6,582.3** | **2.9** | **6,585.2** |

## Condensed consolidated statement of profit or loss

| (in € million) - 6 month period ended 30 June | 2017 (as originally reported) | IFRS 15 | 2017 (restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 406.8 | (13.1) | 393.8 |
| Raw materials, consumables and goods for resale | (5.6) | 0.0 | (5.6) |
| Other income | 31.4 | 0.0 | 31.4 |
| Services and other goods | (157.7) | 0.0 | (157.7) |
| Personnel expenses | (72.5) | 0.0 | (72.5) |
| Depreciation, amortisation and impairment | (63.8 | 0.0 | (63.8) |
| Changes in provisions | 0.4 | 0.0 | 0.4 |
| Other expenses | **(18.0)** | **0.0** | **(18.0)** |
| **Results from operating activities** | 121.0 | (13.1) | 108.0 |
| Share of profit of equity-accounted investees (net of tax) | **52.6** | **0.2** | **52.8** |
| **EBIT *** | **173.7** | **(12.9)** | **160.8** |
| **Net finance costs** | (37.1) | 0.0 | (37.2) |
| Finance income | 2.7 | 0.0 | 2.7 |
| Finance costs | **(39.8)** | **0.0** | **(39.8)** |
| **Profit before income tax** | 136.6 | (12.9) | 123.7 |
| Income tax expense | **(25.6)** | **4.4** | **(21.1)** |
| **Profit from continuing operations** | **111.0** | **(8.4)** | **102.5** |
| **Profit for the period** | 111.0 | (8.4) | 102.5 |
| Profit attributable to: | | | |
| Owners of the Company | 111.0 | (8.4) | 102.6 |
| Non-controlling interest | (0.1) | 0.0 | (0.1) |
| **Profit for the period** | **110.9** | **(8.4)** | **102.5** |

Condensed consolidated statement of profit or loss and other comprehensive income

| (in € million) – 6 month period ended 30 June | 2017 (as originally reported) | IFRS 15 | 2017 (restated) |
|---|---|---|---|
| **Profit for the period** | **110.9** | **(8.4)** | **102.5** |
| **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 | 4.7 | 0.0 | 4.7 |
| Related tax | (1.6) | 0.0 | (1.6) |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurements of post-employment benefit obligations | 7.6 | 0.0 | 7.6 |
| Related tax | (2.6) | 0.0 | (2.6) |
| **Other comprehensive income for the period, net of tax** | **8.1** | **0.0** | **8.1** |
| **Total comprehensive income for the period** | **119.0** | **(8.4)** | **110.6** |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | 119.1 | (8.4) | 110.7 |
| Non-controlling interest | (0.1) | 0,0 | (0.1) |
| **Total comprehensive income for the period** | **119.0** | **(8.4)** | **110.6** |

## 14. Related parties

### Controlling entities

The core shareholder of Elia System Operator is still Publi-T. Other than the yearly dividend payment, no transactions occurred with the core shareholder in the six months ended 30 June 2018.

### Transactions with key management personnel

The key management includes Elia's Board of Directors and Elia's Management Committee. Both Elia's Board of Directors and Elia's Management Committee have a significant influence across the entire Elia Group.

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

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

There were no significant transactions with entities in which Elia's Management Committee members, the members of Eurogrid International CVBA's Board of Directors, the Board of Management of 50Hertz Transmission or the Supervisory Board exercise a significant influence (e.g. holding positions such as CEO, CFO or members of the Management Committee) in the first half of 2018.

However, there were various significant transactions with entities (mainly distribution system operators) in which Elia's Board of director's members exercise a significant influence in the first half of 2018. Sales and expenses with these entities amounted to €27.5 million and €3.3 million respectively for the six months ended 30 June 2018. As at 30 June 2018, there were outstanding trade receivables of €9.3 million and outstanding trade debts of €0.2 million towards those entities.

### Transactions with joint ventures and associated companies

Details of transactions with joint ventures and associated companies are shown below.

| (in € million) – Period ended 30 June | 2018 | 2017 |
|---|---|---|
| **Transactions with joint ventures and associated companies** | **2.7** | **1.6** |
| Sales of goods | 1.4 | 3.5 |
| Purchases of goods | (1.7) | (3.0) |
| Interest and similar revenue | 3.0 | 1.2 |
| (in € million) | 30 June 2018 | 30 June 2017 |
| **Outstanding balances with joint ventures and associated companies** | **169.8** | **68.3** |
| Non-current trade and other receivables | 160.7 | 93.8 |
| Current trade and other receivables | 1.0 | 2.1 |
| Current trade and other payables | (0.4) | (27.3) |
| Deferred charges and accrued revenues | 8.2 | 0.0 |
| Accruals and deferred income | 0.2 | (0.3) |

Following the additional 20% acquisition in 50Hertz Transmission (Germany) (see note 4a.), any transactions with the companies in the German segment are no longer presented in this table. This explains the overall decrease in volume of transactions compared with 2017. However, transactions with associated companies in the German segment are still included in this note.

The long-term debtors pertains to the shareholder's funding provided by Elia System Operator for its Nemo Link Limited joint venture. The amounts mentioned under 'Deferred charges and accrued revenues' are also related to this funding. The increase in these items compared to last year is due to the additional funding arranged during the year.

## 15. Seasonal fluctuations

The Group's profit profile follows a seasonal pattern, primarily due to the higher volumes of electricity consumed during the winter that have to be transmitted by the grid operator from power generators to distributors and large industrial customers, and also due to the impact of renewable energies, which are highly sensitive to weather conditions and hence have a considerable effect on revenue inflows.

## 16. Events after the reporting date

There are no important events to report since 30 June 2018, which would affect the condensed consolidated interim financial statements.

## 17. Regulatory framework

### Belgian regulatory framework

In 2018, there were no significant changes to the regulatory framework applicable for the regulatory period 2016-2019 in Belgium (as described in note 9.1 to the annual consolidated financial statements as of and for the year ended 31 December 2017)

### German regulatory framework

In 2018, there were no significant changes to the regulatory framework in Germany applicable until 31 December 2018 (as described in note 9.2 to the annual consolidated financial statements as of and for the year ended 31 December 2017).

# 4. THE REPORT OF THE JOINT STATUTORY AUDITORS ON THEIR REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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## Report of the joint statutory auditors on the review of the condensed consolidated interim financial statements of Elia System Operator NV/SA as of 30 June 2018 and for the six month period then ended

### Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Elia System Operator NV/SA (the "Company"), and its subsidiaries (jointly "the Group") as at 30 June 2018 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and explanatory notes, collectively, the "Condensed Consolidated Interim Financial Statements". These statements show a consolidated statement of financial position total of € 13,095.9 million and a profit for the period of € 147.6 million. The Board of Directors of the Company is responsible for the preparation and presentation of these Condensed Consolidated Interim Financial Statements in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on these Condensed Consolidated Interim Financial Statements based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements as at 30 June 2018 and for the six month period then ended are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Information*, as adopted by the European Union.

Brussels, 26 July 2018

Joint statutory auditors

Ernst & Young
Bedrijfsrevisoren - Réviseurs d'Entreprises
represented by

Patrick Rottiers*
Partner
* Acting on behalf of a BVBA/SPRL

KPMG
Bedrijfsrevisoren - Réviseurs d'Entreprises
represented by

Alexis Palm
Partner