

Alternative Performance Measures

Annual Report 2019



Financial terms or Alternative Performance Measures

The Annual Report contains certain financial performance measures that are not defined by IFRS and are used by management to assess the **financial and operational performance of the Group**. The main alternative performance measures used by the Group are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) link to website <https://www.eliagroup.eu/en/publications>

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

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

Adjusted items

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

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

Prior to 2019, the adjusted items included the offshore commissioning effect and energy bonus at the level of 50Hertz. This is no longer presented separately as an adjusted item in 2019 but directly included in the adjusted EBIT

Adjusted EBIT

Adjusted EBIT is defined as EBIT excluding the adjusted items.

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

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

(in € million) – year ended 31 December	2019	2018
Results from operating activities	561.4	437.0
Share of profit of equity accounted investees (net of tax)	8.3	65.6
EBIT	569.7	502.6
Deduct:		
Regulatory compensation for acquisition	3.8	0.0
Corporate reorganisation	2.2	0.0
Regul. settlements prior year (*)	0.0	(1.4)
Equity consolidation 50Hertz (60% net profit)	0.0	(0.6)
Offshore commissioning (*)	0.0	33.3
Energy bonuses	0.0	0.1
Eurogrid acquisition costs	0.0	(3.3)
Adjusted EBIT	563.7	474.5

(*) As from 2019 these items are regarded as a non-adjusted items and directly reported in the Adjusted EBIT and Adjusted Net profit

Adjusted net profit

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

(in € million) – year ended 31 December	2019	2018
Profit for the period	309.1	307.1
Deduct:		
Regulatory compensation for acquisition	3.8	0.0
Corporate reorganization	2.2	0.0
Regul. settlements prior year (*)	0.0	(1.4)
Equity consolidation 50Hertz (60% net profit)	0.0	(0.6)
Offshore commissioning (*)	0.0	33.3
Energy bonuses	0.0	0.1
Eurogrid acquisition costs	0.0	(3.3)
Corporate reorganisation fin. Cost	(5.4)	0.0
Financial acquisition cost	0.0	(3.8)
Revaluation participation Eurogrid	0.0	9.2
Tax impact	2.3	(7.3)
Adjusted net profit	306.2	280.8

(*) As from 2019 these items are regarded as a non-adjusted items and directly reported in the Adjusted EBIT and Adjusted Net profit

CAPEX (Capital Expenditures)

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

EBIT

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

(in € million) – year ended 31 December	2019	2018
Results from operating activities	561.4	437.0
Share of profit of equity accounted investees (net of tax)	8.3	65.6
EBIT	569.7	502.6

EBITDA

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

(in € million) – year ended 31 December	2019	2018
Results from operating activities	561.4	437.0
Add:		
Depreciations, amortizations and impairments	374.6	252.3
Changes in provisions	(14.1)	(4.4)
Share of profit of equity accounted investees (net of tax)	8.3	65.6
EBITDA	930.2	750.5

Equity attributable to the owners of the company

Equity attributable to ordinary shareholders and hybrid security holders, but excluding non-controlling interests.

(in € million) – year ended 31 December	2019	2018
Equity	4,332.1	3,748.9
Deduct:		
Non-controlling interests	309.9	301.4
Equity attributable to the owners of the company	4,022.3	3,447.5

Free cash flow

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

The free cash flow of segment Elia Transmission and 50Hertz Transmission can be reconciled as follows:

(in € million)	2019			
	Elia Transmission	50Hertz Transmission	Non-regulated activities & Nemo Link	Elia Group Total
Net cash from operating activities	268,3	(210,1)	13,2	71,2
Deduct:				
Net cash used in investing activities	713,2	446,7	22,1	1.182,0
Free cash flow	(444,9)	(656,8)	(8,9)	(1.110,8)

(in € million)	2018			
	Elia Transmission	50Hertz Transmission	Non-regulated activities & Nemo Link	Elia Group Total
Net cash from operating activities	324,5	752,7	(560,5)	516,7
Deduct:				
Net cash used in investing activities	587,8	474,0	(906,6)	155,2
Free cash flow	(263,3)	278,7	346,1	361,5

Net finance costs

Represents the net financial result (finance costs minus finance income) of the company.

Net financial debt

Net Financial Debt = Non-current and current interest-bearing loans and borrowings (incl. lease liability under IFRS 16 as of 2019) minus cash and cash equivalents. Net financial debt is an indicator of the amount of interest-bearing debt of the Group that would remain if readily available cash or cash instruments were used to repay existing debt.

(in € million)	31 December 2019				31 December 2018			
	Elia Transmission	50Hertz Transmission	Non-regulated activities & Nemo Link	Elia Group Total	Elia Transmission	50Hertz Transmission	Non-regulated activities & Nemo Link	Elia Group Total
Non-current liabilities:								
Loans and borrowings	2,505.7	2,376.7	496.5	5,378.9	2,349.7	2,830.9	593.3	5,773.8
Add:								
Current Liabilities:								
Loans and borrowings	578.5	524.6	16.1	1,119.2	601.4	19.7	0.0	621.1
Deduct:								
Current Assets								
Cash and cash equivalents	70.8	793.2	110.9	975.0	125.9	1,577.7	85.7	1,789.3
Net financial debt	3,013.4	2,108.1	401.6	5,523.1	2,825.1	1,272.9	507.6	4,605.6

Regulatory Asset Base (RAB)

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

Return on Equity (adj.) (%)

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

(in € million) – year ended 31 December	2019	2018
Profit for the period	309.1	307.1
Deduct:		
Profit attributable to holders of the parent - hybrid securities	19.3	6.2
Profit attributable to non-controlling interests	35.5	25.7
Profit attributable to equity holders of the parent – Equity holders of ordinary shares	254.3	275.2
Divide by:		
Equity attributable to ordinary shares	3,320.8	2,741.3
Return on Equity (adj.) (%)	7.66%	10.04%

Share capital and reserves per share

Equity attributable to owners of the Company - Equity attributable to ordinary shares as a percentage of the number of shares outstanding

(in €) – year ended 31 December	2019	2018
Equity attributable to ordinary shares	3,320,895,927.9	2,741,346,532.2
Divide by:		
Number of shares outstanding (at year end)	68,652,938	61,015,058
Share capital and reserves per share	48.4	44.9