

Alternative Performance Measures

Half-Year Results 2020



Financial terms or Alternative Performance Measures

The Half-Year Financial 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 Half-Year Financial Report are explained in this document:

- 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) (%)

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)

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) – period ended 30 June	2020	2019
Results from operating activities	278.2	276.8
Share of profit of equity accounted investees (net of tax)	2.9	4.833
EBIT	281.1	281.6
Deduct:		
Regulatory compensation for acquisition	0.0	(2.2)
Corporate reorganisation	(0.3)	(1.3)
Regulatory settlements (*)	0.0	(3.1)
Adjusted EBIT	281.4	288.2

(*) As from year-end 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) – period ended 30 June	2020	2019
Profit for the period	148.6	152.1
Deduct:		
Regulatory compensation for acquisition	0.0	(2.2)
Corporate reorganisation	(0.3)	(1.3)
Regulatory settlements (*)	0.0	(3.1)
Tax impact	0.1	4.4
Adjusted net profit	148.8	154.4

(*) As from year-end 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) – period ended 30 June	2020	2019
Results from operating activities	278.2	276.8
Share of profit of equity accounted investees (net of tax)	2.9	4.833
EBIT	281.1	281.6

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) – period ended 30 June	2020	2019
Results from operating activities	278.2	276.8
Add:		
Depreciations, amortizations and impairments	214.2	180.8
Changes in provisions	(2.2)	(4.2)
Share of profit of equity accounted investees (net of tax)	2.9	4.8
EBITDA	493.2	458.3

Equity attributable to the owners of the company

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

(in € million) – period ended	June 2020	December 2019
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Equity	4,340.6	4,332.1
Deduct:		
Non-controlling interests	307.7	309.9
Equity attributable to the owners of the company	4,032.9	4,022.3

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) – period ended	June 2020			
	Elia Transmission	50Hertz Transmission	Non-regulated activities & Nemo Link	Elia Group Total
Net cash from operating activities	49.9	(489.8)	(9.5)	(449.4)
Deduct:				
Net cash used in investing activities	145.0	190.6	0.3	335.9
Free cash flow	(95.0)	(680.4)	(9.8)	(785.3)

(in € million) – period ended	December 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)

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) 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)	30 June 2020				31 December 2019			
	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	3,434.6	3,119.2	497.1	7,050.8	2,505.7	2,376.7	496.5	5,378.9
Add:								
Current Liabilities:								
Loans and borrowings	37.5	536.3	4.2	578.0	578.5	524.6	16.1	1,119.2
Deduct:								
Current Assets:								
Cash and cash equivalents	348.2	737.7	113.8	1,199.7	70.8	793.2	110.9	975.0
Net financial debt	3,123.9	2,917.8	387.5	6,429.1	3,013.4	2,108.1	401.6	5,523.1

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) – period ended 30 June	2020	2019
Profit for the period	148,6	152,1
Deduct:		
Profit attributable to holders of hybrid securities	9,6	9,6
Profit attributable to non-controlling interests	18,9	16,4
Profit attributable to equity holders of ordinary shares (A)	120,1	126,1
Divide by:		
Equity attributable to ordinary shares (B)	3.321,9	3.176,5
Return on Equity (adj.) (%) = (A) annualised / (B)	7,23%	7,94%