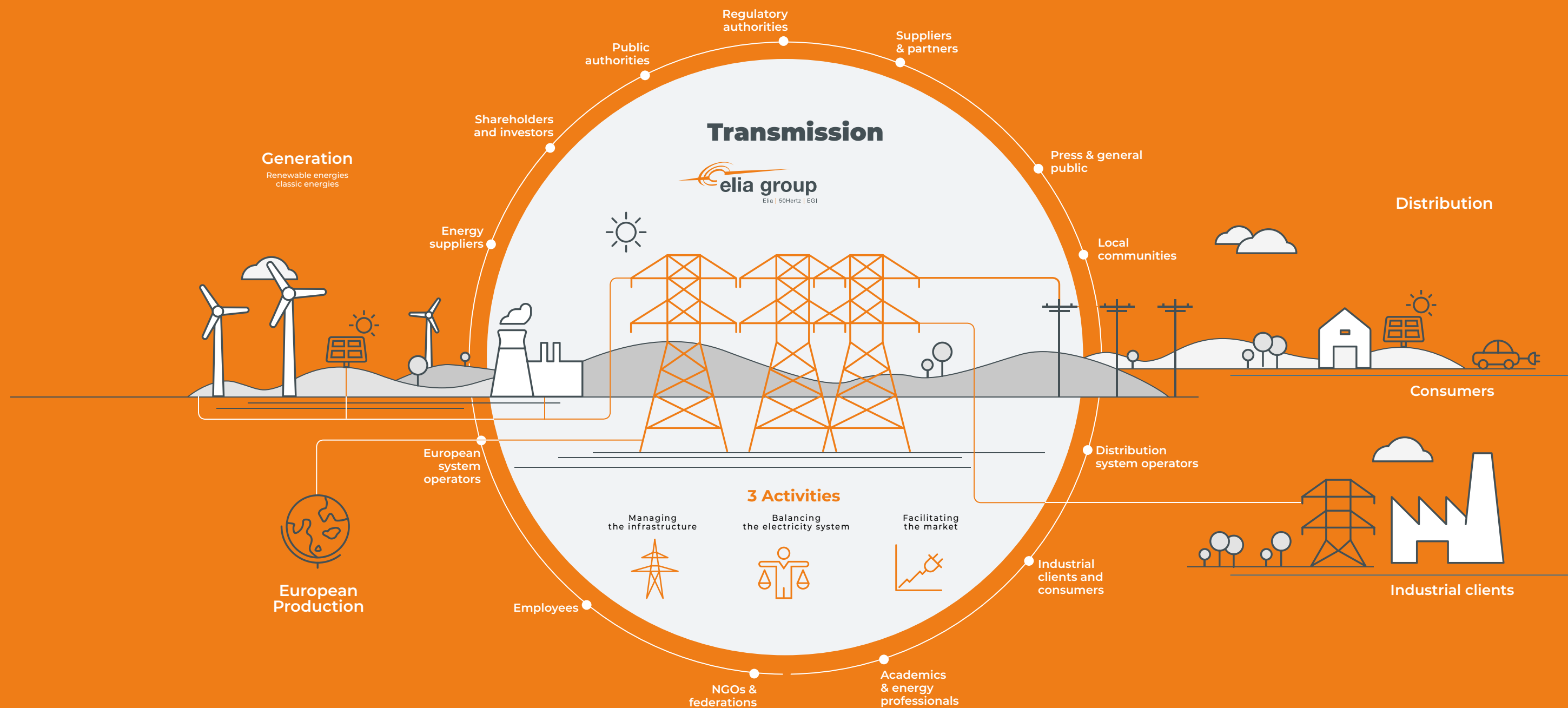




Accelerating to — a net-zero society

Activity Report 2020

We connect generation & distribution



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Accelerating to a net-zero society

The situation is becoming increasingly clear. Urgent measures are needed to keep climate change under control. As system operators in Belgium and Germany, our mission is to realise the climate ambitions of the European Green Deal. We are therefore accelerating our investment programme. We are preparing our on- and offshore grid infrastructure for the integration of large volumes of renewable generation in order to electrify our society in a sustainable way. We are increasingly doing this in cooperation with other sectors and other countries. To maintain a reliable electricity system in this rapidly changing context, we are investing heavily in digitalisation. In addition to our social commitments, we are also improving our own internal activities and embedding sustainable practices into our strategy. In this way, we are actively working to accelerate the net-zero society.





No event in recent history has impacted our society as much as the coronavirus pandemic. And yet, despite the events of 2020, optimism reigns at Elia Group. The European Commission's recovery plans confirm the ambitions of the European Green Deal and focus on greening and digitalisation, two of Elia Group's strategic priorities. Accelerating the energy transition means new opportunities.

Post-COVID recovery policy brings new opportunities

Anyone looking back at 2020 would be hard-pressed to avoid talking about the coronavirus crisis. How did the Group deal with it?

Chris Peeters: Keeping the lights on is embedded in our corporate culture. We immediately went into crisis mode. Even before the first measures were announced, we had already set up our Corona Task Force. The way our people coped with the restrictions was very impressive. Within 24 hours, all of our office-based teams were working remotely. All project sites were shut down as a precaution, but within a week they were gradually reopened, with more complex projects involving multiple contractors being opened after a thorough analysis.

Bernard Gustin: By the end of the year, hardly any of our main projects were experiencing delays. Some shifts were made, but the end result was in line with what we had budgeted and planned for. Unlike other sectors, we have been less impacted financially. Not only did our staff deal very flexibly with the crisis, they also showed a lot of heart. In Belgium we ran a very successful solidarity campaign on behalf of various anti-poverty funds operated by the King Baudouin Foundation. The Board of Directors fully supported this spontaneous initiative.

How can Elia Group contribute to the post-COVID economic recovery?

Chris Peeters: The recovery policy promoted by the European Union is based in part on the European Green Deal. Given that our mission is to work in the interest of society, we have been focusing on our strengths. We have

been supporting policymakers with our knowledge and expertise so they can make decisions for a strong recovery policy within a framework that stretches far beyond the bounds of Elia Group. We have been examining four key areas: energy efficiency, the accelerated digitalisation of the energy system, electric mobility and the decarbonisation of our industry. In the areas of energy efficiency and electrification, it's possible to take very big steps forward right away. We also have several post-COVID candidates within our own portfolio. With regard to building infrastructure and digitalisation, there are various things we can quickly promote and enhance.

Bernard Gustin: Unlike in the post-war period, our infrastructure is still intact today. To get the economy back on track, we need to find projects that did not exist before or that are being accelerated. The European Green Deal and the energy transition are particularly important in this regard. At the start of the COVID-19 crisis, no one expected that the accelerated greening of society would feature so prominently in the recovery plans. Elia Group has an important role to play here.

Everything points to the increasing acceleration of the energy transition. What does this mean for Elia Group?

Bernard Gustin: Many companies are finding that their post-COVID strategy is no longer relevant. We can take great



By operating in different markets, we can learn from each other and set up innovation projects together that ensure we always stay one step ahead.

Chris Peeters

comfort in the fact that we chose the right direction a few years ago. Our business model is not up for debate today. Our strategy anticipates social trends such as decentralisation, greening, European integration and digitalisation. The same underlying forces are reflected in the post-COVID recovery plans.

Chris Peeters: This means we are able to even anticipate the required acceleration. This will bring new opportunities and strengthen the Group's growth and development. For example, our study on electric mobility came at just the right time. Today in Germany, we are talking to players in the automotive industry about accelerated implementation. We are also speeding our activities up with regard to market forces and market operation.

As we follow the path towards a climate-neutral society, it is clear that our seas will become the power plants of the future. How is Elia Group preparing for this?

Bernard Gustin: 50Hertz achieved a major world first with the Combined Grid Solution project in the Baltic Sea. The interconnector between Germany and Denmark also incorporates a wind farm. This hybrid technology increases the efficiency of the transmission cables and will be very important for unlocking offshore wind power generated further out at sea.

Chris Peeters: Countries such as Belgium and Germany will experience a shortage in terms of their own renewable production and will have to source it from outside their national borders. Today we are looking into which infrastructure elements we will need in the long term and how we can anticipate the changes to come in order to have everything ready on time. We don't want to be a bottleneck. But we have not

forgotten about the importance of solar energy either. Additional steps need to be taken in digitalisation in order to optimally integrate solar energy into our grid, but the infrastructure has already been greatly expanded. For wind energy, the situation is different.

Extensive electrification is required in order to decarbonise our energy-intensive industries. The Elia Group study on electric mobility has shown how convergence with the mobility sector can lead to a rapid reduction in CO₂ emissions. Do you foresee any other beneficial collaborations?

Chris Peeters: A number of tech companies have contacted us of their own accord. But we're also seeing companies in the steel and chemical industries that want to make their production processes greener. They are asking for our help because they realise that they will have to electrify part of their processes. Ultimately, this will ensure that they have a different relationship with our grid.

These companies have a lot of flexibility that can be used to accommodate the variability of renewable energy. On the retail side, we have smart buildings and everything they entail. That too is coming. We've entered into a number of partnerships with companies that are focused specifically on this sector.

New sectors, new stakeholders. What can we learn from them?

Chris Peeters: In working together, we see overlapping problems. The transport sector now better understands that there are grid restrictions when it comes to charging vehicles, but smart charging can be beneficial for both parties. There are also barriers we must overcome on our side. A single unified invoice that bills the right user requires complex integration with our grid. How can we identify who is charging what, when and at what point on the network?

Bernard Gustin: This once again shows that grid operators like Elia and 50Hertz lie right at the centre of the energy system. And that entails new challenges. We need to profile ourselves differently and make sure our services evolve. New business models are emerging on the fringes of ours and they are growing in importance.

What will the energy transition look like after 2030?

Bernard Gustin: In terms of our business, 2030 is just around the corner. The ultimate goal is a climate-neutral European society by 2050. We're still right at the starting point so we've definitely got quite a way to go until we reach end of our story.

Chris Peeters: In the longer term, how do we get enough carbon-free energy to the consumer? We should already be working on that today. We're thinking about the infrastructure, systems and mechanisms needed to seamlessly achieve a climate-neutral society by 2050. In Europe, some countries will experience renewable energy shortages, while others will experience surpluses. Collaborative arrangements can be set up to deal with this. In addition, the EU Hydrogen Strategy must also be considered. Europe as a whole is going to experience an energy shortage, which means some green gas will probably come from outside Europe's borders. And it's also important to prepare for high-stress periods. During long periods with little renewable production, we must have sufficient backup resources.

Energy policy is increasingly being defined at European level. Is this an advantage for the Group, given that it's active in multiple countries?

Bernard Gustin: We are indeed witnessing more European integration and coordination, and that feels very natural to us. We're already an international Group, whereas many other system operators remain quite national in their outlook. In terms of size, we're in the top 5 TSOs in Europe, but in terms of influence, we're in the top 3.

Chris Peeters: There is also the importance of scale to consider. By operating in different markets, we can learn from each other and set up innovation projects together that ensure we always stay one step ahead. 50Hertz's Combined Grid Solution project in the Baltic Sea is the world's first hybrid interconnector. This technology will also be very important for future projects in the North Sea



“ **At the start of the COVID-19 crisis, no one expected that the accelerated greening of society would feature so prominently in the recovery plans. Elia Group has an important role to play here.**

Bernard Gustin

Chris Peeters: Our industry needs to accelerate. This is one area where it's important for all stakeholders to have the same level of maturity. We are working simultaneously on many fronts, each of which has its own stakeholders going at their own pace. It's important to have governments, regulators, distribution system operators and the commercial sector on board so that steps are taken in the short term to deliver infrastructure on time, integrate renewable energy and electric cars, support industrial decarbonisation and so on. In my view, the big challenge for 2021 is convincing everyone of the need to pick up the pace.

Lastly, whom would you like to thank?

Chris Peeters: As a crucial sector, we've been able to fulfil our mission to work in the interest of society. Our people have always had confidence in the processes we've established for this purpose. That's why I would like to express my sincere thanks to our employees and our subcontractors.

Bernard Gustin: I couldn't agree more. Our employees are working efficiently under varying circumstances, whether at home, in the field or in our control centres. I'm very proud of their amazing adaptability.

“ **We can take great comfort in the fact that we chose the right direction a few years ago. Our business model is not up for debate today.**

Bernard Gustin



“ **We are indeed witnessing more European integration and coordination, and that feels very natural to us.**

Bernard Gustin

“ **Our industry needs to accelerate. We are working simultaneously on many fronts, each of which has its own stakeholders going at their own pace. In my view, the big challenge for 2021 is convincing everyone of the need to pick up the pace.**

Chris Peeters



— Elia Group at a glance

Regulated Activities



- is the Belgian transmission system operator for high-voltage electricity (30 to 400 kV)
- has a legal monopoly as Belgium's TSO and operates 8,781 km of high-voltage lines
- is responsible for developing, building and operating a robust electricity transmission system, with infrastructure onshore and offshore
- is responsible for developing services and mechanisms with a view to developing the electricity market at national and European levels



- is a joint venture between Elia and National Grid
- marks a crucial step forward in the integration of the electricity grid between continental Europe and the UK
- has been in operation since 30 January 2019, under its own regulatory framework (cap & floor)



- is one of Germany's four TSOs and is responsible for ensuring a secure supply of electricity for 18 million people in northern and eastern Germany
- has a grid that covers an area greater than 109,360 km² and runs a length of around 10,380 km
- is responsible for developing, building and operating the 150 to 380 kV transmission grid, with infrastructure both onshore and offshore
- is a leader in the secure integration of renewable energies, with over 62% renewables successfully incorporated within its 50Hertz grid



Non-Regulated Activities

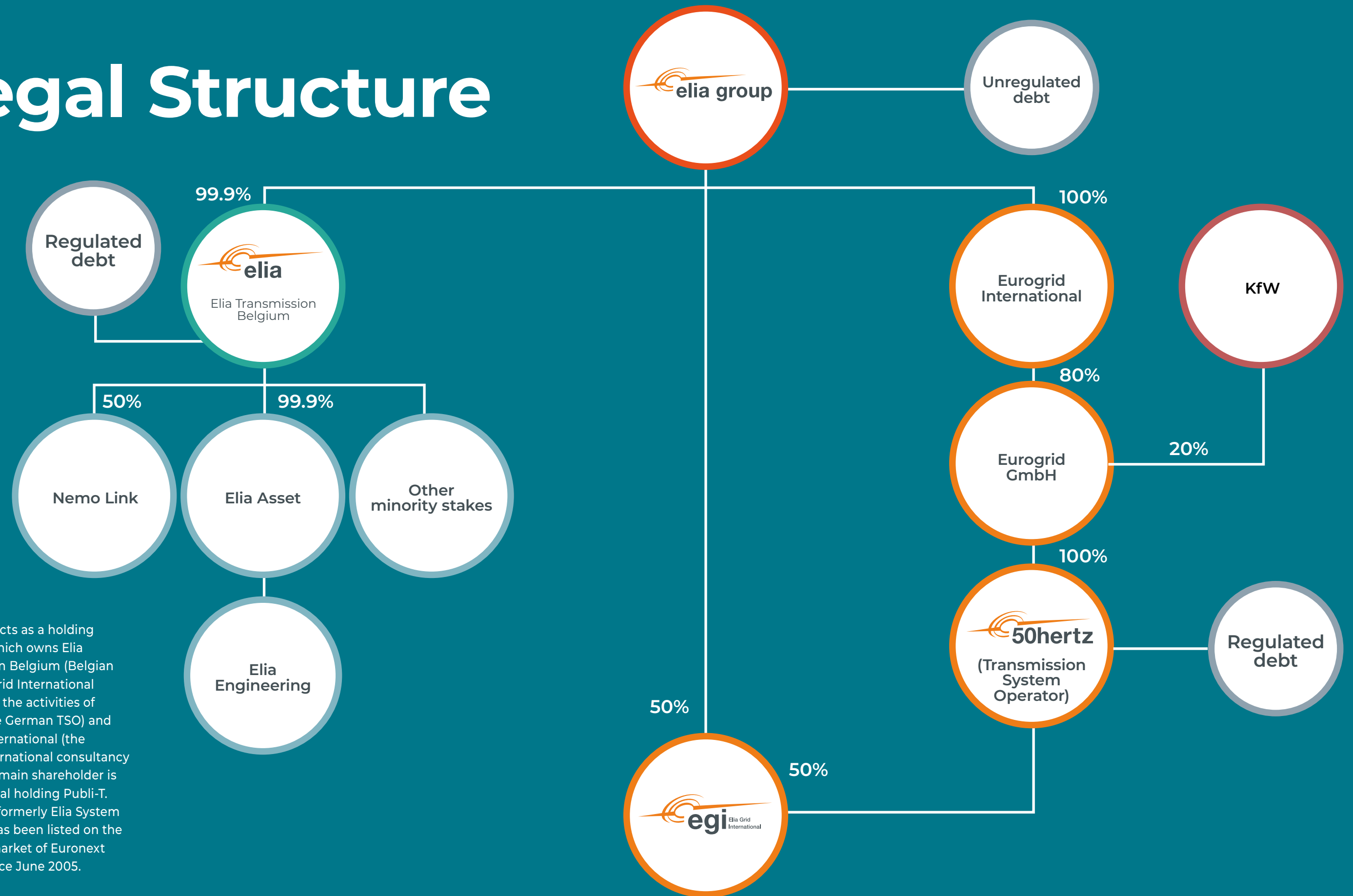


- offers support and consultancy services to government bodies, utilities and other key players around the world seeking support for the design and implementation of future projects in the power sector
- provides advisory services in asset management, system operations, grid development and RES integration



- is Elia Group's very own corporate start-up to accelerate digitalisation of the energy sector
- is the first European marketplace to allow the exchange of energy data, digital products and services via standardised energy APIs
- makes energy data easy to access and integrate, enabling the industry to take a giant digital step forward towards more widespread adoption of Energy-as-a-Service business models, ultimately driving forward a low-carbon energy future

Legal Structure



Elia Group acts as a holding company which owns Elia Transmission Belgium (Belgian TSO), Eurogrid International (comprising the activities of 50Hertz, the German TSO) and Elia Grid International (the Group's international consultancy branch). Its main shareholder is the municipal holding Publi-T. Elia Group (formerly Elia System Operator) has been listed on the regulated market of Euronext Brussels since June 2005.

Corporate bodies

GRI 102-18

Elia Group

Elia Group Management Board



- 1 Chris Peeters**
Elia Group CEO
- 2 Stefan Kapferer**
50Hertz CEO
- 3 Catherine Vandenborre**
Chief Financial Officer
- 4 Peter Michiels**
Chief Alignment Officer
- 5 Michael von Roeder**
Chief Digital Officer

50Hertz in Germany

Executive Committee



- 1 Stefan Kapferer**
50Hertz CEO
- 2 Dr. Frank Golletz**
Chief Technical Officer
- 3 Dr. Dirk Biermann**
Chief Markets & System
Operation Officer
- 4 Marco Nix**
Chief Financial Officer
- 5 Sylvia Borchering**
Chief Human
Resources Officer



Elia in Belgium

Executive Committee



- 1 Chris Peeters**
Chief Executive Officer and
Chairman
- 2 Catherine Vandenborre**
Chief Financial Officer
- 3 Marcus Berger**
Chief Infrastructure Officer
- 4 Patrick De Leener**
Chief Customers, Market
and System Officer
- 5 Frédéric Dunon**
Chief Asset Officer
- 6 Pascale Fonck**
Chief External Relations
Officer
- 7 Peter Michiels**
Chief Human Resources and
Internal Communication
Officer
- 8 Ilse Tant**
Chief Community Relations
Officer

*In February 2021, Patrick De Leener and Frédéric Dunon swapped positions to make optimal use of the experience and skills of both managers.

Four major trends that will shape the future of the energy sector

Transmission system operators (TSOs) Elia and 50Hertz are leading the way in the energy transition by developing and implementing innovative technologies to build the infrastructure of the future. Responding to social and political demands for the decarbonisation of the energy sector, we are harnessing innovation to deliver on our mission of providing reliable, sustainable and affordable energy to all of our end consumers. The energy landscape is undergoing a fundamental transformation. Increasing reliance on renewable energy sources, decentralised production and growing electrification are the way of the future, but they raise significant challenges for the energy system and its stakeholders. As a result, transmission and distribution system operators will need greater flexibility and innovative solutions to keep the system in balance and ensure a reliable, affordable and sustainable energy supply.



Decarbonisation of the energy sector

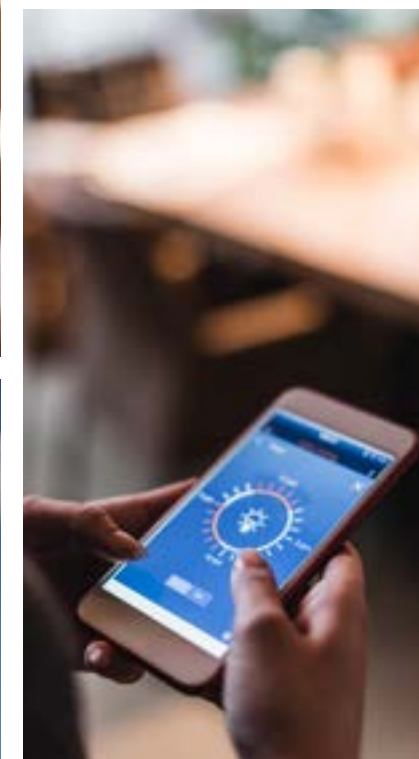
The decarbonisation of the energy sector and increasing reliance on renewables constitute an irreversible paradigm shift for the European energy system. Recognition of the need to combat climate change has not only gained social momentum, but has also prompted governments to set ambitious targets. The European Green Deal recently raised the 2030 emission reduction target to 55% (compared with 1990) and aims for climate neutrality by 2050. The trend towards an increasing share of renewables – solar, wind and green generation facilities such as offshore wind farms – is also driven by the rapid development and declining costs of renewable technologies themselves.

The old energy paradigm of centralised energy generation is soon to be a thing of the past. As the share of renewables accelerates, the distribution of energy over the electricity grid will have to change entirely in order to manage the myriad new sources of decentralised energy generation. The grid infrastructure will need to adapt accordingly.



Decentralisation and new market players

The trend towards decarbonisation will entail a proliferation of new, decentralised market players powered by technological innovations. This will lead to the increasing fragmentation of the energy sector into dispersed, smaller and local generation sources (such as electric vehicles, battery storage and heat pumps). Managing the operations of a complicated system of energy production will require increased flexibility on the part of TSOs. Operating a grid with thousands if not millions of decentralised resources will demand new strategies to integrate them into a reliable and efficient system. Greater flexibility and increasing digitalisation will be needed on behalf of service providers to keep the system balanced, as the role of conventional power plants and centralised distribution diminishes.



Digital transformation

The energy transition and the digitalisation of the sector are well underway and are set to accelerate in the years ahead. We expect to see massive amounts of renewables coming online at all levels of the grid, along with increasing electrification, fragmented production and more international cooperation. Tackling this increasing complexity will require technological innovations to maintain a reliable and affordable energy supply.

Elia Group believes a new way of managing the future power system is required in order to maximise the benefits of the energy transition. This will be enabled by digitalisation, which will connect all electrical devices and players across the system. The emergence of new digital technologies such as artificial intelligence (AI), blockchain, cloud computing and the Internet of Things will enhance our capabilities for gathering, transferring, processing and visualising data, and will increasingly automate the management of the power system. Indeed, we believe that successful innovation should encompass our sector's entire value chain: from asset management to system operation and market facilitation.

Supranational coordination

While the first two trends will yield a wealth of opportunities, they also introduce significant challenges. The growing share of renewables and increasingly decentralised energy generation from multiple market players are making the power system increasingly variable and complex. Across Europe, we are already seeing grid infrastructure lag behind rapidly evolving renewable generation. This is causing congestion problems and considerable 'redispatching' costs in some European countries, whose power markets are interconnected and integrated. Responding to these challenges often requires a supranational response to ensure the efficient and affordable flow of green energy from production to consumption centres.

Our Story

What We Do

Developing infrastructure

Keeping energy and consumers connected requires long-term investment in an efficient, safe and reliable grid infrastructure. Ensuring we are able to meet not only today's needs, but the needs of future generations as well, means developing and integrating renewable resources, such as offshore high-voltage grids. Upgrading existing structures, such as interconnectors, means energy reaches the market more quickly and efficiently.

Connecting markets

We strive for a connected and efficient grid, reflected in an integrated European market. Elia Group cooperates objectively and transparently with all market players. We employ the latest technological advances and create new ones where we see opportunities to optimise the transmission and distribution of energy while managing consumption demands.

Operating systems

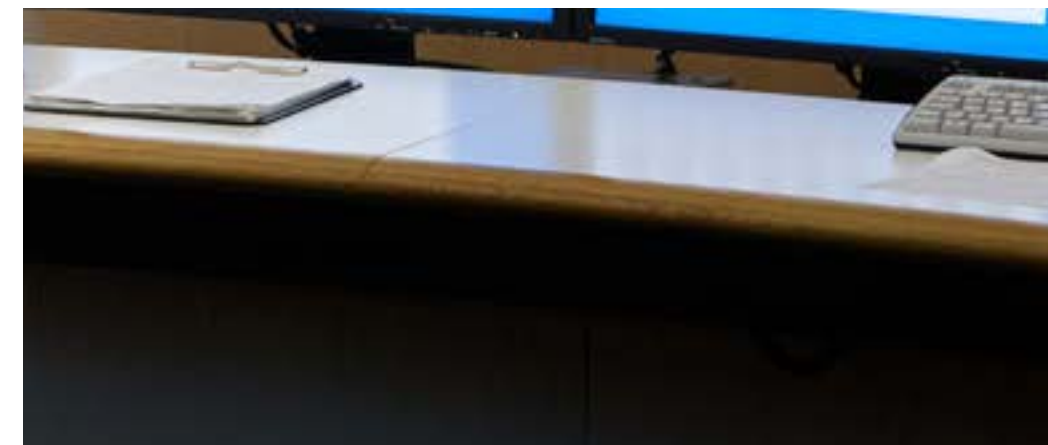
Balancing and coordinating an international, multi-sourced and connected grid with rapidly changing technologies and increasing demand is critical. To do this, Elia Group deploys and develops state-of-the-art processes and tools to monitor the grid in real time, all the time.

50Hertz Partnership

The German legislator has transferred the responsibility for coordinating and processing legal levy systems to promote environmentally friendly technologies to the transmission system operators. 50Hertz collects these levies as a trustee, administers them and coordinates their distribution to recipients. If the electricity from renewables is not marketed directly, we sell this electricity on the power exchange.

Elia Group connects

Electricity is at the heart of what we do. As one of Europe's top five transmission system operators (TSO), we ensure that over 30 million end users have access to reliable and increasingly renewable electricity. We operate 19,276 km of high-voltage connections while balancing generation and consumption.



Our strategy

Elia Group is well on the way to becoming a leading European TSO, working towards a successful energy transition for a sustainable world. However, as the energy landscape changes at an ever-faster pace, new and bigger challenges emerge. For Elia Group, this means that in order to remain relevant tomorrow, we have to continue improving our core activities today, delivering reliable services at an affordable price and at an accelerating pace in order to fulfil our societal mission. To that end, Elia Group will continue to build upon its three pillars of growth.

Our three strategic pillars

1.

Grow beyond current perimeter to deliver societal value

Against a backdrop of increasing European integration, we are actively shaping growth opportunities that will leverage our expertise and developing the new skills required to ensure a successful energy transition.



3.

Deliver the infrastructure of the future & develop and operate a sustainable power system

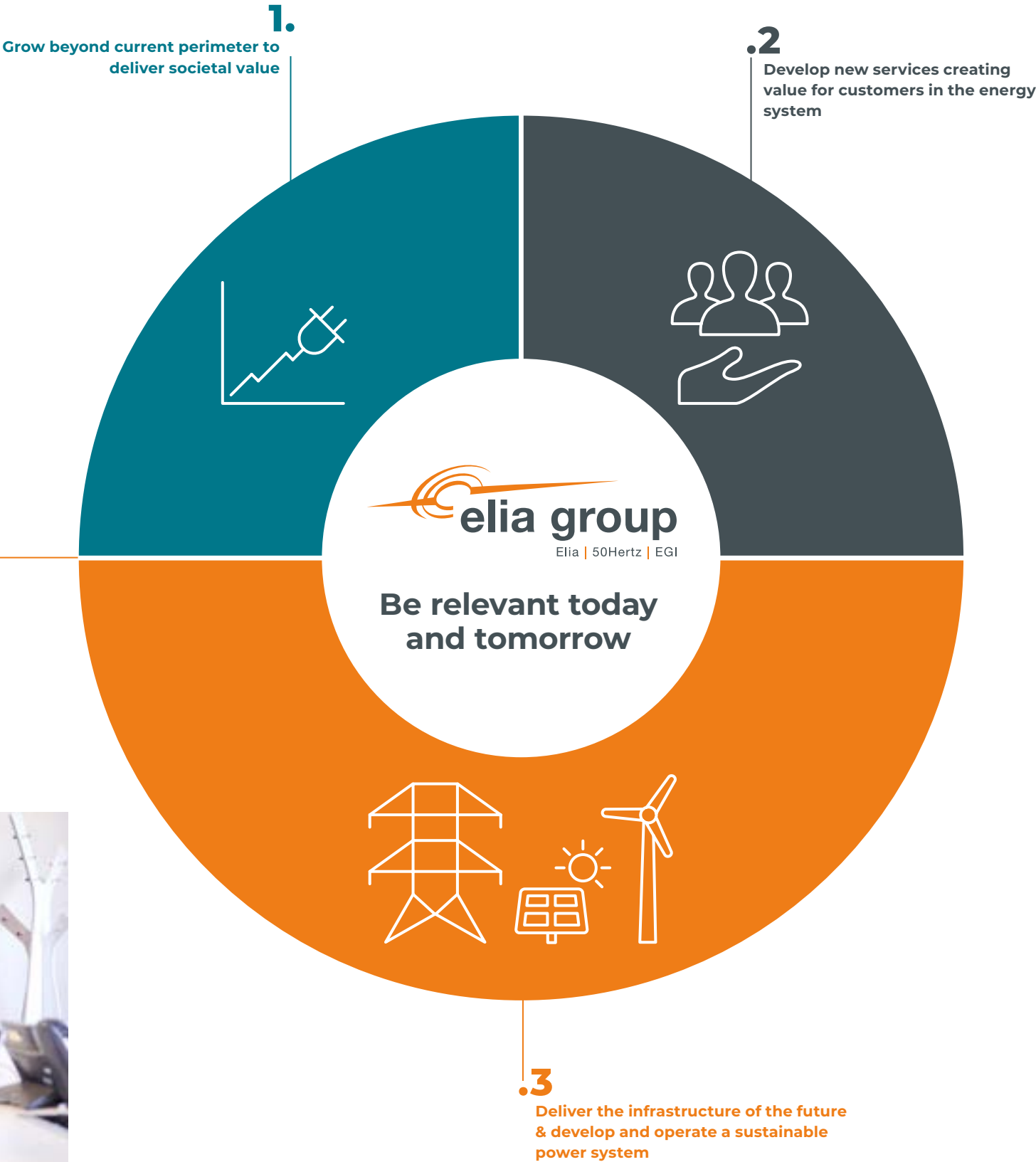
We are building the infrastructure of the future in Belgium and Germany and transforming our core business in order to become a digital transmission system operator. This is enabling the energy transition in our home markets.



2.

Develop new services creating value for customers in the energy system

We are providing the European market with digital tools to accelerate innovation in the energy sector, create energy services and initiate sector convergence by lowering barriers in our industry.



Act Now



For a sustainable future

Elia Group as an enabler of the energy transition

Climate change is one of the main challenges of the 21st century. Decarbonising the energy system is a must to keep the global average temperature increase well below 2°. The electricity sector carries a lot of decarbonisation potential. Electricity as an energy carrier is today already the most cost-efficient solution in most sectors. Further electrification based on RES integration is hence the most efficient way to realise the energy transition.

As Elia Group, we are at the centre of the electricity system. We are thus well-placed to identify the levers necessary for the realisation of the decarbonisation of the power system. *By doing so, we believe that we, together with all other actors involved in the energy transition, will provide society with value-for-money power to fuel business and live.*

We believe that, given our unique position and role as facilitator of the electricity market, we should deliver an effective contribution to the decarbonisation of the electricity sector. We are achieving this through developing activities that today are within the realms of possibility and that will make a difference in the successful and efficient realisation of the energy transition.

This ambition is already embedded in our strategy, which focuses on the delivery of CAPEX projects and offshore growth to integrate renewables, on digitalisation and market incentives to support access to flexibility, and in collaboration with several actors to push electrification and facilitate access to renewable energy. Moreover, relevant actions undertaken in that regard will support and contribute to the decarbonisation of our own activities and operations at Elia Group.

“

With our new 50Hertz strategy #from60to-100by2032 and the Elia Group Sustainability Initiative Act Now, we are making a significant contribution to achieving European, national and regional sustainability goals. The fact that investors trust us with regard to our activities, projects and plans under the current regulatory framework in Germany is reflected in the successful placement of our first Green Bond in May 2020.

Marco Nix,
Chief Financial Officer at
50Hertz



“

It is our belief that through constant innovation and delivering the infrastructure of the future, we will be able to maximise the impact of the energy transition on the reliability and sustainability of the power system. Through the set-up of the Act Now programme, we will ensure that we are setting the right priorities in our strategy and our internal processes, linking back to sustainability goals, and that we are reinforcing a sustainability mindset inside our companies.

Ilse Tant,
Chief Community Relations
Officer at Elia



Integration of the Sustainable Development Goals (SDG)

As early as 2018, we started integrating the Sustainable Development Goals (SDG) into our strategy.

As a company providing a service for society, we are keenly aware of our social responsibilities and strive to build a more sustainable world through our approach, decisions, and actions. This includes all of our internal processes like maintenance, engineering, grid development and the purchase of assets. We want to embed CO₂ reduction and sustainable decision-making in our DNA. We will increase our focus on the environmental impact of our activities, even though this will mean adding an additional layer of complexity to our decision-making processes and approach. Since good decision-making in a complex environment requires considering issues from multiple perspectives, increasing diversity across the company will enable us to cope with this complexity. Attracting talent and moti-

vating and enabling people to contribute their best to our common targets are key to our success and to achieving sustainable performance. Our employees, suppliers and other stakeholders are valuable assets; we work hard to safeguard their health and safety and protect them from discrimination.

Our culture fosters sustainable behaviour, which in turn supports our long-term strategy and ensures that the interests of society are met. Naturally, we fulfill all relevant laws, regulations, and necessary controls.

In order to meet our strategic ambitions, we will set up concrete and measurable actions to ensure that a sustainable approach is embedded across Elia Group's activities. We will continuously reassess our daily activities so that sustainability becomes a compass for our organisation, as we aim to build a more sustainable world.

Elia Group's lighthouse ambitions

With our Elia Group sustainability initiative Act Now in 2020, we defined concrete measurable targets related to how we will embed sustainability in our business processes along our value chain in the coming years. We will focus specifically on five fields of action – our so-called lighthouse ambitions:

We fight against climate change **want** to be carbon neutral by 2040

We protect the environment, conserving resources and nature, thus generating a positive impact on biodiversity **integrate** ecological design into all steps of our projects **want to abolish** the use of herbicides completely

We ensure that all our employees and everybody we collaborate with arrive home safe and sound every day

We promote diversity and inclusion and provide equal opportunities

We are committed to our societal role and the values of society **conduct** our activities with integrity **are transparent** about expected behaviours and do not tolerate ethical breaches



“At both Elia and 50Hertz, the interest and motivation of our colleagues for this group programme are strong. The journey to become a sustainable company started and the challenge is great and exciting. Thanks to the Act Now programme, sustainability will be part of the DNA of our company.”

Igor Lefebvre,
Head Environment
& CSR at Elia

- 40 years young
- started at Elia in 2017
- lives and works in Belgium

Concrete examples

- SF₆, a gas used to insulate electric lines, is very harmful to the environment. We are going to monitor leaks more strictly. In the future, we will also build stations where SF₆ is no longer needed.
- We encourage our employees to opt for sustainable mobility solutions: public transport and/or cycling. We are also going to green our own fleet. Old diesel cars will be replaced by electric vehicles.
- The hardware of our installations (pylons, cables, etc.) currently consists largely of non-recycled materials. We expect our major suppliers to offer sustainable alternatives within 10 or 15 years. Their R&D departments are working hard on this.
- We have 800 substations in Belgium that we have to heat and light. The energy we use for this will be green.


You can read the full overview of our sustainability policy in the Elia Group Sustainability Report 2020.

2020 in numbers

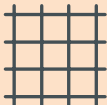
Operational



30mio
end Users (Elia Group)



19,276 km
of high voltage lines and cables
(Elia Group)




99.99%
reliability of the grid (Elia)


Environmental



1,142 km
inspections were carried out on
construction sites (Elia Group)



62%
percentage of renewable
energy integration (50Hertz)



411.74km
of birdmarkers installed
as of 31/12/2019 (Elia Group)

Financial



€9.7billion
regulatory asset base
(Elia group)



€308.1mio
Adjusted Net Profit
(Elia Group)



€1.71
gross dividend per share
(Elia Group)

Social



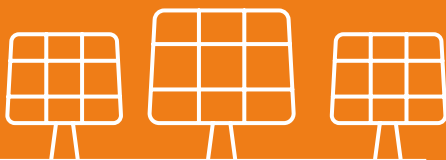
291
new hires (Elia Group)



2,723
employees (Elia Group)

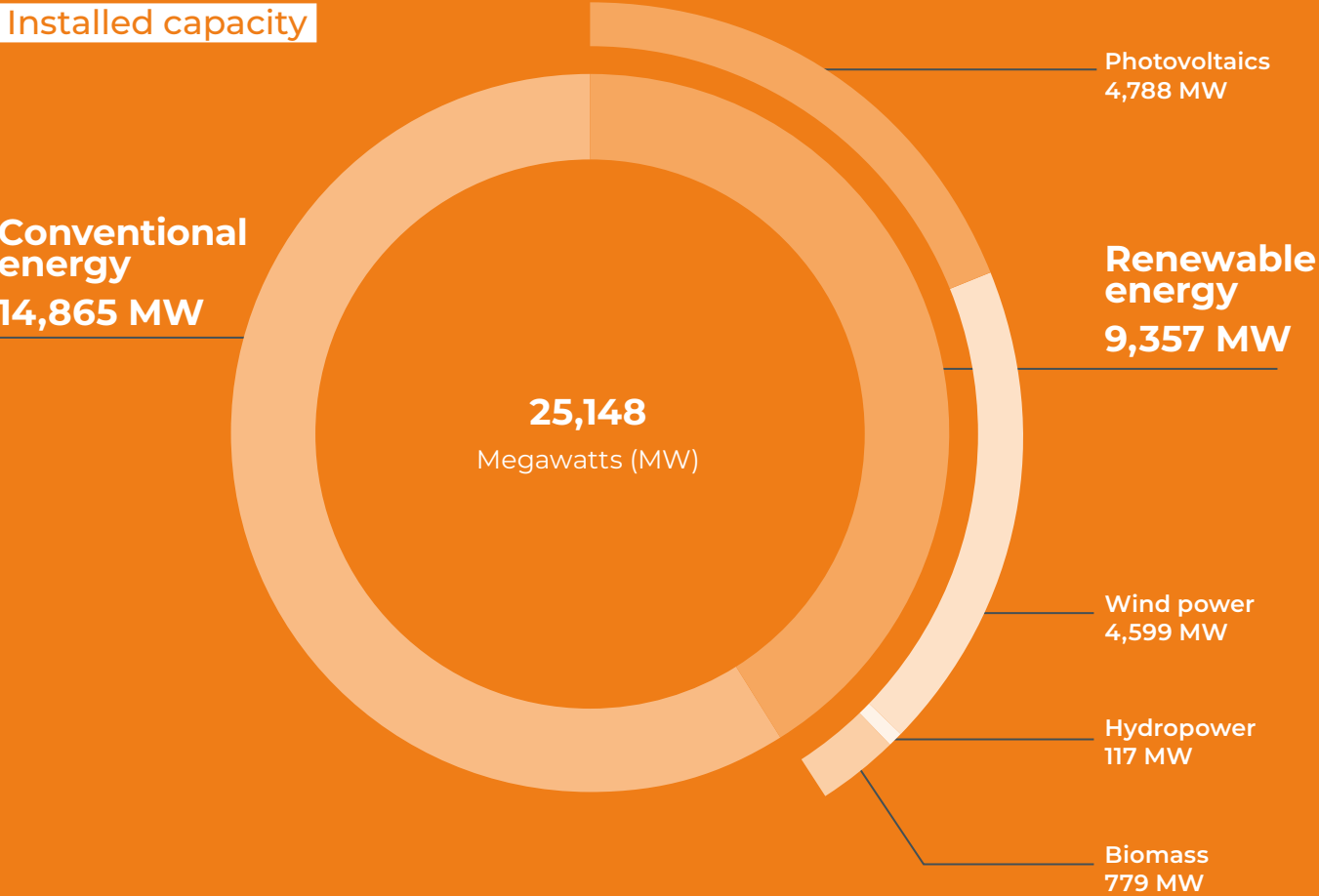


24
nationalities (Elia Group)

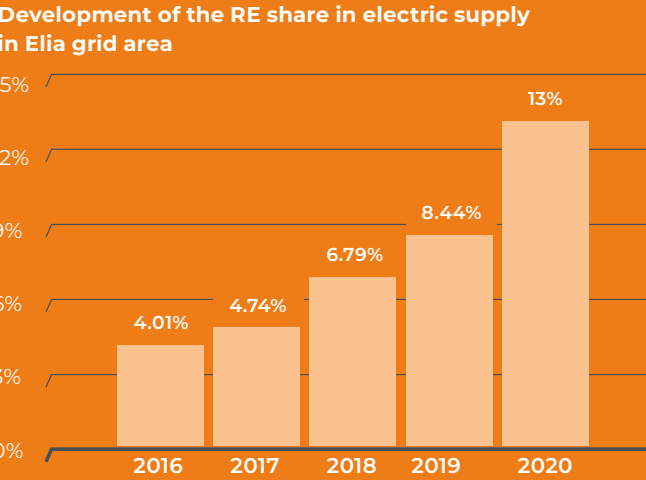


Elia

Installed capacity

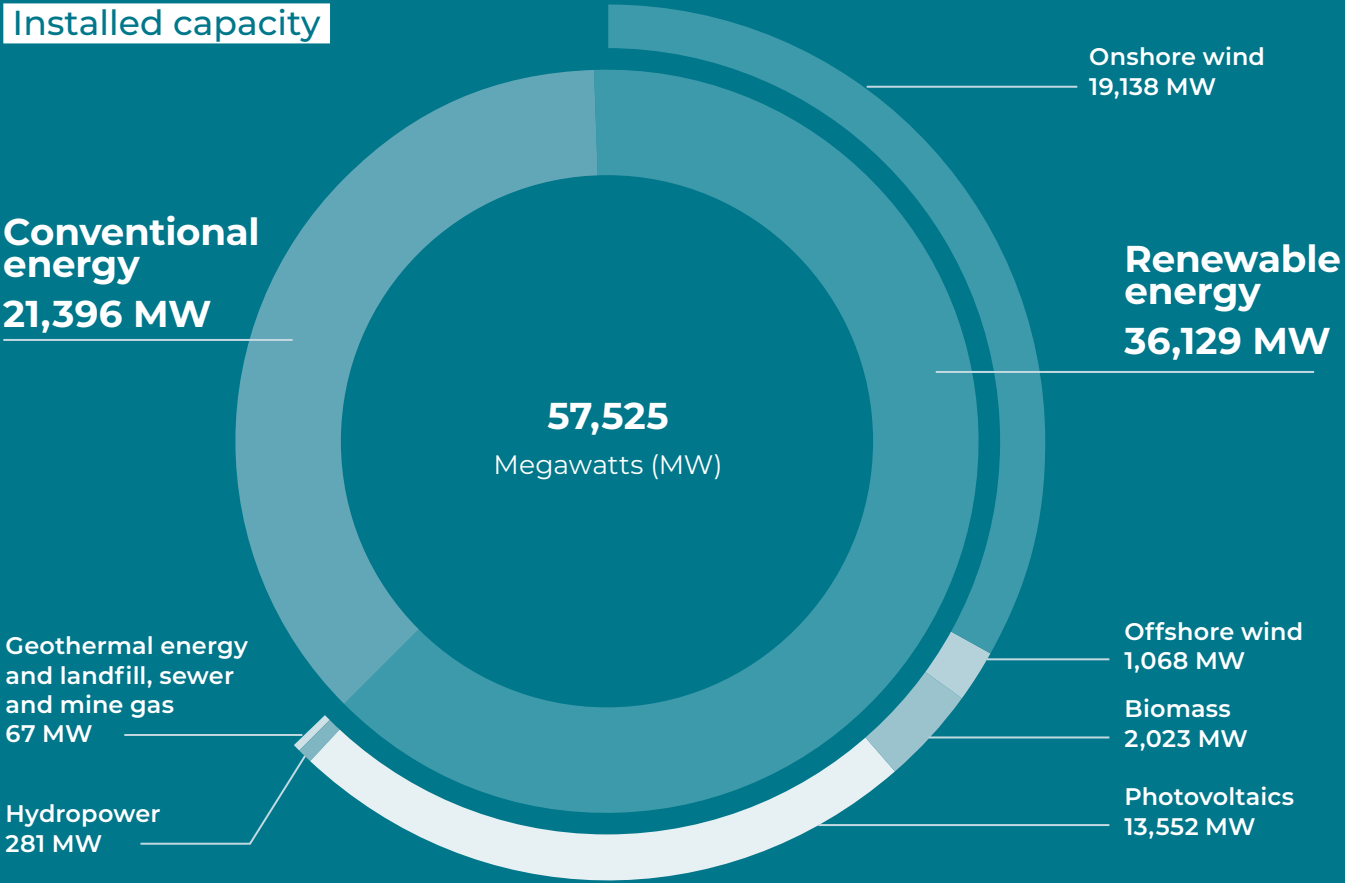


Evolution

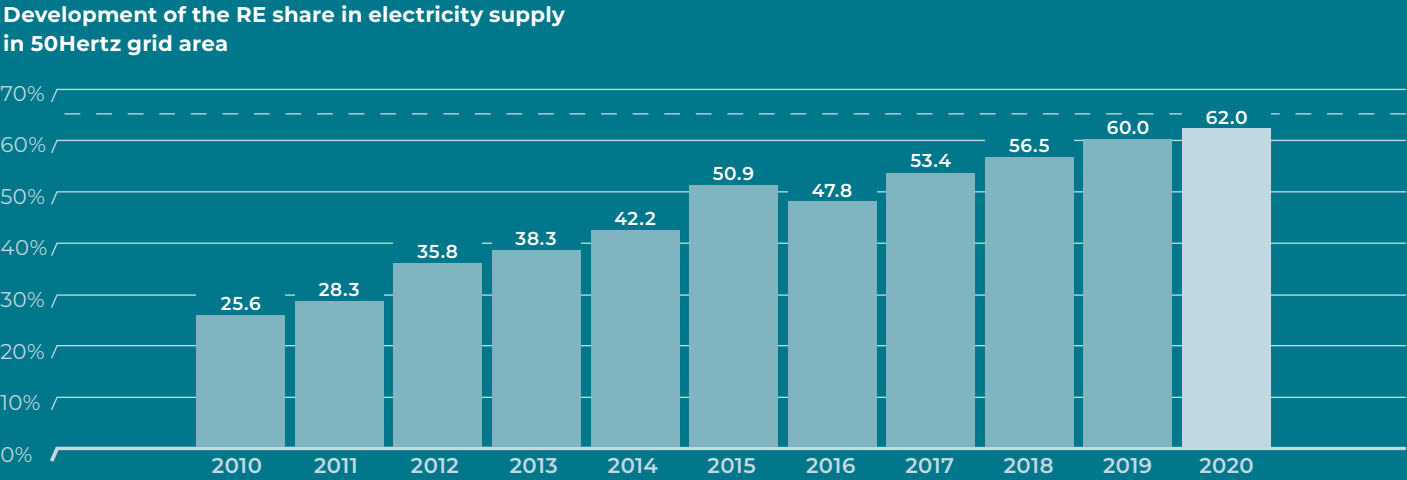


50Hertz

Installed capacity



Evolution



2020 Highlights

2020 was a year of unprecedented challenges. As a provider of crucial services, Elia Group was faced with the difficult task of protecting our staff whilst ensuring business continuity, so that our 30 million end users had ongoing access to a reliable energy supply throughout the pandemic. Despite these challenges, Elia Group employees worked hard to protect and maintain the grid network and successfully deliver a number of ambitious projects. This year's Annual Report therefore reflects their hard work: it focuses on the Group's project highlights and features some of the members of staff who went the extra mile to make them possible – all in the interest of society.

COVID-19



Elia Group's digitalisation strategy and newly established COVID-19 Task Force played key roles throughout 2020, allowing us to ensure business continuity whilst also keeping our staff protected throughout the pandemic. We were safely able to maintain security of supply and engage with our stakeholders, from supporting non-profits to guaranteeing attendance to key meetings and events through virtual means (read more on page 26).

Combined Grid Solution

In October, 50Hertz and Danish system operator Energinet inaugurated the world's first hybrid offshore interconnector, which connects German and Danish wind farms and allows the transmission and trade of energy between both countries. The project has been paving the way for future joint offshore grid projects (read more on page 30).



ALEGrO commissioned

10 years of joint work undertaken by TSOs Elia (Belgium) and Amprion (Germany) culminated in the completion of the ALEGrO interconnector. ALEGrO enhances the security of electricity supply to Belgium and Germany, and better facilitates the integration of renewables into the grid; it will therefore act as key feature of the integrated European electricity system (read more on page 38).



E-mobility vision paper

Published in November, Elia Group's e-mobility vision paper outlines how better alignment between the power and mobility sectors can deliver important societal benefits. The paper identifies enablers for making both sectors more sustainable whilst enhancing consumers' driving experience, so encouraging the widespread adoption of electric vehicles and ultimately contributing to the decarbonisation of society (read more on page 44).

From 60 to 100 by 2032

In July, 50Hertz announced an ambitious new goal for 2032: ensuring that 100% of the electricity carried across its grid is generated by renewables. 50Hertz will continue to work closely with a range of stakeholders, some of whom are already making huge efforts to decarbonize their processes, to explore additional ways of facilitating the transition to a sustainable future (read more on page 50).



The Nest

Elia Group launched the Nest, its digital incubator, in September. It acts as a laboratory, enabling the rapid development, prototyping and testing of ideas related to digital technology – which is key to driving the energy transition. The Nest strengthens Elia Group's commitment to innovation, complementing initiatives such as its *Innovation Week and Open Innovation Challenge*, which are held annually (read more on page 60).

First €750 million Green Bond successfully placed

In May, Eurogrid GmbH – 50Hertz's parent company – issued the first Green Bond in the company's history, securing €750 million which will help finance the grid connections for two offshore wind farms in the Baltic Sea. The bond demonstrates the high degree of confidence the financial markets have in Elia Group's sustainability strategy and investment plans. (read more on page 56).



Elia Group launches re.alto

re.alto, Elia Group's own start-up, was launched in Belgium in September. re.alto is the first European digital marketplace to be built specifically for the exchange of energy data and services. Real-time data can be bought and sold by stakeholders across the value chain, encouraging energy savings, sustainable adjustments and cost-effective measures – ultimately supporting decarbonisation (read more on page 66).



Brabo II enters service

Brabo II, the second of three Brabo sub-projects, has now been completed. The sub-project strengthened the grid infrastructure around the Port of Antwerp, so enabling the importing of more electricity from the Netherlands and responding to growing electricity consumption in the area. Whilst Brabo I and II have now been completed, Brabo III is due for completion in 2024 (read more on page 70).



COVID-19

Guarantee of stability in uncertain times

Some 24 hours after the announcement of the first lockdown measures in Belgium (March 2020), 95% of employees were already working from home and all project sites had been shut down. After a short interruption of just a few days, Elia Group gradually resumed on-site project work by implementing modified working methods in close collaboration with our contractors. By the end of the year, the situation across our project sites had all but returned to normal. Project sites in Germany were less impacted by the COVID-19 measures, one of the exceptions being the commissioning of the Combined Grid Solution project, the hybrid interconnector between Germany and Denmark. That project had to cope with travel restrictions imposed on the Danish team members.

Our digitalisation strategy, which had already been consistently pursued before the pandemic, facilitated the rapid transition of the company's employees to working from a home office. With respect to health protection and occupational safety, additional

special hygiene measures and occupational safety regulations were introduced on top of existing measures related to the pandemic. Social aspects were also taken into account and employees were offered help for coping with everyday life in this new situation.

The coronavirus pandemic has presented society with profound changes and new challenges. For Elia Group, this means producing in-depth analyses, adapting pandemic plans and acting prudently. Since the Belgian and German authorities consider our activities to be crucial, we prioritised the continuation of our activities in order to ensure business continuity. To supervise this process, an internal task force was set up across multiple departments. Maintaining security of supply and protecting the health and safety of our employees and contractors are our main priorities.

"Thanks to the COVID-19 Task Force set up early on, we were able to respond appropriately and flexibly to the new challenges. Within a short period of time, our colleagues on the task force developed a broad set of measures for all sites in coordination with management and communicated recommended actions to all employees. The Task Force continuously adjusted plans in line with changing conditions. Despite the unprecedented situation, we were therefore able to meet our goals on time."

Jeroen François,
Head of Task Force
Elia

- 42 years young
- started at Elia in 2011
- lives & works in Belgium
- always in for snowboarding, travel & adventure



"In all our considerations and actions, the health of our employees while maintaining operational capability was our top priority. Thus, after the first lockdown ended in 2020, we had to quickly ensure that the necessary measures were implemented in all places: workplaces, construction sites, employee canteens, meeting rooms, lifts and other public areas. Unfortunately, this will remain necessary for some time."

Jochen Müller,
Head of Task Force
at 50Hertz

- 55 years young
- lives and works in Germany
- started at 50Hertz in 1992
- loves riding his motorbike



Want to know more about the impact of corona on our business? Our colleagues Barbara, Bart and Walter of the taskforce team tell you about their experiences in this video. To watch the video click on this link or simply scan the QR code with the camera your smartphone to start the video.

► <http://bit.ly/Corona-Taskforce-AR2020>



Did you know? — We stay connected

Support for anti-poverty funds

In May, the members of Elia's Management Board unanimously decided to contribute their entire salary for that month to the King Baudouin Foundation in support of its COVID-19 fund for combatting poverty. The Board of Directors and company staff voluntarily followed suit, with a total of €255,000 donated. Back in April, Elia Group contributed the budget set aside for the organisation of its Annual General Meeting to three King Baudouin Foundation solidarity funds, and even topped up the amount to a total of €100,000.



Commitment to social causes

Every year, 50Hertz contributes to social causes in its grid area through donations and sponsorships. We support numerous initiatives, associations and organisations, including the Rennsteig autumn run in the Thuringian Forest, the Baltic Sea relay marathon in Dierhagen, and a large number of local non-profit institutions. Long-standing sponsorship partners continued to receive support during the coronavirus period. In addition to its existing commitments, 50Hertz decided at the end of the year to increasingly support non-profit associations in its grid area via donations instead of Christmas presents for business contacts.



Electricity consumption below average

The gradual restriction on activities to prevent the spread of coronavirus had a noticeable impact on electricity consumption in Belgium. Total consumption in 2020 was 7% below the average for the previous five years. As electricity generation was sufficient, but demand was down significantly, the average price of electricity also dropped below normal at times. In Germany, many sectors stayed up and running to a broad extent. The coronavirus measures therefore had a slightly less noticeable impact on the electricity system : electricity consumption dropped by 4% compared with 2019.

Elia named Top Employer again

Elia was named one of the best employers in Belgium for the third year in a row. The Top Employer label is awarded to companies committed to providing an excellent working environment for their employees. A total of 72 Belgian companies received the distinction this year. Over the past year, Elia has focused strongly on improving the digitalisation of the HR management process and developing its corporate culture. As well as being wonderful recognition for all its hard work, the accolade will also make the company more attractive to new talent.



Top Employer is an important label that we at Elia are very proud of. In this video, our colleague Dorien explains more about the importance of this award. To watch the video click on this link or simply scan the QR code with the camera your smartphone to start the video.
► <http://bit.ly/TopEmployer-AR2020>



To watch the video click on this link or simply scan the QR code with the camera your smartphone to start the video.



First virtual Elia Group Management Days 2020

The Elia Group Management Board (EGMB) - formerly the Elia Group Committee (EGC) - invited the Group's German and Belgian senior managers and local functions to discuss the further development of the Group's strategy. During the livestream, the 80 participants were able to engage with EGMB by asking questions and chatting live. The speakers and moderators were in a production studio and the participants were livestreamed using their computers' cameras and sound systems when asking a question, just like reporters in a news broadcast.

Merci² event

On Friday 11 December 2020, more than 700 Elia colleagues took part in Merci², a digital event to thank our employees for the incredible work they have done during this very special year. The event, which included testimonials from colleagues, messages from management and interactive moments, ended with a highlight: the results from Elia employees taking part in the Fit4Charity challenge! Thanks to all the kilometres they travelled on foot or by bike, we raised €12,500 for two cancer support associations: Kom op Tegen Kanker and Télévie.



Onboarding during the pandemic

In April 2020 alone, 50Hertz welcomed 35 new employees and provided digital onboarding from home. Introductory events and introductions to the various departments took place digitally without any problems. Likewise, digital informal appointments for open discussions within teams also offered colleagues new opportunities to get to know each other.

Our colleague Marie-Laure started at Elia the day the schools went into lockdown in Belgium. Marlon, Burak and Fred tell you all about how they got to know the company from home and share their experiences as new Elia Group employees in this video ► <http://bit.ly/OnboardingCorona>



Digital public participation

The early involvement of all stakeholders in the planning and implementation of grid expansion projects was particularly important for 50Hertz, including during lockdown. That's why we increasingly implemented digital formats for informal public participation at the beginning of the year. The information provided on project websites for individual grid expansion projects was expanded and made more user-friendly, and greater use was made of films, visualisations, maps and texts. In addition, telephone consultation hours previously announced in the local press created an additional space for direct exchange with mayors, residents, property owners, interested citizens and representatives of associations. This facility was actively used. Other formats, such as planning forums and expert workshops, were held virtually. The response was positive throughout.



Combined Grid Solution

The Kriegers Flak - Combined Grid Solution (CGS) connects the Danish region of Sjælland with Mecklenburg-Vorpommern in Germany. Built as an interconnector, the line is an innovation in the energy transition since it is the first hybrid offshore interconnector which not only connects wind farms in two countries, but which can also be used to transmit and trade energy in both directions. No comparable project has yet been accomplished anywhere in the world.

50Hertz welcomes the European Commission's decision to grant an exemption for the Combined Grid Solution project's interconnection capacity. Under current legislation, 70% of interconnection capacity must be put on the market for electricity trading. In a hybrid solution, the wind farms would be disadvantaged. The exemption stipulates that, after deducting forecasted wind production, the remaining capacity must be made available to the market.

A world premiere connects Europe

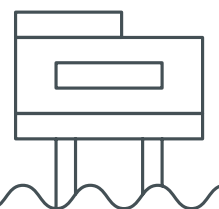
In October 2020, 50Hertz and Danish grid operator Energinet inaugurated the world's first hybrid offshore interconnector, integrating both German and Danish offshore wind farms. This allows CGS to transmit offshore wind power to Denmark and Germany. The line can also be used as an interconnector for cross-border power trading.

This makes CGS a technical and market innovation that serves as a model for future offshore power grids. The grid connections operated by 50Hertz for the Baltic 1 and Baltic 2 wind farms (Germany) and the grid connection to the Kriegers Flak wind farm (Energinet/Denmark), which is currently under construction, are partly shared with CGS. Two 25 km submarine cables with a capacity of approximately 200 MW each running between the Baltic 2 and Kriegers Flak substations link the two grid connection systems.

Up to 400 MW of additional capacity in each direction is now available for power transmission between eastern Denmark and the German bidding zone. The interconnector enables the most favourable types of generation in both countries to meet electricity demand. For the first time, an interconnector is transmitting offshore wind power and providing transmission capacity for cross-border power trading in a joint technical facility. This is an important prerequisite for the future expansion of offshore wind energy use in both the North Sea and Baltic Sea, but can also serve as a model for other projects worldwide.



To watch the video explaining the Combined Grid Solution project, click on this link:
 ▶ <http://bit.ly/CGS-inauguration>
 Simply scan the QR code with the camera your smartphone to start the video.



Borderless power flow

Since the transmission grids of eastern Denmark and Germany do not operate synchronously, adjustments are required at the transition points. A double converter (back-to-back converter) at the Bentwisch substation near Rostock makes this possible. Two converters are connected directly one after the other. One converter converts the three-phase current (AC) from the Nordic interconnected system into direct current (DC). Another converter then converts this direct current directly back into three-phase current, which now matches the continental European synchronous area. As a result, electricity can flow smoothly in both directions.

The brain in Neuenhagen - a digital control unit

CGS consists of both hardware and software components. The 'brain' of the hybrid interconnector is the Master Controller for Interconnector Operation (MIO). Installed at 50Hertz's Control Centre, this digital control unit reconciles the requirements of the electricity market and electricity generation, which depends on Baltic Sea wind conditions. The most important task of MIO is to enable the optimal and efficient use of the interconnector while avoiding overloading. To that end, it does not control the market-based exchange of electricity between Denmark and Germany solely based on forecasts. It must also maintain voltage and balance in real time in the

event of physical deviations by relying on the double converter in Bentwisch. The back-to-back converter in Bentwisch also plays an important role in terms of grid stability by safely integrating a growing volume of offshore electricity into the system. In addition to active power, 'reactive power' is also needed in order to maintain voltage when transmitting electricity over lines in alternating current. Until now, reactive power has mainly been provided by conventional power plants. The double converter can provide part of the necessary reactive power compensation for the northeastern part of the 50Hertz grid area.



“Our cooperative relationship with our Danish partners has been a great success. The Baltic Sea offers additional attractive opportunities to leverage this experience and further connect offshore wind across several countries efficiently and flexibly. With CGS we demonstrated that we have mastered the technology and the necessary project knowledge.”

Henrich Quick,
Head of Offshore
at 50Hertz

- 49 years young
- lives and works in Berlin
- started working at 50Hertz in 2014
- loves swimming and some reading about astrophysics



“CGS is very important for Denmark. It is one of the keys to a 100% green society. For me, our collaborative partnership has been the best. Germans and Danes are neighbours. We're different, but we accept each other's differences.”

Per Obbekeær,
Project Manager
at Energinet



“Combined Grid Solution is not just a milestone for the green transition in Germany and Denmark. It is also an innovative solution, which I am sure will be a cornerstone in the planning of future energy islands and the massive expansion of offshore wind, which is so important in ensuring European climate neutrality.”

Thomas Egebo,
CEO of Energinet

“What we've done together here is absolutely pioneering work. For me personally, CGS is the project of my life so far.”

Elke Kwapis,
Head of Line Projects
at 50Hertz

- started at Elia 2015
- lives and works in Germany



“With MIO, we are making optimum use of the interconnector and managing the market-based exchange of electricity between Germany and Denmark. For us, MIO is a blueprint for future innovative system management methods.”

Anne Katrin Marten,
Head of Operational
Planning
Department 50Hertz

- 34 years young
- lives and works in Germany
- started working at 50Hertz in 2016
- is an early bird and loves discovering the world



“Being part of the CGS project team was a unique challenge and a once-in-a-lifetime experience. I would love to be involved in future projects of this kind.”

Sebastian Wagner,
Offshore Project Manager
at 50Hertz

- 49 years young
- lives and works in Germany
- started working at 50Hertz in 2008
- enjoys swimming, skiing and biking

Key facts



CGS connects Germany and Denmark via two offshore wind farm grid connections.

400MW
starts at the 50Hertz
substation

The interconnector, which has a transmission capacity of up to 400 MW, starts at the 50Hertz Bentwisch substation near Rostock and ends at Denmark's Bjaeverskov substation in the Sjælland region.

235km
combined length

The line sections have a total combined length of around 235 kilometres.



CGS is a joint project by Energinet and 50Hertz. It is co-financed by the European Commission as a project of common interest (PCI).

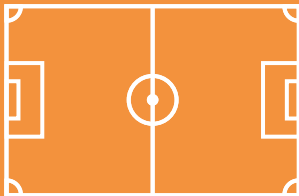
2016/2017



Construction started in late 2016/early 2017.



The German and Scandinavian power grids do not operate synchronously, but are now connected through a double converter at the Bentwisch substation near Rostock.



The converter hall in Bentwisch is half the size of a soccer field and just under 15 metres high.

The interconnector is controlled by the Master Controller Interconnector Operator (MIO), installed at the 50Hertz Control Centre in Neuenhagen near Berlin.



Dan Jørgensen, Minister for Climate, Energy and Utilities, stated that CGS is a testbed for the seamless integration of multiple wind farms and shows how we can use renewables across countries.



Inauguration of the Combined Grid Solution

On 20 October 2020, 50Hertz (Germany) and Energinet (Denmark) inaugurated the Combined Grid Solution (CGS), the world's first offshore hybrid interconnector. Due to COVID-19, the inauguration was held as a digital/hybrid event and took place in Berlin in the presence of German Federal Minister of Economic Affairs and Energy, Peter Altmaier.

Peter Altmaier, Federal Minister for Economic Affairs and Energy, said that the Combined Grid Solution is a European flagship project for cross-border cooperation in the field of offshore wind energy, which can play an important role in the future on the path towards a climate-neutral Europe.



EU Commissioner Kadri Simson explained that the EU is a world leader in offshore wind generation. To maintain and expand this position, we need pioneering projects like the Combined Grid Solution.

Did you know?

The offshore success story continues...

In late 2020, the transmission system operators active in the Baltic Sea region collaborated to establish an offshore grid in the Baltic Sea. The memorandum of understanding (MoU) for the Baltic Offshore Grid Initiative was signed not only by 50Hertz but also by Fingrid (Finland), Svenska Kraftnät (Sweden), Energinet (Denmark), Elering (Estonia), AST (Latvia) and Litgrid AB (Lithuania). Norway's Statnett will also participate as an observer. As part of the joint venture, common planning principles for the Baltic Sea offshore energy grid will be developed and should be included in ENTSO-E's ten-year development plan. Joint studies are being planned to support the stakeholders' vision of the Baltic Sea offshore grid contributing to CO₂ reduction and the development of an environmentally friendly energy system of the future.

Back in October 2020, the EU Baltic Sea states signed the Baltic Sea Offshore Wind Declaration, a joint declaration of intent on offshore wind energy in the Baltic Sea. The cooperation envisaged by these countries includes jointly planned areas for wind energy use in order to further maximise the potential of offshore wind energy.

Ostwind 2 (50Hertz's grid connection project) will connect two new offshore wind farms in the Baltic Sea to 50Hertz's transmission grid on the German mainland by the end of 2023. Once completed, the wind farms will have a total capacity of 725 MW, which means they will supply 750,000 homes with renewa-

ble energy. To transmit the electricity to the mainland, two offshore substations will be built, three sea/shore cable systems will be laid and the Lubmin onshore substation will be expanded. The first cables were installed in the fourth quarter of 2020.



Nautilus, another possible interconnection project

With respect to the European electricity market, new interconnections are needed to promote the energy transition and address associated challenges. To this end, the need to strengthen the north-south axis and build east-west links has been clearly identified in Europe. After Nemo Link, the Nautilus project could be another opportunity to link Belgium and the UK.

The European Commission has highlighted the project's importance within the European context, calling Nautilus a project of common interest (PCI). However, its timetable, location, route and capacity are still subject to further studies. Elia and National Grid Interconnector Holdings Limited (NGIHL) are conducting a bilateral feasibility study before confirming whether or not this interconnector will be built.



MOG II, extending the modular offshore grid to connect new offshore generation units to the mainland

The MOG II project aims to develop and build new offshore grid infrastructure to link new wind farms in the Belgian part of the North Sea to the mainland grid. This is in line with Belgium's energy strategy and the Belgian government's commitment, in the Marine Spatial Plan for 2020-2026, to identifying new zones

for the generation and transmission of electricity. MOG II will provide an efficient, reliable means of connecting new offshore generation facilities to the mainland and will thus make a substantial contribution to facilitating RES integration in Belgium. MOG II will also help Belgium meet its climate targets.

Bornholm Energy Island

In line with their joint letter of intent, 50Hertz and Danish system operator Energinet intend to cooperate on the Bornholm Energy Island project, which will connect a planned offshore hub on Bornholm Island in the Baltic Sea with, initially, 2000 MW of wind capacity for both countries. The project is a continuation of the successful cooperative venture between the two system operators on the Kontek interconnector and Kriegers Flak - Combined Grid Solution (CGS) projects.

Also Elia and Energinet have signed a letter of intent. They will set up a working group to examine the feasibility of a sub-sea cable between Belgium and Denmark that would link the high-voltage grids of both countries over a distance of more than 600 km.

On the Danish side, the interconnector would connect to a new 'energy island' to be built 80 km off the Danish coast and to which a large 10 GW wind farm will eventually be connected. This would give Belgium direct access to the renewable bulk generation we need in order to decarbonise our energy-intensive industry and achieve the European climate targets.



ALEGrO commissioned

ALEGrO is a key link in the construction of an integrated European electricity system. The interconnector will have a transmission capacity of 1,000 MW, equivalent to the amount consumed by a city of one million inhabitants. The connection delivers multiple benefits: it enhances security of supply for both countries, facilitates the energy transition by allowing better integration of renewable energies, contributes to price convergence and makes the connected regions more economically attractive.

The first interconnector between Belgium and Germany

ALEGrO connects the grids operated by transmission system operators Elia (Belgium) and Amprion (Germany). Despite the COVID-19 pandemic, the original schedule was maintained. The project was completed on time thanks to the remarkable work carried out by both system operators working in close collaboration with the Belgian and German authorities and local and regional administrations. As a result, ALEGrO began commercial operation in late 2020. After nearly 10 years of solid collaboration, it is time to look back on this unique and historic milestone together with the project team.

"The construction works started in 2018, in the middle of winter, with snow, cold weather and a lot of rain. In the beginning, we faced teething problems which needed to be resolved. We adapted the procedures and methods so the remainder of the works could run smoothly. Looking back, I realise it was a unique and historic project. We're talking about 90 km of cable and two converter stations. That is a lot to build in such a short time. The teams should be proud of what they achieved. For me personally, the moment we finished digging the tunnel and arrived at the other end after a year and a half was incredible."



Els Celens
Project Leader,
ALEGrO

- Enjoys playing the piano when not occupied with the kids



"The biggest challenge was to bring the different power transformers to the site. They were picked up in Nuremberg, transported by boat and delivered to the nearby port. A special convoy was needed to bring them to the site. The most memorable moment for me was when the converter station in Lixhe was first switched on. It took hundreds of thousands of work hours by different teams and dozens of different companies who all worked together. ALEGrO was definitely the project of a lifetime. It will contribute great value to society and will support the integration of renewable energy."

Jérôme Mathot
Project Leader for Lixhe
Converter Station (Elia)

- 33 years young
- lives and works in Belgium
- started working at Elia in 2011
- devoted father and keen sportsman



"The collaboration between Elia and Amprion was very good. We complemented each other and were able to share tasks and consult one another. It was a relief that everything worked well during commissioning, without anything blowing up or tripping. We all felt a certain sense of pride that we were able to successfully connect the plant to the grid with the help of all of the project partners."

Maximilian Stumpe
Assistant Project
Manager for the
Control & Protection
Converter (Amprion)



You can also watch our colleagues tell you about their experiences on video. To watch the video click on this link or simply scan the QR code with the camera your smartphone to start the video.

► <http://bit.ly/ALEGrO-commissioned>



Introducing the Evolved Flow Based methodology

The ALEGrO interconnector is located in the centre of the meshed alternating current (AC) grid. This makes operating it quite challenging and requires close coordination between neighbouring system operators in order to avoid overloads. Thanks to the newly developed Evolved Flow Based method, congestion is taken into account. This is an important development for enabling a higher degree of grid optimisation and a stepping stone in the implementation of Elia's flex-in-market design for preparing the EU energy system to face the challenges of 2030.

Recent years have seen the construction of several HVDC interconnectors, including Nemo Link, the first interconnector between Belgium and the United Kingdom. These interconnectors were built at the edges of the European AC system to allow for greater electricity exchange between asynchronous areas. As a result, the impact on the rest of the grid is quite low, enabling relatively simple integration. As ALEGrO is at the heart of the meshed grid, it required a more complex approach. In order to give the market maximum flexibility when using the ALEGrO interconnector, we had to devise a methodology that would:

1. take into account congestion on the meshed AC grid. This means that ALEGrO will not cause overloads in the grids operated by connecting and neighbouring TSOs. By doing so, we are ensuring secure grid operation.
2. create maximum social welfare. ALEGrO strongly impacts the meshed AC grid, but this can be used to its advantage. The controllable direct current (DC) link can steer flows over AC lines in the right direction, allowing more exchanges and greater welfare.
3. optimise the interconnector directly in the market coupling algorithms. We allow the markets to determine ALEGrO's optimal set-point by providing full flexibility. This will in turn enable the greater integration of renewable energy.

The Evolved Flow Based approach enables optimal use of the ALEGrO interconnector on the day-ahead market. It not only optimises exchanges in Belgium and Germany, but in the entire Central West European (CWE) region. Furthermore, the DC interconnector -as a fully controllable device- is able to influence congestions in the European meshed AC grid. This marks the first ever implementation of the Evolved Flow Based methodology. It will serve as the basis for the further integration of new DC interconnectors into the European grid.

"The success of the energy transition depends very much on the rapid expansion of networks. The new electricity connection between Belgium and Germany is not only important for our two countries, but also for electricity trading and system security across Europe as a whole. Therefore, today is also a good day for the internal energy market."

Angela Merkel,
German Chancellor

Key facts



ALEGrO is the first electricity interconnector between Belgium and Germany.

Ø 12cm

The underground connection between the converter stations comprises two cables, which measure 12 cm in diameter.



The interconnector is operated by transmission system operators Elia (Belgium) and Amprion (Germany).



Technically speaking, ALEGrO is also a first for the Walloon Region of Belgium, marking the first time an interconnector using HVDC technology and a converter station have been built in Wallonia.

10years

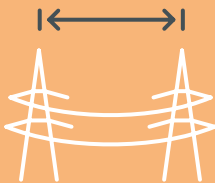
Nearly 10 years of solid collaboration and ongoing dialogue between Elia and the local and regional authorities made it possible to complete the project.



Actual works began in January 2019 and ended in October 2020.

90km

90 km of HVDC power lines connect the Lixhe (Belgium) and Oberzier (Germany) converter stations.



1000MW

The ALEGrO interconnector will make it possible for the two countries to exchange 1,000 MW (1 GW) of additional electricity, approximately equivalent to the electricity consumption of a city with a population of one million.



"ALEGrO is an important facilitator for sustainable energy. Germany and Belgium made the same strategic choices for energy production: away from nuclear, and in full support of climate-neutral energy sources. ALEGrO firmly links these two strategies. It will allow for a better distribution of wind energy during on- and off-peak moments."

Alexander De Croo,
Belgian Prime Minister

Did you know?

What is a black start?

Our teams achieved a world first when they carried out a 'black start' via ALE-GrO. Should Belgium ever be hit by a blackout, the interconnector can be used to re-feed the Belgian grid from Germany. This also works in the opposite direction. In bringing this project to a successful conclusion, our teams once again demonstrated their technical leadership.

DC vs AC

Some 90 km of HVDC power lines connect the Lixhe (Belgium) and Oberzier (Germany) converter stations. These two stations will convert the direct current (DC) used for the interconnector line into alternating current (AC), which is used across 98% of the Belgian grid. Direct current enables the transmission of large volumes of electricity in either direction over long distances. Moreover, reactive power, which helps to secure stable voltage levels, can be managed perfectly, meaning you choose the direction and manage energy flows between both countries. Power capacity between the two countries can also be adjusted between 0 and 1000 MW.



WALL-E newest maintenance team member

Did you know that Elia is running an innovation initiative that explores the use of robots to assist inspection and maintenance activities in extreme or hazardous locations? Several in-field tests and demonstrations have been organised in recent months to verify the feasibility and usefulness of this approach. The results are promising, especially on the ALEGrO site. Since the aim is to keep the installation in operation continuously, and in view of the high-risk environment, the technicians only have access for maintenance once a year. The robot, on the other hand, has the advantage of being able to access the installation at any time and could help to detect water leaks which, although minor, might trip the entire installation.



Inauguration of the ALEGrO interconnector

Energy Minister Tinne Van der Straeten stated that the ALEGrO project is an important step in developing a common future for our countries.



North Rhine-Westphalia Minister-President Armin Laschet said that through this connection, we are strengthening our cooperation within the European internal electricity market and we can support each other in restructuring the energy system with a view to furthering the energy transition.



On Monday 9 November 2020, system operators Elia and Amprion inaugurated the first electricity interconnector between Belgium and Germany. The livestreamed event took place in the City Hall of Aachen and was attended, either in person or digitally, by German Chancellor Angela Merkel, Belgian Prime Minister Alexander De Croo, North Rhine-Westphalia Minister-President Armin Laschet and Belgian Energy Minister Tinne Van der Straeten.

E-mobility vision paper

In our role as a transmission system operator, Elia Group publishes forward-looking studies to keep our finger on the pulse of the market. In 2020, Elia Group published a vision paper on e-mobility that identifies three enablers for the adoption of electric vehicles as soon and as widely as possible to achieve a sector transformation with the fastest and greatest CO₂ impact in the coming decade.

Accelerating to net-zero: redefining energy and mobility

In its vision paper, published in November 2020, Elia Group describes how better alignment between the power and mobility sectors can deliver societal benefits and push electric mobility towards widespread adoption. With transport currently accounting for a quarter of Europe's CO₂ emissions and electric vehicle (EV) technology close to maturity, the mobility sector can make a major difference in a short time. However, successful convergence between the power and mobility sectors can only be achieved if current barriers are removed and additional value streams are unlocked and developed.

The e-mobility vision paper is available online. Simply click the link to read the paper.
► <http://bit.ly/EliaGroupStudies>

Elia Group has identified three enablers that can give consumers a superior driving experience while making the power and mobility sectors more sustainable.

2. Open data access to open up unlimited possibilities for consumer services

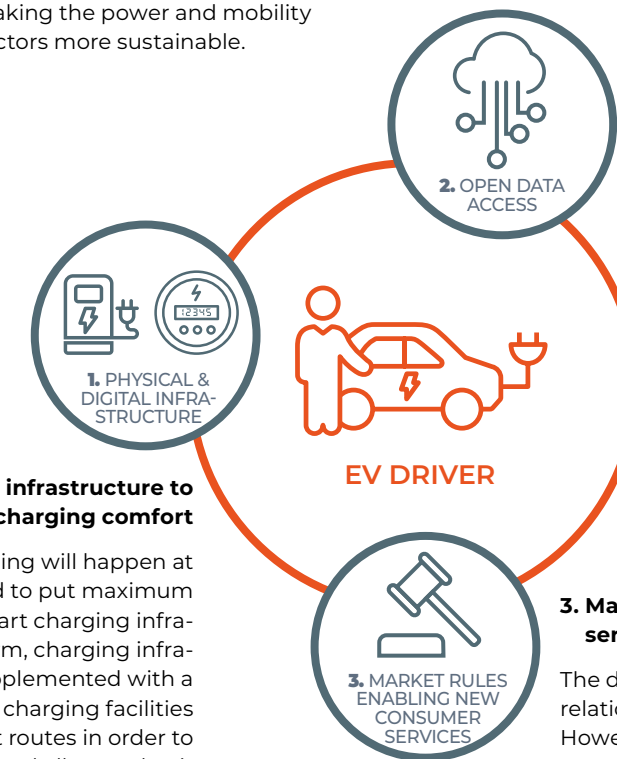
To enable new EV services, the grid needs to understand EVs and vice versa. This requires efficient data exchange and communication between all players in the e-mobility value chain and consumers. Providing data and agreeing to a service should become as easy as paying with your mobile banking app. The development of digital identities for consumers (citizens) by a trusted government agency is the necessary basis for consumers to share their data easily, securely and openly for everyone who provides services designed to enhance the EV driver experience.

1. Physical & digital infrastructure to improve charging comfort

More than 80% of charging will happen at home or work. We need to put maximum effort into providing smart charging infrastructure. In the short term, charging infrastructure needs to be supplemented with a (limited) number of fast charging facilities along major transport routes in order to overcome range anxiety and allay any hesitation about switching to EVs. Complement this with the gradual development of charging options for people in urban areas and big cities, and charging infrastructure as a barrier to EV uptake will soon disappear.

3. Market rules enabling new consumer services to exploit EV flexibility

The development of EVs will lead to a change in the relationship between consumers and electricity. However, the regulatory framework as well as the processes and tools available in the power sector are not really adapted to current consumer needs. Therefore, new approaches to market organisation need to be designed where consumers, either alone or via an intermediate service provider, can optimise their electricity consumption by following certain (price) signals, and benefit accordingly.





“Smart charging delivers multiple benefits to EV drivers. Our studies show that the annual cost of electricity for charging is reduced by €30-€55, or a 15%-30% reduction, for a typical EV driver. Next to that, the electricity used for charging is generated by technologies emitting less CO₂ compared to uncoordinated charging, resulting in an additional CO₂ reduction of 10%.”

Carsten Bakker,
Market Analyst at Elia

- 27 years young
- lives and works in Brussels
- started at Elia in 2019
- loves traveling and triathlons



“Electric vehicles are a key asset for managing grids with a high share of wind and solar. We need to unlock their enormous flexibility potential. To do so, both the hardware and software of our electricity grids need to be adapted to make the most of these ‘batteries on wheels’, enabling smart charging and vehicle-to-grid solutions.”

Julia Poliscanova,
Senior Director,
Vehicles and
E-mobility of Transport
& Environment



“By 2030, EVs will no longer be merely a means of getting from A to B, but will contribute greater value and become a crucial part of consumers’ daily lives, integrating with other devices and services at home or at work. Just like the smartphone is no longer merely a tool for making phone calls, but is also a way to order food, pay bills, book flights and more.”

Josephine Delmote,
Strategy Analyst at Elia

- 28 years young
- started at Elia in 2017
- lives and works in Belgium
- foodie and runner



“To decarbonise our society, we need to sustainably redesign both the energy system and mobility. In our study, we have analysed the common interfaces between the energy and mobility sectors and identified key starting points for a successful ramp-up of e-mobility. With this, we aim to make an important contribution to successful sector convergence, ensure secure systems and the grid integration of electric vehicles.”

Richard Ihlenburg,
Project Manager
Group Strategy at
50Hertz

- 32 years young
- lives and works in Berlin
- started at 50Hertz in 2015



Elia Group Stakeholders Day 2020



Did you miss out on the livestream? You can watch the recording online. To watch the video click on this link or simply scan the QR code with the camera your smartphone to start the video.

► <http://bit.ly/SHD2020-Event>



Elia Group presented its vision paper titled ‘Accelerating to net-zero’: redefining energy and after mobility during its annual Stakeholders Day on 20 November. The presentation of the Elia Group study focused on the key enablers for breaking down barriers to electric mobility uptake and for unlocking additional value streams for consumers through energy services. The presentation was followed by an industry and policy debate with representatives from the energy and mobility community. 50Hertz also presented its strategic objective on going from 60 to 100% consumption coverage by variable renewables by 2032.

The event was quite a technical feat seeing as it was livestreamed simultaneously from studios in Brussels and Berlin. An additional challenge was posed by the keynote speakers, some of whom were present in the studios, while others were recorded live via their webcams.

Did you know?

50Hertz and Stromnetz Berlin launch project to integrate electric vehicles

By 2030, the German government would like to see seven to ten million electric vehicles on German roads. They can make an important contribution to balancing fluctuations in power generation from wind and solar energy, thereby stabilising the electrical system. To be able to use these and other 'flexible consumers' to accelerate the energy transition, digital metering systems – so-called smart meter gateways (SMGW) – and control equipment are needed. Together with Elli and Bosch.IO – subsidiaries of Volkswagen AG and Robert Bosch GmbH – distribution system operator Stromnetz Berlin and 50Hertz are investigating and

testing, as part of an 18-month cooperative project, what kind of data exchange is needed between market players and how balancing power can be provided by a network of electric cars.

For the joint project, VW subsidiary Elli will, among other things, create the conditions for bundling the storage capacity of electric cars so that they can participate in the balancing power markets via aggregators. In the long term, it is also conceivable that the electricity stored in car batteries could potentially be fed back into the public electricity grid if there is temporarily insufficient electricity from renewable energies to meet demand. Bosch subsidiary Bosch.IO, which specialises in IoT and digital projects, is contributing its expertise at the interfaces between transmission and distribution system operators and charging stations.

As part of Elia Group's Consumer Centricity Programme, 50Hertz and numerous partners are running initial tests on the functions of the highly secure smart meter gateway infrastructure in Germany. These central communication units are installed by measuring point operators, among others, on the property of many electric car owners with their own charging infrastructure. They receive and store data and make it available to network operators and other market players, such as electricity suppliers.

Our colleague Florian tells you more about how the process of charging electric cars can be influenced without any loss of comfort for customers and how smart meters can provide customers with incentives to make their vehicles and charging infrastructure available for system services.

Florian Reinke,
Market Development at 50Hertz

- 33 years young
- lives and works in Germany
- started at 50Hertz in 2016
- passionate South / South-East Asia traveler and committed to run his first Marathon in 2021!



To watch the video click on this link or simply scan the QR code with the camera of your smartphone to start the video.
► <http://bit.ly/EV-charging-AR2020>



Internet of Energy ecosystem ends first sandboxing phase

In October 2020, the first sandboxing phase of the Internet of Energy (IO.Energy) project came to an end. Eight Belgian pilot projects were completed. In 2021, a second sandboxing phase will be launched to focus on new opportunities, including electric mobility and household appliances, which have not yet been analysed in depth.

The collaborative innovation initiative IO.Energy was launched in February 2019. Belgium's energy system operators teamed up with 60 companies, public bodies and academic institutions to bridge the gap between digitalisation and sustainability and to promote innovation in the energy sector. It aims to develop new services through the exchange of data between all sector players. The focus is on end users, who will be able to tailor their generation and consumption to grid needs using a digital communication platform.



Elia joins Belgian Alliance for Climate Action

Elia has joined the newly established Belgian Alliance for Climate Action (BACA), which wants to see a greater focus on decarbonisation. By joining the alliance, Elia is demonstrating its commitment to meeting the Paris climate targets and inspiring other companies to do the same. BACA is a coalition of 51 Belgian organisations and was founded by The Shift and WWF.

Belgian Alliance for Climate Action

Elia Group joins European Clean Hydrogen Alliance

Elia Group joined the European Clean Hydrogen Alliance, which is working towards the ambitious deployment of hydrogen technologies by 2030. In joining the alliance, Elia Group will closely monitor developments and prepare for the efficient integration of renewable hydrogen in the interest of society. In addition to rising energy efficiency and accelerated electrification, 'green gases' such as renewable hydrogen will be needed to help decarbonise sectors such as chemicals, steel and long-haul transport.



European TSOs want a greener economy

In a joint statement, high-voltage grid operators from Austria, Belgium, France, Germany, Italy, the Netherlands, Spain and Switzerland announced that they want to help stimulate an ever-greener economy as soon as possible – a reference to the European Green Deal. Elia and 50Hertz regularly align their prevention plans and specific measures with neighbouring TSOs in order to limit the consequences of the COVID-19 pandemic on people, the electricity supply and the European economy.

From 60 to 100 by 2032

50Hertz launched an economic and climate initiative for its grid area: the eastern German states as well as the cities of Berlin and Hamburg. Under the slogan *From 60 to 100 by 2032: New Energy for a Strong Economy*, 50Hertz has set itself the goal of securely covering electricity demand in its grid area with 100% renewable energy by 2032. In 2020, the annual average share of renewables was about 62%.

A climate and industrial policy initiative

With the pandemic, a new strategy and the inauguration of the world's first hybrid offshore interconnector in the Baltic Sea, the year 2020 was special for 50Hertz in many ways. In this interview, CEO Stefan Kapferer reviews the past months and explains how the year of COVID-19 led to a new strategic direction.

2020 was a unique year in many respects. What did it mean for 50Hertz?

Stefan Kapferer: "The past year proved that 50Hertz can ensure 100% power supply to the grid area at all times, even in extraordinary situations. We were confronted with a pandemic – a first for us – and immediately took measures to protect our employees from infection. Particularly intensive measures were taken for employees in system operations and grid management, who are unable to work from home. Despite these difficult conditions, operations – and thus the supply of electricity to around 18 million people in our grid area – ran reliably. And not only that: we were also able to complete grid expansion projects and we started new ones.

Of course, in the light of the pandemic, our top priority is still to ensure that we can all work safely, whether at our headquarters in Berlin, the control centre in Neuenhagen, the regional centres or the construction sites in our grid area. To this end, we developed a comprehensive action plan in spring 2020 in consultation with our Belgian colleagues that sets out instructions and recommendations for working safely and healthily together, and we have continuously adapted this plan in line with the incidence of infec-

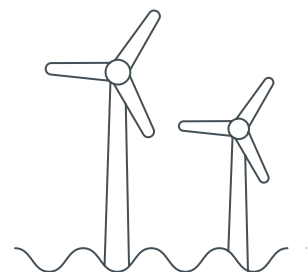
tion. A task force was set up very quickly which helped us to make the right decisions prudently and clearly – and to keep adapting them to the situation. Personally, I am convinced that the way we have worked under these crisis conditions has strengthened us: we can rely on each other across all hierarchical levels!

And, of course, 2020 also made it crystal clear how important a consistent digitalisation strategy is. We were already well-positioned and were able to enable the majority of our colleagues to work from home within a very short time. At the same time, we used the year to make even more focused and rapid progress in digitalisation."



About Stefan

Stefan Kapferer (55) has been CEO of 50Hertz since December 2019. He was previously Chief Executive Officer of the German Association of Energy and Water Industries (BDEW) and Deputy Secretary-General of the Organisation for Economic Cooperation and Development (OECD) in Paris from 2014 to 2016. Prior to that, Stefan Kapferer held the post of State Secretary in the Federal Ministry of Economics in Berlin (2011-2014). Stefan Kapferer comes from Karlsruhe, studied administrative sciences in Constance, is married and has two children.





“

We want to do everything possible to cover 100% of total electricity consumption in our grid area with renewable energies by 2032. In 2020, the share was already around 62%. ”

Stefan Kapferer

How did the coronavirus influence the implementation of projects in 2020 and what’s next?

“We are incredibly proud that we were able to inaugurate and commission the world’s first hybrid offshore interconnector, the Kriegers Flak - Combined Grid Solution, together with our project partner Energinet. This connection between Denmark and Germany, which simultaneously transmits offshore wind power to both countries, is certainly a technological milestone and an excellent example for future offshore wind projects not only in the North Sea and Baltic Sea, but in other parts of the world, too. We were also able to complete and commission the Stendal/West - Wolmirstedt overhead line.

In addition, we started preparatory tunnelling work for the diagonal power link in Berlin - one of the most important projects for the energy transition in the greater Berlin area. In the SuedOstLink HVDC project, most of which will be laid underground, we are well on schedule with the planning and approval process and have managed to continue with the construction. In 2020, we awarded the major contract for the 525 kV cable in collaboration with TenneT, which is responsible for the southern part of the project. Lastly, we got the green light to get started on the Uckermark line and the Berlin Northern Ring. We can be very satisfied with what we achieved - especially in this extraordinary year.”

In the midst of the pandemic, 50Hertz has set itself an ambitious strategic goal with its *From 60 to 100 by 2032 – New Energy for a Strong Economy* initiative. By 2032, 100% of electricity consumption in the 50Hertz grid area is to be covered by renewable energies. What’s behind this?

“With the European Green Deal, the EU wants to become climate-neutral by 2050, a goal that had already been set out in Germany’s Climate Protection Act in 2019.

At the same time, energy-intensive industries are making massive efforts to decarbonise their production and processes and become climate-neutral, for which they need green electricity.

In our grid area alone, around 800,000 people were employed in industrial companies in 2020. That’s almost 100,000 more than 10 years ago. Access to electricity from renewable energy sources will be essential for these industries in the future. In concrete terms, the greener the electricity and energy supply, the more attractive the location. Our extra-high-voltage grid will play an important role in helping these industries decarbonise. And this is where 50Hertz will also think and act across sectors in the future. For example, we want to work with the business, science and politics communities to find solutions for the cost-effective production of hydrogen, the decarbonisation of heat supply, and the successful integration of e-mobility into the electricity market.

We decided to actively support this enormous transformation process with its major challenges and therefore launched our *From 60 to 100 by 2032 - New Energy for a Strong Economy* initiative. We want to do everything possible to cover 100% of total electricity consumption in our grid area with renewable energies by 2032. By doing so, we are sending out



“

The energy transition is our number one priority. Together with our German partner KfW, we fully support the entire 50Hertz organisation in its efforts to cover the electricity demand in their grid area with 100% renewable energy by 2032. This is fully in line with Elia Group’s strategy and the ambitions of the European Green Deal. Their objective emphasises the pioneering role that 50Hertz is playing in the integration of large quantities of renewable energy production in both the German and European energy systems.”

Chris Peeters,
CEO of Elia Group and chairperson of
the 50Hertz Supervisory Board

a clear signal in terms of climate policy and, above all, industrial policy. In 2020, the share was already around 62%. Our role is to securely integrate this constantly rising share of volatile renewables into our grid, our system and the market. We are addressing this challenge and actively shaping it!”

Ultimately, however, the necessary expansion of renewables depends on other stakeholders. How can 50Hertz support this as a transmission system operator?

“Of course, 50Hertz will not build any power plants in the future. However, we will persistently ask our politicians questions, for example: Where will the green electricity come from to cover the forecasted consumption of around 117 TWh in 2032 in our grid area? To do that, the installed capacity of renewable energies in eastern Germany would have to double from around 35 gigawatts (GW) today to around 66 GW by 2032.

In other words, we need a massive expansion of renewables - and we still see great potential here, both offshore and onshore. In the Baltic Sea alone, additional areas with a total capacity of around 2 GW could be developed for offshore wind faster than planned. The situation is similar on land. Mecklenburg-Western Pomerania, for example, is a sleeping wind giant. Even though we have some large onshore wind farms there, on average there is only one wind turbine turning for every twelve square kilometres of land.

And the fact that after 20 years the first wind turbines are coming off the EEG subsidy this year is - despite all the risks to steady development - also an opportunity to make technological leaps. Repowering makes it possible to multiply the output of onshore wind turbines without having to develop new areas. However, a lot of convincing has to be done at the local and regional level to win over an increasingly critical public.



How is the initiative being received by those for whom it is intended? What is the response like?

In the case of ground-mounted photovoltaics, we can see just how dynamic - and positive - the development can be. There are a number of very large projects in the pipeline in our grid area that rely exclusively on Power Purchase Agreement (PPA) financing. But here, too, there will be discussions on the ground. This dialogue is important and we as transmission system operators fully support it. We see ourselves as an active enabler, offering our expertise in the management of complex systems and public participation."

"Our many discussions with representatives from the business community, politics and associations make it clear that we have hit a target with our initiative for connected cooperative thinking and action. Whether it is BASF with its hydrogen pyrolysis project in Schwarzhede in Lusatia, Linde in the Leuna, the Bitterfeld and Halle chemical triangle, or ArcelorMittal in Hamburg, there is great interest everywhere in ideas for getting more green electricity into the system. At an initial roundtable early this year, we discussed – together with IG BCE, state representatives from our grid area and leaders of the relevant business and energy associations – what can and must be done. The task now is to drive this dialogue forward and achieve some initial tangible results. We do not just want to talk - we want to act together with our partners to provide concrete support to our grid area in its transformation into a sustainable industrial location."

What would you like to see from policymakers? What course would have to be set?

"For me, this is a matter of essentially three factors. First, awareness must be established at all levels around the fact that the energy transition cannot be achieved without additional space – including for wind energy production. This applies both to areas at sea and on land. Second, planning and approval procedures have to become faster. This does not necessarily require new laws; it would be sufficient if the state authorities were given better financial and personnel resources. Thirdly, we must jointly consider how the regulatory framework for sector coupling/convergence can be improved step by step without creating new exceptions that burden the general public."



Did you know?

#100% renewables: Intelligently integrating renewable energy sources into the 50Hertz grid

By 2032, 50Hertz wants its grid to securely operate on 100% renewable energy. Since digital transformation is necessary for this goal to be reached, 50Hertz is developing a new digital grid control system. The name of this future system is 'Modular Control Centre System' (MCCS).

Over the years, 50Hertz has repeatedly upgraded its grid to support the integration of a large amount of renewables into the system and make its infrastructure available to national and international electricity trading companies on a non-discriminatory basis. In 2020, in order to further their success in these areas, 50Hertz decided to develop its own grid control system with partner companies. Innovation has lain at the heart of this process: the new "brain" has to deal with ever-increasing complexity while at the same time enabling constant stable system operations (over long distances without conventional energy feed-in and whilst being confronted with frequent regulatory changes). Moreover, additional challenges linked to the increased use of the existing grid, congestion management (redispatch), and the complex interactions between TSOs and DSOs need to be carefully managed. Consequently, there is a strong need for a decentralised system that incorporates flexible consumers.

Behind the modular approach

Due to the high complexity of system requirements, we initially divided the new control system into ten individual modules. These modules will all be connected and they will interact via an integration platform, which we predefined ourselves and which we will operate later. The integration platform will support data exchange between the individual MCCS modules, but will also form a blueprint for an enterprise application/generic usage across the Group. This is a completely new approach for us as TSO: on the one hand, it means 50Hertz

will inherit more responsibility as the integration platform will act as a central connector; on the other hand, it means 50Hertz will be granted greater independence from solution providers in the market due to the reduced complexity of the individual modules.

An individual module could be, for example, a forecasting tool for wind power feed-in for the next day or a grid security calculator. Both the final design of the modules and how to sensibly procure them on the market need to be considered. In-house development at the Elia Group Software Factory is also an option. The modules need clearly defined interfaces and must neither be too small-scale nor too complex.

The advantages of this approach

As part of our current grid control system, the tools we use often communicate in a bidirectional manner with each other and data exchange is not always standardized. With the MCCS, the modules will only be able to communicate with each other via the central platform. Moreover, an entirely new feature of the MCCS is that the standardised interfaces between the modules will be designed by us at 50Hertz - not by the manufacturer of the overall system, as was previously the case – meaning that the MCCS will thus be much more flexible and agile. If a module no longer meets the system requirements, we will be able to adapt it to suit them or will simply replace it. Thanks to shorter adaptation and development cycles, we will be able to implement changes more rapidly. These shorter cycles will also allow us to



integrate new technologies and services into the modules (such as automation and artificial intelligence) and connect with other useful data sources. Furthermore, the integration platform will enable faster and more cost-effective connections with additional systems. Such a data-centric approach will offer immediate synergies for the whole of Elia Group.

The impact of this new approach on the market

With the modular approach, we can be more precise when searching for the right manufacturer. If we need a module which can provide a specific grid calculation, we will be able to look for a partner company with whom we can specifically develop this feature only. If we need to include forecasts in a module, we will be able to look for experts specialised in this one area. This will result in higher product quality and will give us a wider range of potential module suppliers to choose from.

We are in frequent dialogue both with other TSOs and DSOs. As more of them adopt this modular approach and its associated integration platform, the market will increasingly feature individual service offerings. Suppliers will have the opportunity to develop sustainable solutions and new product standards. TSOs and DSOs will benefit from higher quality products and expertise on behalf of these individual services. We can all benefit from this – from 50Hertz and Elia Group through to other system operators and suppliers.

First €750 million Green Bond successfully placed

With the first Green Bond in our company's history, we are securing part of the necessary investment in the grid infrastructure over the next few years. In view of the difficult economic environment caused by the coronavirus pandemic, financial market participants interested in our company are showing that they have a high level of confidence in our sustainability strategy and investment plans. The transaction is a key component in driving forward the expansion of our grid and thus the energy transition.



Securing liquidity for further grid expansion

In May 2020, 50Hertz's parent company, Eurogrid GmbH, secured liquidity for the necessary further expansion of the grid for the energy transition with a first Green Bond in the amount of €750 million. Robert Weigert, Head of Treasury at Eurogrid GmbH, explains the challenges and what the green financing is being used for.



Robert Weigert

- 53 years young
- lives and works in Germany
- started at Eurogrid in 2011
- discovering the world is my world

Which projects will 50Hertz use the €750 million for and what criteria does a project have to meet to be considered 'green' financed?

Robert Weigert: "Our Green Bond will help finance the Ostwind 1 and 2 grid connections for the offshore wind farms northeast of Rügen. The wind farms have a combined capacity of around 1.5 gigawatts. To be considered 'green', a project must first meet the requirements for a sustainable green project defined in our Eurogrid Green Bond Framework (GBF). After project selection, an independent third party verifies whether our GBF meets the requirements set out in the international Green Bond Principles, among others, and whether the selected projects pay into it. This assessment is documented and recorded in a Second Party Opinion (SPO) - in our case by Vigeo Eiris. In addition, these projects are also eligible under the EU Action Plan for Financing Sustainable Growth, as they contribute to the EU environmental goal of mitigating climate change. The aim is to increase the number of households that can be supplied with wind energy - thus avoiding CO₂ emissions. In addition,

50Hertz's projects also contribute towards the United Nations Sustainable Development Goals (SDGs), specifically SDG 7, *Affordable and clean energy* and SDG 13, *Climate action* - and thus feed into Elia Group's sustainability initiative, Act Now."

What else did 50Hertz and Eurogrid have to do in advance to successfully issue their first Green Bond?

"50Hertz continuously worked on its sustainable business orientation and constantly expanded its sustainability reporting in recent years. The progress is being reflected and rewarded in our steadily rising sustainability ratings that Eurogrid/50Hertz receive from internationally recognised rating agencies, such as Sustainalytics and Vigeo Eiris. We are currently above average for comparable companies in our industry in all rated areas. With Vigeo Eiris, for example, we started 2016 with a rating of 50 points in the lower midfield and were already able to achieve 57 out of 100 points in the current 2020 rating. This means we are continuing to place ourselves in the second-highest performance level

(Robust) and are already scratching the surface of the highest category (Advanced). We are also achieving consistently good results in Sustainalytics assessments, where we are classified as an outperformer in most fields and even as a leader in the highest category.

In addition to the SPO, we had our Green Bond certified by the Climate Bond Initiative (CBI). This certificate from the CBI, which has been driving the Green Bond market forward enormously for years, is a significant seal of quality and investors have very much welcomed this voluntary additional step."

And what is the consequence of placing the bond? Are you now in a better position than before?

"Of course! This Green Bond has further improved our standing on the scene in markets. It has also enabled us, among other things, to join the NASDAQ Sustainable Bond Network (NSBN). As you know, NASDAQ is the well-known American technology exchange. This platform provides investors with detailed information and data on investment opportunities in environmental and climate-related projects. This facilitates due diligence, i.e. the selection and monitoring of investments. The NSBN lists over 200 Green Bonds, including the first €750 million Green Bond successfully placed by 50Hertz parent company Eurogrid in May. Our inclusion in the NSBN was announced on a giant screen in New York's Times Square."

What are the next steps?

"We are currently preparing our first report in connection with the Green Bond, where we will provide our investors with transparent and public information about the use of the money and the impact of our activities that were financed with the Green Bond. This includes, for example, data on working and safety conditions during construction and maintenance activities. Above all, of course, the Green Bond Report includes how much renewable energy has been provided, how many tonnes of CO₂ have been avoided as a result, and what percentage of households are using renewable energy."



"As a company providing a service for society, we have a duty to be more explicit about our targets and actions with regard to reducing CO₂ emissions and achieving carbon neutrality, the circularity of our assets, safety, environmental and diversity targets, and ethics/compliance objectives. We want to make our company more resilient and more transparent to our internal and external stakeholders. Without compromising the safety of our employees and the grid, we are making our processes more sustainable and aim to be completely climate neutral by 2040. Signing this first line of credit linked to sustainability performance targets is fully in line with this commitment."

Lieve Kerckhof,
Accounting
& Finance
Officer at Elia

- 56 years young
- lives and works in Belgium
- started at Elia in 1999
- loves travel, art and cooking

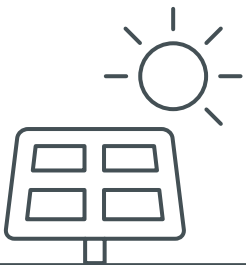


Eurogrid earns good credit and sustainability ratings

In the current financial rating from Standard & Poors (S&P), as well as in the recently performed assessment by sustainability rating agency Vigeo Eiris (V.E), Eurogrid GmbH holds a good position in terms of credit standing and sustainability as an economic unit along with transmission system operator 50Hertz and 50Hertz Offshore, despite a difficult market environment due to the coronavirus pandemic.

S&P confirmed the unchanged result of BBB+ with a stable outlook for Eurogrid and certified 50Hertz's good track record in the implementation of the investment programme. Consequently, it is expected that the upcoming onshore and offshore projects, which are accompanied by additional financing, will be realised as planned.

The total score for the V.E sustainability rating improved to 57 (2018:52). This means that Eurogrid, under the operational management of 50Hertz, has been maintaining the second-highest performance level (Robust) and is already approaching the highest category (Advanced, 60 points and higher).



Did you know?



Elia share trends

The year 2020 again saw a strong performance by the Elia Group share, despite strong volatility on the financial markets driven by the COVID-19 pandemic. Given its limited exposure to COVID -19 and supported by the realisation of solid financial results, the Elia Group share yielded a total annual return of 25.61%, easily outperforming peers and the BEL 20 Index. Following the capital increase in 2019, the share's liquidity further increased upon Elia Group joining the MSCI Belgium Index and the SE European Utility Index in 2020. Driven by its strong performance, Elia Group received the BelMid Company of the Year 2020 award, representing the highest relative increase in market capitalisation for 2020.



Elia signs first line of credit linked to sustainability performance targets

Elia signed a €650 million revolving credit facility (RCF) agreement that is tied to three of Elia's sustainability performance targets. As a first step towards a sustainable financing strategy, the agreement shows that Elia aims to be more ambitious and explicit about the importance of its environmental, social and corporate governance (ESG).

The sustainability performance targets that impact the credit facility's pricing mechanism are related to the company's efforts to fight climate change and its health and safety performance.

The Nest

The rapid development of digital technologies offers numerous opportunities to deal with the growing complexity of the energy sector. There are two key objectives: transform into a digital TSO to deliver even greater quality and efficiency in our core business and internal processes; and build new data-driven business models to secure competitiveness, long-term growth and Elia Group's relevance in the future.

The Nest provides equipment and tools to fit the team's needs and promote creativity, team work and easy prototype building. This playful easy-to-deploy environment is packed with gadgets to ensure the focus is put on creative content.

A digital incubator

In September 2020, Elia Group launched the Nest, its digital incubator with two physical locations in Brussels and Berlin. This laboratory enables the rapid development, testing and prototyping of digital ideas within a sandbox environment. The Nest not only has infrastructure providing access to all necessary data and digital technology expertise (e.g. artificial intelligence, Internet of Things, blockchain), but it also focuses on using agile methodologies and techniques such as design thinking and UX methods.

To scale innovation, Elia Group invites all employees to submit their innovative ideas to the Nest for developing functioning prototypes that can solve daily business challenges. Anyone can submit ideas to managers of the Nest. Idea owners have to describe their idea, their hypothesis and its strategic relevance and then pitch it in front of a jury, the Nest Panel, which uses predefined qualification criteria to decide which ideas can ultimately enter the Nest for a prototyping cycle typically lasting 12 weeks.

Once an idea has been selected, the Nest managers assign a multifunctional team providing all the relevant expertise – data analysts, data engineers, data scientists, UX/UI designers, agile coaches and technical experts – to the idea owner, who will then start his or her journey as a product owner.

Three days a week, the entire team works together on developing the prototype in a highly focused manner. By applying an agile mindset, which in practice means using scrum or kanban methodologies, the objective is broken down into small pieces. These pieces are translated into concrete deliverables (increments) during each sprint, which can take one to four weeks. During regular sprint reviews, the team presents to their customers: the business departments that will adopt the prototype in their daily operations if it is successful.



“End user input is one of the key principles of an agile mindset. In this sense, short feedback cycles are crucial for identifying as early as possible what is important to the customer and what is not, and for establishing what will work and what will not. This way, the team can consider the feedback in the next sprint and implement the necessary development steps in a highly targeted manner to reach maximum value in minimum time.”

Thijs Vral,
Deputy Manager
of the Nest

- 28 years young
- lives and works in Belgium
- at Elia since 2017
- always asking himself: “Can it be improved?”



“With the Nest, we want to foster a new culture of innovation focusing on co-creation, feedback and agile development, where prototyping practices are applied within a sandbox environment and where failure is seen as an opportunity. The potential business impact and value of the innovation will decide whether the prototype is transferred to the business, pivoted to a second cycle in the Nest or discontinued. In any case, the team always celebrates their journey and leverages their learnings throughout other business activities.”

Oz Ural,
Manager of
the Nest

- 30 years young
- lives and works in Germany
- started at 50Hertz in 2020
- basketball fan, loves reading about technology/innovation & sailing the Mediterranean



“As a product owner, I particularly enjoy working with a great team on creative solutions in a highly focused and fast manner. To make this possible, it was critically important to reorganise my regular daily work together with my manager and my colleagues in advance. We prioritised my tasks and distributed some of them across several shoulders in the team to free up three days a week for my work in the Nest during the 12 week-cycle.”

Dominik Gross,
Product Owner
Algo-Trading,
the Nest

- 39 years young
- started at 50hertz in 2014
- really keen on data and AI
- when my laptop is closed, I love to ride my road bike



“Not yet knowing what we will end up working on is part of the Nest's DNA. I quickly recognised the potential of this new approach, even if it initially it was a bit uncomfortable. One thing that was particularly enriching for me was the enormous flexibility of the agile methodology and the use of a wide variety of technologies and skills. When something did not work out as planned, we simply and almost playfully changed direction and ultimately ended up with an even better result.”

Eva Schramm,
Technology
Innovation Manager
at the Nest

- 32 years young
- lives and works in Germany
- started at 50Hertz 2014
- fresh air fanatic and die hard inbox zero freak



A typical journey in The Nest

01 Opportunity

You have a great idea and want to dedicate some time to trying it out? Discuss it with your manager, complete the form and submit it to the Nest Panel.

04 Prototyping

You are now the product owner and will work 3 days per week in the Nest. Your team, composed of developers and business experts, is constantly supported by the Nest Agile & Design Thinking coaches.

07 Reintegration

At the end of the project, you reintegrate smoothly into your department. You share your Nest experience by showing team members new ways of working.



02 Qualification & prioritisation

Present your idea to the Nest Panel, who then evaluates it based on defined qualification and prioritisation criteria.

05 Idea testing

You experience new ways of working. Together with the business teams and idea teams, you ensure the prototype is relevant and make it evolve.



03 Team set-up

The Nest Manager builds your idea team and works closely with HR to ensure everyone is on boarded for the kick off.

06 Idea transition

After 12 weeks, your idea passes through exit qualification criteria. Your idea is either:

1. transferred to the business for scaling
2. pivoted to another cycle in the Nest
3. discontinued





Our colleague Rachel tells you more about Elia Group's approach to innovation and the use of artificial intelligence.

Rachel Berryman,
Data Scientist - AI
Center of Excellence
at 50Hertz

- 34 years young
- lives and works in Germany
- born in the United States of America
- started at 50Hertz in 2020
- enjoys learning German and traveling



To watch the video click on this link or simply scan the QR code with the camera your smartphone to start the video.
► <http://bit.ly/Innovation-EliaGroup-AR2020>

Did you know?

The purpose of Elia Group's holistic innovation approach serves three main missions:

1. Innovation as a lab and eye-opener paving the way for the future of the business
2. Innovation as a service supporting the full company in its innovative journey
3. Innovation as a driver accelerating the cultural change

In its first mission, Elia Group innovation is leading and supporting many projects around our value chain:

- Enable decentralised flexibility management
- Predict, support decisions and automate system operations
- Automate and make remote inspections

- Increase efficiency of infrastructure development
- Increase capacity of the infrastructure
- Make our core business sustainable
- Increase flexibility and efficiency of our corporate functions

The Elia Group Innovation Team accelerates the use of transversal technology like AI, Blockchain, IoT and VR through partnerships and explores technologies such as 3D Printing or very new ones like quantum computing, which are not yet mainstream. With all these tools and technologies at hand, Elia Group has now put a framework around it: The Nest – an incubator that provides employees with guidance on using the right methodology, easy access to all those technologies and dedicated time to work on discovering innovation projects in a highly focused way. With this framework, Elia Group can ensure much faster development cycles.

"The goal is clear: we need to accelerate the adoption of innovation both in terms of technology and methodology. As innovation is not a team but a mindset, we can achieve real impact by scaling up adoption. That is why "The Nest" completes our holistic approach to innovation and encourages ideas and creative approaches from all employees much more than before!"

Loïc Tilman,
Head of Elia Group
Innovation

- 33 years young
- lives and works from his Belgian home-office since 1 year
- started at Elia in 2018
- brings fun while making the energy transition happen

Strengthening our culture of innovation

Open Innovation Challenge

With its annual Open Innovation Challenge, Elia Group expands its external ecosystem to gain access to additional knowledge and expertise for faster development. Start-ups from all over the world are invited to pitch their innovative ideas. The winner is given the opportunity to implement a pilot project together with Elia Group.

The 2020 Open Innovation Challenge finale was broadcast live from studios in Brussels. The 2020 competition focused on the development of digital solutions promoting more secure grid and data management. Of the 82 entrants, five finalists were shortlisted. The finale was broadcasted live from Brussels. Due to the COVID-19 crisis, only a limited number of attendees were allowed.



"It was very exciting to participate in the Elia Group Open Innovation Challenge and we are very much looking forward to implementing our solution within the business. We've developed a software package that processes and analyses images from multiple cameras and then sends out real-time warnings, thereby enhancing data security and the safety of Elia Group's grid."

Ricardo Santos,
CEO of Heptasense and
winner of the 2020 Open
Innovation Challenge

Innovation Week

With its annual Innovation Week for all employees, Elia Group aims to arouse people's deep-seated interest in and curiosity about working on innovative projects – and to make doing so an attractive proposition. During this event, Elia Group showcases its full innovative power and potential while at the same time facilitating and fostering sharing and dialogue on and around innovation.

Due to the COVID-19 safety measures, this year's Innovation Week had to be hosted virtually. The turnout was better than hoped for, with over 500 colleagues from Elia and 50Hertz attending the online event.

Elia Group launches re.alto

In September 2020, Elia Group announced the official launch of its very own start-up: re.alto. This digital marketplace brings together data from suppliers and consumers and exchanges it via standardised energy APIs. This makes energy data accessible and more quickly integratable, enabling the energy industry to take a huge digital leap forward towards customer-centric business models that offer energy services.

The first EU marketplace for the digital exchange of energy data and services

re.alto is the first European digital marketplace for energy data and services. The aim of the re.alto marketplace is to make energy data easy to access and integrate, enabling the industry to take a giant digital stride towards more widespread adoption of Energy-as-a-Service business models and ultimately drive a low carbon energy future.

re.alto was set up by Elia Group to create the first European marketplace for the exchange of energy data and digital products and services via APIs (software interfaces that allow two applications to talk to each other).

The launch of re.alto's API platform has attracted interest from energy players looking to increase market visibility and generate new revenue streams through the monetisation of data and digital products.

The re.alto team brings together a unique combination of industry experience and knowledge from across the energy and technology sectors. For organisations with data and digital products to offer, the platform provides a new sales channel to monetise their APIs to new markets, generating new revenue stream opportunities. For businesses that want to buy and integrate third-party data, the marketplace offers simple access to a range of digital tools to streamline the API exchange process and bring down the cost of data acquisition, which previously may have been prohibitively expensive.

Understanding how APIs drive the digital transformation of energy

To shine a light on how the exchange of energy data can accelerate digital transformation and decarbonisation, re.alto has published a white paper titled *Realising the energy transition in times of change: the role of the API marketplace in driving down data acquisition costs and establishing new service-led business models*.

The white paper explores the barriers to digital change faced by the energy industry, focusing in particular on the exchange of energy data, a crucial cornerstone of digitalisation. It looks at the opportunities for innovation presented by the dual crises of COVID-19 and climate change, highlighting the valuable role that an API marketplace can play in enabling operational streamlining and the creation of entirely new revenue streams.

To download the white paper, visit the re.alto library:

► <https://realto.io/re-alto-library/>



“As the energy transition towards a more sustainable system accelerates, cooperation between decentralised and numerous stakeholders is becoming key. We believe digitalisation of scalable business models is a big part of this transition, and our marketplace re.alto aims to provide the tools for these digital products to reach the many easily.”

Alexandre Torreele,
CEO of re.alto

- 37 years young
- lives and works in Germany
- Surrounded by women, a lovely wife and 2 fantastic daughters



“re.alto’s value proposition is so unique, so forward-thinking for energy, that our offering attracted a phenomenal level of industry interest right from the start. As a new company, that was an unexpected, but an incredibly useful springboard from which to build brand recognition even before officially launching the product. As such, from a marketing standpoint, our main focus in 2020 was on brand development and brand growth as part of the overall sales activation strategy.”

Poppy Blautzik,
Marketing Lead
at re.alto

- 42 years young
- Lives and works in Germany
- Active mum of four



“With re.alto, we want to accelerate the digitalisation of the energy world by simplifying access to data and services for all players involved. Data is the lubricant for new business models. With our marketplace for digital interfaces (APIs) and our service for accessing meter readings, we are creating the basis for innovative business models in the market. As a start-up, we are at the forefront and can directly incorporate our experience from the market into our product innovations.”

Sebastian Scholz,
Product Lead
at re.alto

- 44 years young
- lives and works in Germany
- bicycling enthusiast and traveller



“As the world electrifies, we need to make it easier for all the new kids on the block to interact with the electricity market. There are historical and technical reasons for today’s complex system, but we now need to change it from within to allow the rest of the world to join that huge machine without breaking it. Digitalisation is the answer to that challenge. There are so many bright start-ups and new business ideas out there that can make it happen, with re.alto facilitating their collaboration and entry into the market.”

Dieter Jong,
Sales Lead
at re.alto

- 38 years young
- lives and works in Belgium
- loves traveling & fine dining

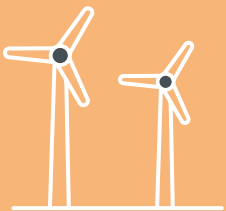


“It has been particularly exciting to have the rare opportunity to work on a product from its inception. We have the chance to create something great and we’re definitely having some fun doing it – the team here is fantastic! The energy industry is rapidly following in the footsteps of other industries and embracing the digital transformation. Our marketplace is enabling that change; it provides energy businesses with the digital means for greater collaboration and smarter information flow from one end of the value chain to the other.”

Marcel Felder,
CTO at re.alto

- 37 years young
- lives and works in Germany
- loves music, tech, travel, and friends

Data and services to transform your business



Wind SCADA data

Wind turbine SCADA data has a range of operational benefits, enabling cost-effective preventative maintenance and accurate forecasting based on actual output.

- Grid operator
- Energy trader and wind forecaster
- Digital O&M and analytics services



Energy monitoring 2.0

Enrich your monitoring platform experience by adding more services for your customer. Reduce the cost of integrating with the data source of your choice by buying the right access yourself instead of via your IT provider.

- Energy monitoring provider
- Industrial consumers and facility managers
- Home owner



Spot market pricing

Access spot market pricing data for the wholesale electricity market from a wide range of energy price APIs on the re.alto marketplace.

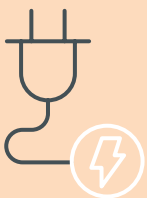
- Energy traders
- Energy trading platform
- Analytics and forecasting



Weather forecasting

Get access to a broad range of standardised weather forecast packages – from temperature and humidity to wind speed and irradiation data – all tailor-made to the energy sector.

- Energy Trader or Grid Operator
- Power generator (renewables)
- Analytics, modelling and forecasting



Smart meter access

Access metering data securely over with an API to enable greater customer insights, streamline your data acquisition, or fuel innovative digital applications.

- Innovators
- Energy monitoring and management
- Suppliers and utilities



Smart charging e-mobility

Don’t get left behind in a rapidly changing e-mobility sector. Reach new markets, drive new revenue streams, scale at speed across Europe with the smartest charging strategy.

- Utilities
- CPOs
- Charge pole manufacturer/CPO SaaS provider

Visit the website
► <https://realto.io/use-cases/>
to learn more about each use case.

Brabo II enters service

Elia's Brabo project will increase the grid's supply capacity, enabling it to cope with growing electricity consumption in the Port of Antwerp. Nationally and internationally, the project will upgrade Belgium's north-south axis and bolster Europe's network of international interconnections. This will improve international trade opportunities and reduce reliance on Belgian generating facilities.

Vital for a secure, sustainable electricity supply

On 27 November 2020, Elia commissioned the upgraded high-voltage line along the A12 between Zandvliet and Lillo. The project involved upgrading an existing overhead line from 150 kV to 380 kV, replacing 46 pylons and laying new conductors over 16 kilometres. The upgraded high-voltage line means Elia can transmit electricity more efficiently.



The Brabo project will shore up Belgium's electricity grid at local, national and international level:

- **Growth of the Port of Antwerp:** the last major investments in the high-voltage grid in and around the Port of Antwerp were made in the 1970s.
- **Increased grid capacity:** will enable it to respond to growing electricity consumption that has resulted from the port's growth.
- **A stronger Belgian high-voltage grid with a higher import capacity:** once the Brabo project is complete, Elia will be able to import more electricity from the Netherlands to the Belgian high-voltage grid. Under ideal conditions, it will be possible to import up to 20% more electricity than at present.

The Brabo project consists of three sub-projects. Brabo I is already operational. Work on Brabo II is completed. Brabo III – which is due to be commissioned by the end of 2024 – will enhance electricity transmission within Belgium and make it easier to trade power with the Netherlands.



“This year has been particularly challenging for the Brabo project. We were in the most complex phase of construction when the COVID-19 epidemic broke out. The work had to be halted while new work procedures were implemented to ensure compliance with health measures. Finally, after a few weeks’ stoppage, work resumed and we were able to catch up and commission the two new 380-kV Doel-Lillo-Mercator and Lillo-Zandvliet lines in 2020, as initially planned. This would not have been possible without magnificent teamwork. I would like to thank all Elia employees and our external partners for this magnificent success.”

Cédric Jacqmin,
Brabo Project Leader

- 35 years young
- lives and works in Belgium
- started at Elia in 2008
- enjoys playing sports with friends



Antwerp’s mayor Bart De Wever was rescued from one of the high-voltage pylons on the banks of the Scheldt in Antwerp as part of a spectacular week-long evacuation drill organised the local fire and emergency services. At 192 metres, the pylons are the tallest in the Benelux.



“When Brabo II entered service, I could only think back on this project with pride and joy. I had the good fortune to be part of the construction of the largest pylons in the Benelux, which, just to make things more challenging, had their foundations in the river Scheldt. We had to lay foundations that took into account all possible preconditions we could think of (Port of Antwerp, gas pipelines, Seveso companies, canals, lack of space, breeding seasons, stakeholders and more). Perhaps the nicest part of the project was the excellent cooperation within our amazing project team.”

Katrien Moeys,
Leader for Civil works at Elia

- 32 years young
- lives and works in Belgium
- started at Elia in 2013
- plays Gaelic football



“What will stay with me personally from Brabo II is how the team dealt with setbacks. It was remarkable to see how with every problem that arose, they immediately pivoted and looked for solutions. Never, ever was any time wasted looking for culprits. Designer, project leader, project assistant, quality manager, expert, project conductor, tester, community relations officer, negotiator, contract manager ... everyone thought up solutions to reach the goal.”

Valérie Daloze,
Manager of Infrastructure Projects at Elia

- 47 years young
- lives and works in Belgium
- started at Elia in 1999
- Busy mum of four

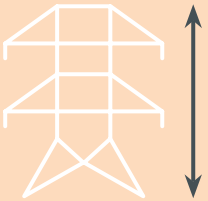


“With the commissioning of the Brabo II project, we are concluding a long and intense period with our team. It is a period that I look back on with great pride and gratitude. For me personally, the successful completion of the new Scheldt crossing at an extremely complex location was literally and figuratively a highlight. In addition to the technical challenges we faced on this project, my collaboration with countless external stakeholders in the port of Antwerp was very enriching. This project would not have been possible without the preparatory work done by many internal and external employees. I would therefore like to take this opportunity to thank everyone who contributed to its success.”

Sam Roels,
Brabo Project Leader

- 30 years young
- lives and works in Belgium
- started at Elia in 2014

Key facts



The pylons that cross the river Scheldt are the highest in Benelux.

20%
more imported electricity

Thanks to this project, it is now possible to import 20% more electricity under ideal conditions.

192m
high

Standing 192 metres high, these pylons will be the tallest structures on the Antwerp skyline.



This project is the only one of its kind in Europe.

911m

The conductors crossing the Scheldt cover a distance of around 911 metres.



The last major investments in the high-voltage grid at the Port of Antwerp date back to the 1970s.



200-metre-high crane was needed to erect the two high-voltage pylons over the river Scheldt. Only 11 such machines can be found in the whole of Europe.



Did you know?

40 years of operation
simulated in just
12 months

All bidders had to prove the quality of their cables in an elaborate pre-qualification test. The test simulated the operational load for the planned total operating life of around 40 years within twelve months.

North-south energy transition line

Halfway point reached for SuedOstLink (SOL), the 540 km high-voltage direct-current line that will bring renewable electricity from Saxony-Anhalt to Bavaria. SOL is a key component in ensuring the supply of electricity in southern Germany, especially after the phase out of nuclear energy.

After an almost two-year negotiation process, 50Hertz and its project partner TenneT awarded the contract for the 540 km DC link to Danish cable manufacturer NKT (northern part/50Hertz) and Prysmian PowerLink (southern part/TenneT). In total, the two companies will manufacture and lay around 1,000 kilometres of plastic-insulated underground cable that will carry electricity at 525 kV.



Involving the public - in person and digitally

50Hertz was able to successfully and transparently communicate the plans and schedule for the SuedOstLink, even in a year marked by the coronavirus. Working under special conditions, the team of route planners, environmental planners, property managers and public participation representatives hit the road with DialogMobil, its mobile information office. Over a period of three weeks, they visited a total of 22 towns and communities in Saxony-Anhalt, Saxony and Thuringia. In addition, 50Hertz regularly organised digital participation events, expanded the information available on its website and invited people to video conferences.



"By using digital tools for public participation, we were able to reach residents, owners and interested citizens even during the pandemic, thus continuing the dialogue as transparently as possible under these circumstances."

Danuta Kneipp,
Head of Public
Participation
50Hertz

- 43 years young
- lives and works in Germany-
- started at 50Hertz in 2016
- loves the transiberian train and traveling in her VW camper





Elia

Shaping the onshore grid

Elia and 50Hertz are further expanding and optimising the onshore grid to respond to demand and accommodate local renewable energy generation.

VENTILUS

The integrated planning process to develop a regional land use plan (GRUP) for the Ventilus project began in March 2020 and a special planning team, including Elia experts, was set up. Ventilus is a new high-voltage project in West Flanders that will connect the offshore and onshore electricity grids.

HORTA-AVELGEM PROJECT COMPLETED

The high-voltage line between Zomergem and Avelgem is fully operational again. In the past two years, the conductors were replaced by a new type that can transmit more current, doubling transmission capacity to 6 gigawatts. This will enable Elia to exchange more electricity with France in the future and distribute energy from offshore wind farms further inland. Along the line, 97 pylons and foundations were reinforced to support the new conductors.

HAINAUT LOOP PROJECT

After more than two years of preparation, the Hainaut Loop project is now under way. The application was submitted to the municipal authorities and in September 2020, Elia completed a series of information sessions. Stretching over approximately 84 kilometres, the Hainaut Loop will be one of Elia's largest infrastructure projects in Belgium. The planned 380 kV line between Avelgem and Courcelles in Hainaut Province is a missing link in the Belgian high-voltage grid.

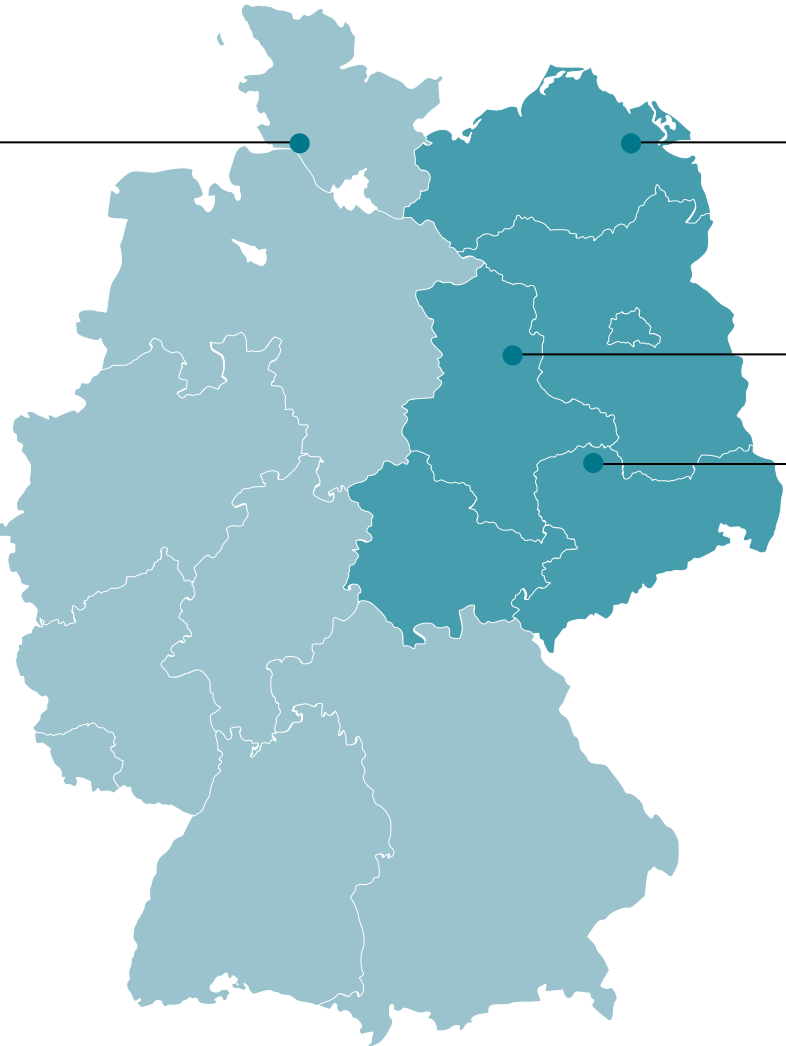
BRABO III

Elia used a new digital map app when presenting the Brabo III project to local residents. Brabo III is the last part of the large-scale Brabo project, which will upgrade the power grid in and around the Port of Antwerp and improve the connection with the Netherlands. It is scheduled for completion by the end of 2024.

50Hertz

HAMBURG/OST HIGH-VOLTAGE SUBSTATION

50Hertz plans to install four phase-shifting transformers at the Hamburg/Ost high-voltage substation to control flows on the grid, prevent overload and cut redispatching costs. A key permit was issued, marking a major step forward, and the project team should be able to meet the ambitious rollout deadline. The first phase-shifting transformers will be commissioned in 2022, the aim being to ensure that the electricity system remains reliable despite the sharp increase in volumes of variable wind energy.



UCKERMARK LINE

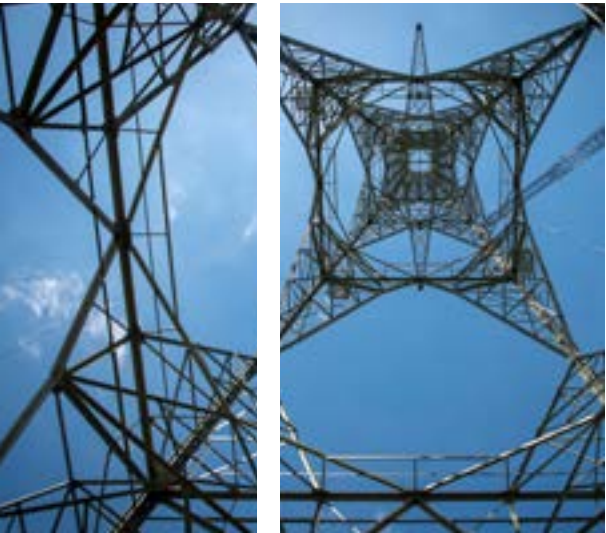
50Hertz obtained planning permission for the Uckermark line, an overhead high-voltage connection between the Bertikow and Vierraden substations northeast of Berlin. The existing 220 kV line will be replaced by a 380 kV line. Eventually, this will allow five times more electricity to be transmitted. The line runs through a Natura 2000 area, which is why a great deal of attention is being paid to the fauna and flora present. Beacons for birds will be installed and the pylons will be 20 metres lower in certain places.

STENDAL WEST - WOLMIRSTEDT

50Hertz commissioned the 380 kV overhead line between Stendal West and Wolmirstedt, boosting transmission capacity in order to integrate wind energy into its grid. This is the first step in replacing a 220 kV line dating back to the 1950s. Five additional sections between Stendal West and Güstrow in the Rostock area near the Baltic sea will follow. The upgrade is necessary in order to transmit large-scale wind power generation efficiently from the north of Germany to consumption centres in the south. The timely completion of the planned grid infrastructure is required to meet European renewables targets and to reduce redispatching measures caused by grid congestion.

LEIPZIG - ERFURT

50Hertz installed high-temperature conductors (HTLS) on a 27 km section of the 380 kV line between Saxony and Thuringia. These are made of a special alloy capable of increasing transmission capacity by up to 40%, which means that more electricity from renewable sources can be safely integrated into the system



Visit

► <https://www.elia.be/nl/infrastructure-en-projects/infrastructureprojecten>

for an overview of our infrastructure projects in Belgium.

Visit

► <https://www.50hertz.com/en/Grid/Griddevelopment>

for an overview of our infrastructure projects in Germany.



Reporting parameters

Registered office

This report is limited to Elia Transmission Belgium and Elia Asset, which operate as a single economic entity under the names Elia and 50Hertz Transmission.

The registered office of Elia Transmission Belgium and Elia Asset is located at Boulevard de l'Empereur 20 1000 Brussels, Belgium

The registered office of 50Hertz GmbH is established at Heidestraße 2 D-10557 Berlin, Germany

The registered office of Eurogrid International is located at Rue Joseph Stevens, 7 1000 Brussels, Belgium

The registered office of Elia Grid International is located at Rue Joseph Stevens, 7 1000 Brussels, Belgium

Reporting period

This annual report covers the period from 1 January 2020 to 31 December 2020.

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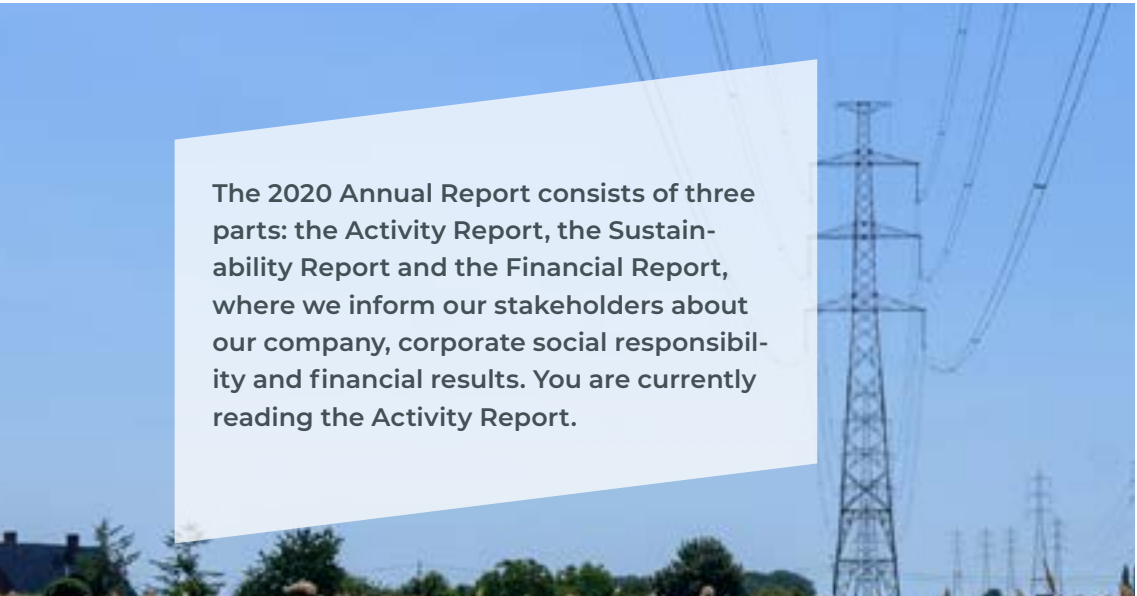
www.chriscom.be

Editor

Pascale Fonck

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

We would like to thank everyone who contributed to this annual report.



This report explains who we are, what we do and the context in which we operate. It outlines our strategy and the progress we have made towards achieving our goals. The Activity Report concerns regulated information, published on April 16th 2021, after trading hours.

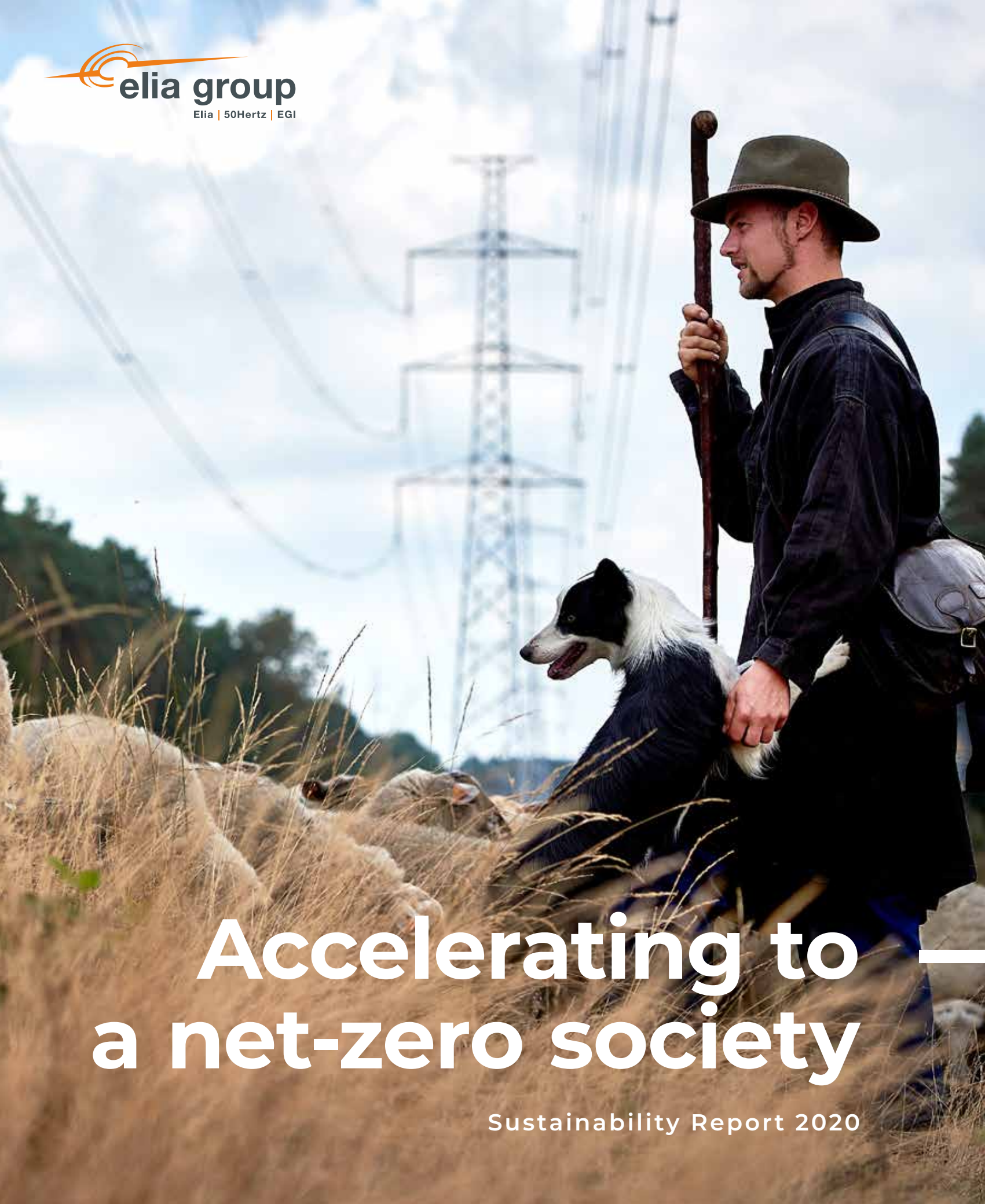
GRI Standards: Core option

This report has been prepared in accordance with the GRI Standards, the first global standards for sustainability reporting. The applicable GRI Standards performance indicators are highlighted in the report wherever Elia Group has reported economic, environmental or social impacts. Consult the GRI Index on page 63 of the Sustainability Report for a full overview.

Please visit
► www.eliagroup.eu/publications
to consult parts two and three.

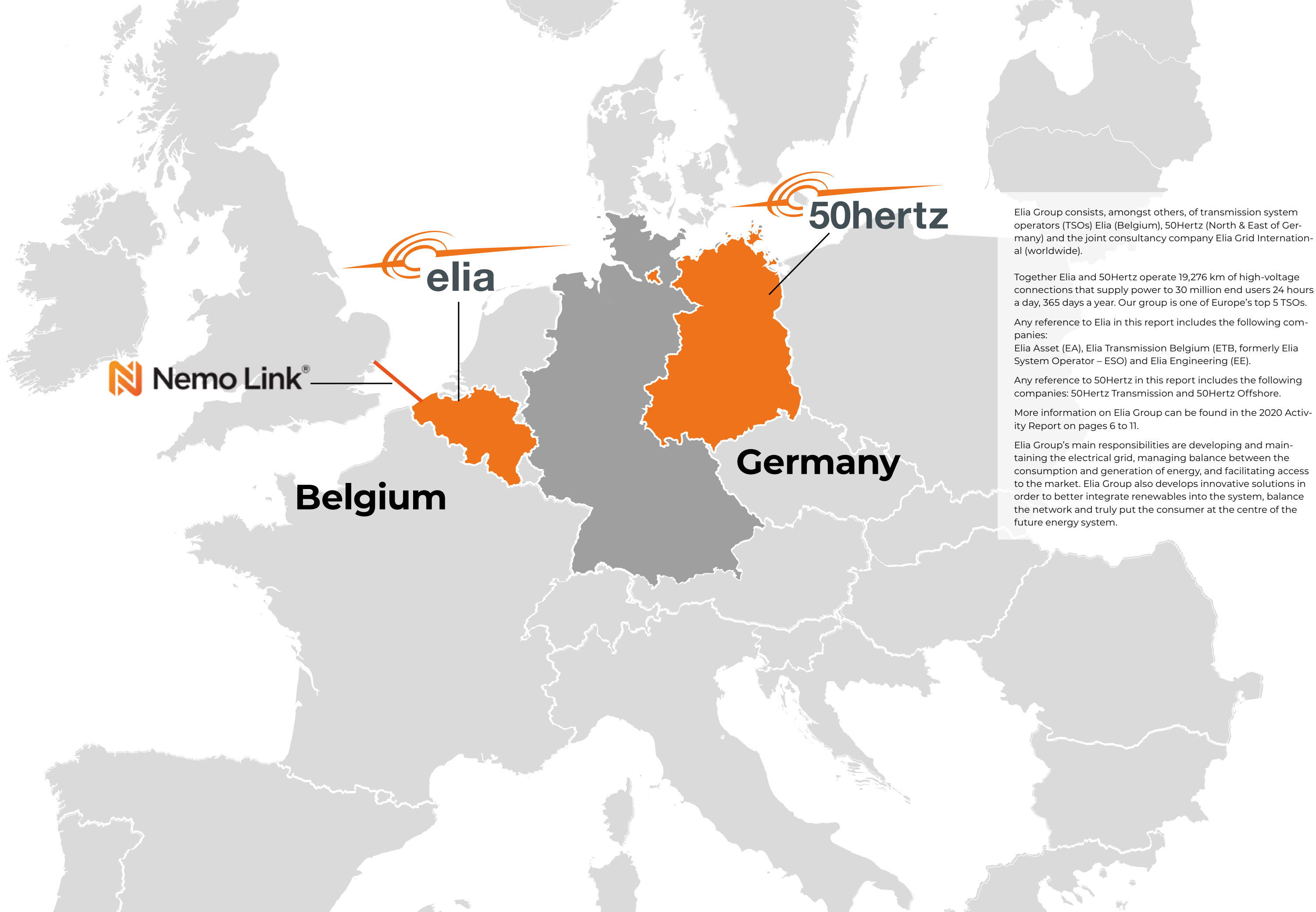
The online references in this report provide more in-depth information on a subject by way of video, brochure or webpage.





Accelerating to — a net-zero society

Sustainability Report 2020



Elia Group consists, amongst others, of transmission system operators (TSOs) Elia (Belgium), 50Hertz (North & East of Germany) and the joint consultancy company Elia Grid International (worldwide).

Together Elia and 50Hertz operate 19,276 km of high-voltage connections that supply power to 30 million end users 24 hours a day, 365 days a year. Our group is one of Europe's top 5 TSOs.

Any reference to Elia in this report includes the following companies: Elia Asset (EA), Elia Transmission Belgium (ETB, formerly Elia System Operator – ESO) and Elia Engineering (EE).

Any reference to 50Hertz in this report includes the following companies: 50Hertz Transmission and 50Hertz Offshore.

More information on Elia Group can be found in the 2020 Activity Report on pages 6 to 11.

Elia Group's main responsibilities are developing and maintaining the electrical grid, managing balance between the consumption and generation of energy, and facilitating access to the market. Elia Group also develops innovative solutions in order to better integrate renewables into the system, balance the network and truly put the consumer at the centre of the future energy system.

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Foreword

GRI 102-14

This Sustainability Report provides transparency on Elia Group's Sustainability performance in 2020 and describes the integration of sustainability in our Elia Group strategy (see Section 2 on Strategy).

GRI Standards : Core option

This report has been prepared in accordance with GRI Standards, the first global best practice for reporting publicly on a range of economic, environmental and social impacts.

The applicable GRI performance indicators are highlighted in the report wherever Elia Group has reported on economic, environmental or social impacts. Consult the GRI Content Index on page 63 for a full overview.



Our sustainability strategy is built on the United Nations Sustainable Development Goals (SDGs). Over the past year, we have defined 5 areas of action that include fighting climate change, increased biodiversity, diversity and inclusion, the safety of our employees and integrity. Our internal sustainability programme “Act Now” now makes this concrete and has defined measurable objectives. These will be further integrated into our strategy and will help determine what we do and the decisions we take. Because, as a grid operator, we are an important catalyst for the energy transition, we believe it is important to integrate sustainability into everything we do.

Chris Peeters

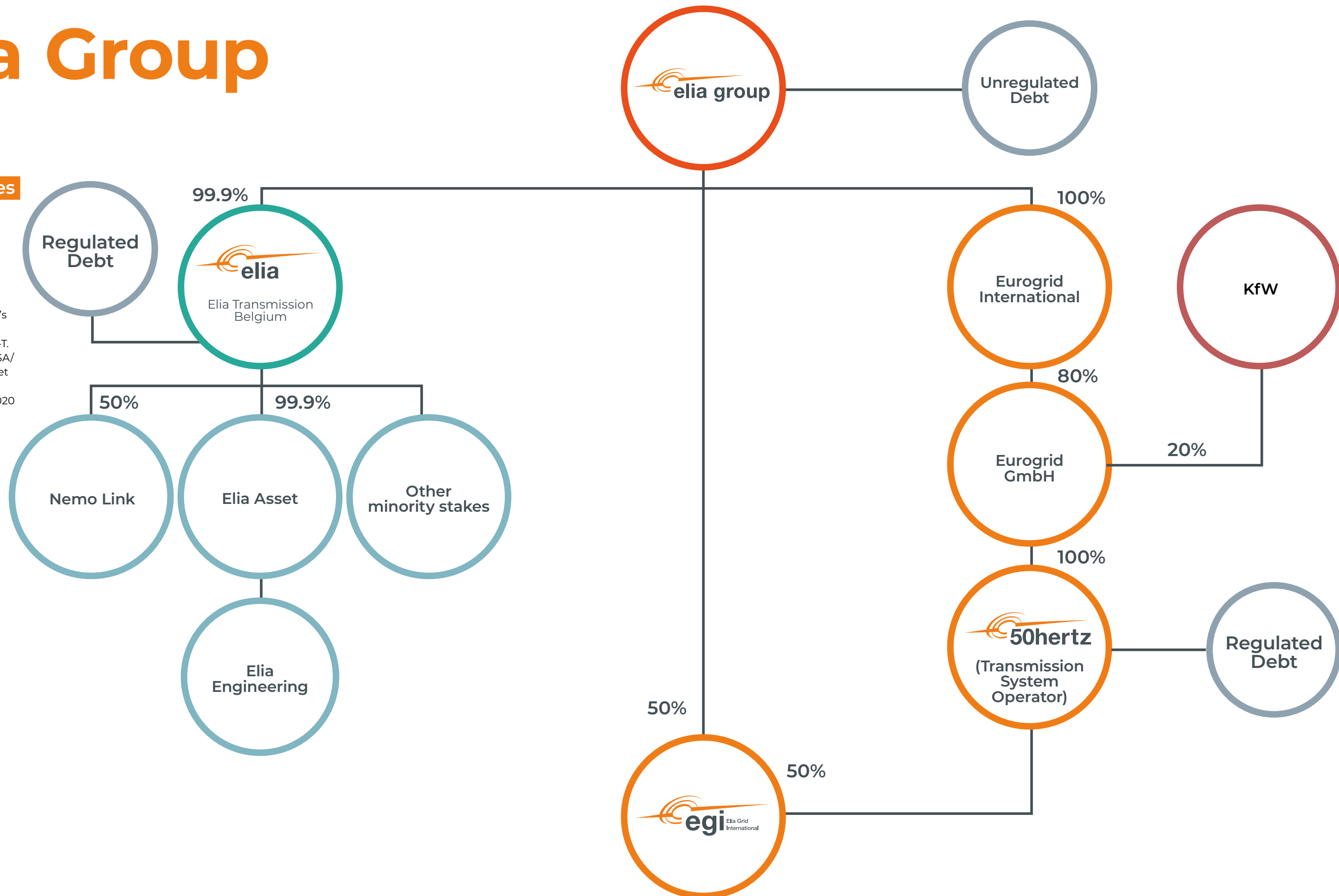
1. Elia Group

1.1. Elia Group Companies

1.1.1. Structure

GRI 102-1, GRI 102-5

Elia Group acts as a holding company that owns Elia Transmission Belgium (Belgian TSO), Eurogrid International (comprising the activities of 50Hertz, the German TSO) and EGI (Elia Grid International – the Group's international consultancy branch). Its main shareholder is the municipal holding Publi-T. Elia Group (formerly Elia System Operator SA/ NV) has been listed on the regulated market of Euronext Brussels since June 2005. For more information, see page 6 to 11 of the 2020 Activity Report.

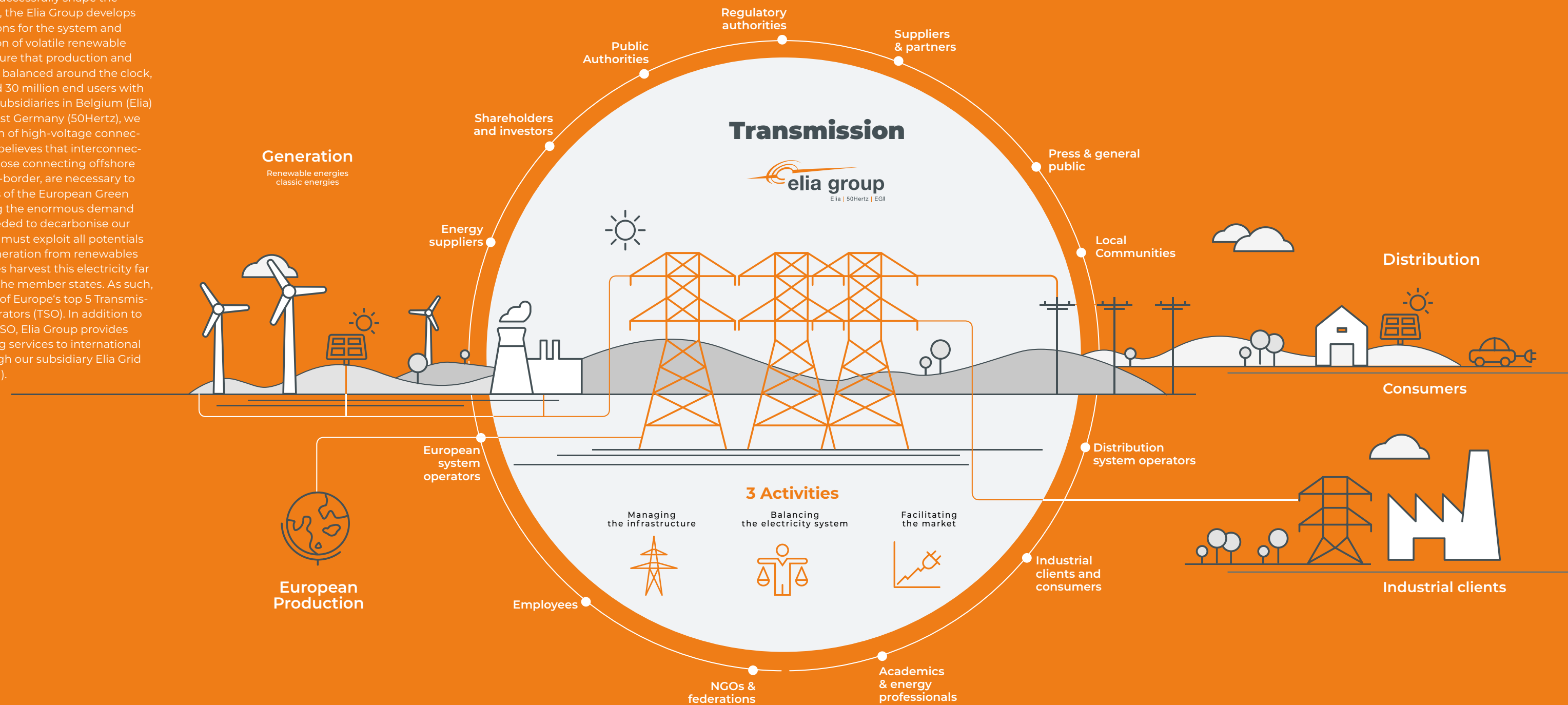


1.1.2. Business model

GRI 102-1, GRI 102-2, GRI 102-7, GRI 102-9, SDG9

Elia Group is active in electricity transmission. In order to successfully shape the energy transition, the Elia Group develops innovative solutions for the system and market integration of volatile renewable energies. We ensure that production and consumption are balanced around the clock, supplying around 30 million end users with electricity. With subsidiaries in Belgium (Elia) and north and east Germany (50Hertz), we operate 19,276 km of high-voltage connections. Elia Group believes that interconnectors, especially those connecting offshore wind farms cross-border, are necessary to achieve the goals of the European Green Deal. Considering the enormous demand for electricity needed to decarbonise our societies, Europe must exploit all potentials for electricity generation from renewables and in some cases harvest this electricity far off the coasts of the member states. As such, Elia Group is one of Europe's top 5 Transmission System Operators (TSO). In addition to our activities as TSO, Elia Group provides various consulting services to international customers through our subsidiary Elia Grid International (EGI).

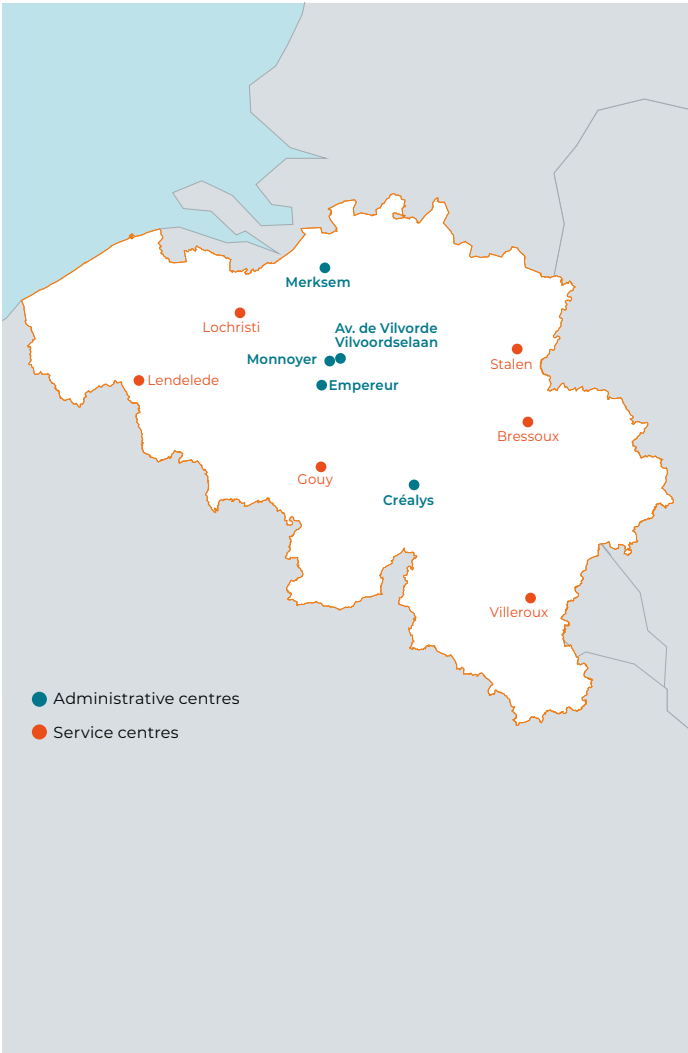
We connect generation & distribution



GRI 102-3, GRI 102-4

ELIA IN BELGIUM

As the sole operator of the Belgian high-voltage grid, Elia has a natural monopoly and is therefore subject to regulatory supervision. Its public mandate and responsibilities are an integral part of the legislation regulating the Belgian electricity market. It is also overseen nationally by the CREG¹, the federal electricity market regulator for the extra-high voltage electricity grid (110 kV-400 kV) and tariffs, and regionally by VREG², CWAPE³ and BRUGEL⁴, the regional electricity market regulators for the high voltage electricity grid (30 kV-70 kV). The regulatory system has a significant impact on the business model. Elia is also part of the Nemo Link consortium which operates the first subsea interconnector between Belgium and the UK. Elia operates a modular offshore grid in the Belgian North Sea, connecting offshore wind production on an offshore platform and transporting it to the mainland.



50HERTZ IN GERMANY

50Hertz operates its natural monopoly with the transmission grid in the north and east of Germany. The company is the exclusive operator of the extra-high voltage electricity grid (150 kV – 525 kV) in its grid area. 50Hertz is therefore subject to regulatory supervision by the national regulatory authority - the Federal Network Agency (BNetzA). The regulatory system decisively shapes the business model. BNetzA also sets 50Hertz's revenue cap when it comes to calculating its network fees. In addition, 50Hertz operates the Kriegers Flak Combined Grid Solution (CGS), the world's first hybrid offshore interconnector. The Combined Grid Solution (CGS) connects two substation platforms in the Baltic Sea, to each other and to the existing land connections of the offshore wind farms. As a result, the CGS can transmit offshore wind power to Denmark or to Germany while also being used for cross-border electricity trading.

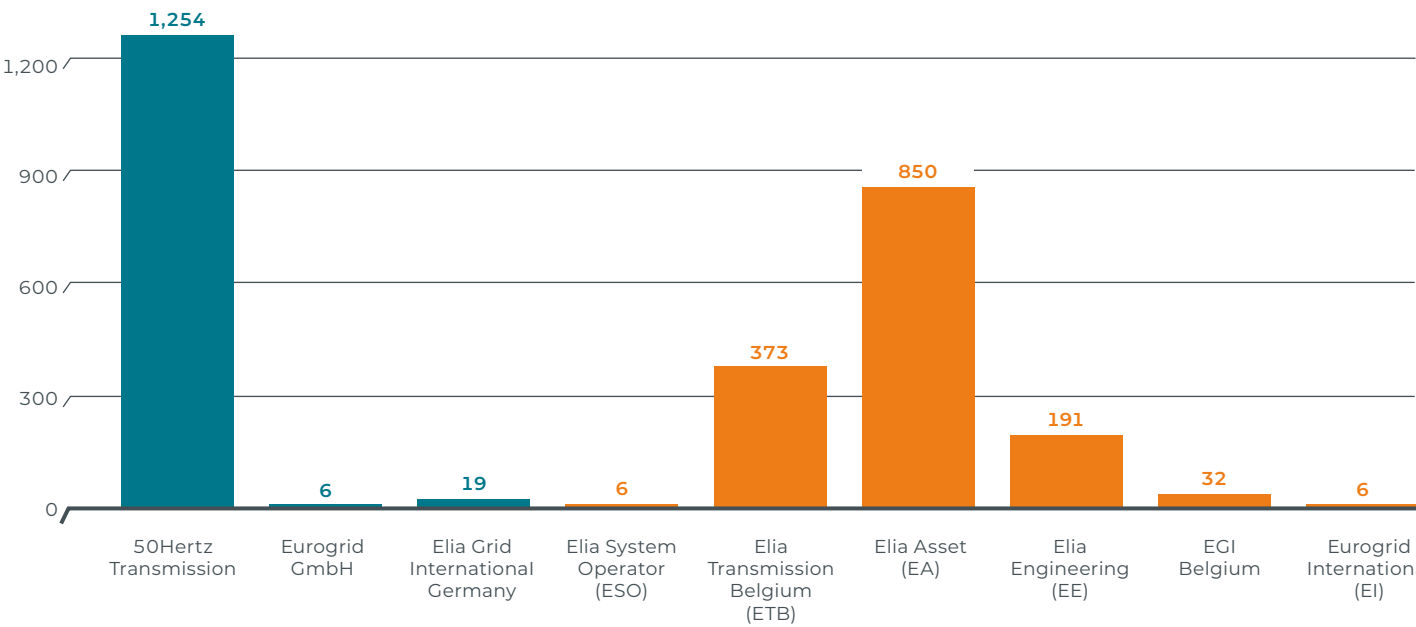


1.1.3. Size of the Company

GRI 102-1

Breakdown by country, company and number of employees

TOTAL HEADCOUNT ELIA GROUP 2020



N.B. Three of Elia's chief officers are included both in Elia System Operator and Elia Transmission Belgium and are thus counted twice in the diagram above.

¹ CREG: Commission for Electricity and Gas Regulation.

² VREG: Vlaamse Regulator van de Elektriciteits- en Gasmarkt.

³ CWAPE: Commission Wallonne pour l'Energie.

⁴ BRUGEL: Régulateur BRUXellois pour les marchés du Gaz et de l'Electricité/BRUsselse Reguleringscommissie voor de Gas- en Electriciteitsmarkt.

1.2. Grid

G4-EUS-EU4

Elia and 50Hertz operate the extra-high voltage transmission grids (110kV - 525 kV) in Belgium and in the north and east of Germany, as well as interconnectors to other extra-high voltage grids. In addition to this grid, Elia operates the high voltage grid (30kV - 70kV) in Belgium. The operation of these grids at different voltage levels differentiates Elia and 50Hertz in the number of assets as well as in the measurement of the grid interruptions (see 1.3.9. Grid Reliability).

1.2.1. Length of lines

ELIA IN BELGIUM

	2018		2019		2020	
Voltage	Underground cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)	Underground/ submarine cabling (km)	Overhead lines (km)
400 kV (DC)	9	-	70*	-	70*	
380 kV	40	919	40	918	40	923
					49	
220 kV	47	301	135	300	161	301
150 kV	573	1,973	628	1939	686	1,935
110 kV	-	8	-	8		8
70 kV	293	2,290	317	2,404	304	2,399
36 kV	1,938	8	1,917	8	1,915	8
30 kV	84	22	75	22	75	22
Total Lines/Cables	2,984	5,521	3,182	5,599	3,300	5,596
TOTAL	8,505		8,781		8,896	

* The Nemo Link interconnector – total length 140 km – is a joint venture (50/50) between National Grid Interconnector Holdings Limited, a subsidiary company of the UK's National Grid Plc, and Elia.

50HERTZ IN GERMANY

LINE LENGTH (CORRESPONDS TO CIRCUIT LENGTH)	2018	2019	2020
of which 380 kV lines	7,250 km	7,250 km	7,390 km
of which lines 220 kV	2,680 km	2,680 km	2,400 km
of which submarine cables 220 kV	190 km	290 km	290 km
of which submarine cables 150 kV	270 km	270 km	300 km
Circuit length in total	10,390 km	10,490 km	10,380 km

1.2.2. Substations and Switches

ELIA IN BELGIUM

	2018	2019	2020
substations >= 150 kV	297	300	299
substations < 150 kV	516	507	507
HVDC Converter station	1	1	1
TOTAL	814	808	807

50HERTZ IN GERMANY

	2018	2019	2020
Substations	65	65	65
Switching stations	8	8	8
TOTAL	73	73	73

1.3. Guiding Principles

1.3.1. Memberships

GRI 102-12, GRI 102-13, SDG17


Elia Group is involved in various societies, associations, and initiatives in the field of renewable energies, climate and environmental protection, human rights and the harmonisation of the European electricity market at global, European and local level.

	Energy	Climate	Environment	Human rights	Elia	50Hertz
World Energy Council	✓				✓	✓
CIGRE - Conseil International des Grands Réseaux Electriques	✓				✓	✓
GoI5 - Reliable and Sustainable Power Grids	✓		✓		✓	(✓)
UNGC - United Nations Global Compact		✓	✓	✓	✓	✓
Centre on Regulation in Europe						
ENTSO-E - European Network of Transmission System Operators for Electricity	✓	✓	✓		✓	✓
Coordination of Electrical System Operators	✓				✓	
RGI - Renewables Grid Initiative	✓	✓	✓		✓	✓
Energy Web Foundation	✓	✓			✓	
The Shift	✓	✓	✓	✓	✓	
Synergrid - Fédération des gestionnaires de réseaux électricité et gaz en BelgiqueBelgique	✓				✓	
Osiris	✓				✓	
Conseil des Gestionnaires des Réseaux de Bruxelles	✓				✓	
Vlaamse Raad van Netwerkbeheerders	✓				✓	
Powalco	✓				✓	
BECI - Brussels Enterprises Commerce and Industry	✓				✓	
FEB - Fédération des Entreprises de Belgique	✓				✓	
UWE - Union Wallonne des Entreprises	✓				✓	
VOKA - Vlaams Netwerk van Ondernemingen	✓				✓	
AGORIA	✓				✓	
Communauté Portuaire Bruxelloise	✓				✓	
COGEN Vlaanderen	✓	✓			✓	
AVEU Arbeitgeberverband Energie- und Versorgungswirtschaftlicher Unternehmen e.V. [employers' association of energy and utility companies]	✓			✓		✓
BDEW – Federal Association of the Energy and Water Industry	✓					✓
VDE-Elektrotechnischer Verein e.V. [electrotechnical association]	✓					✓
Diversity Charter				✓		✓

1.3.2. Values, principles, standards and code of conduct

GRI 102-16, GRI 102-17, GRI 102-26,

Elia Group has defined six behaviours that apply to all employees. These behaviours are modified and adapted for Elia and 50Hertz to accommodate local differences. These six core values reflect fundamental principles that are deeply rooted in the Elia Group. They form the basis for our Code of Ethics, the guidelines and principles that drive all Elia Group activities.




ONE VOICE:

we have an open and constructive debate before making a decision. Once the decision is taken, everyone supports this and carries the same message.




IMPACT:

we perform our tasks in the best possible way by focusing on the actions that make a difference and that have an impact (on safety, the system, society, the environment, our performance...).




ONE COMPANY:

our responsibility goes beyond our own job or department. We look at results transversely and support the choices we make as a company.




SIMPLIFICATION:

we look at what could be simplified in our challenging environment and avoid unnecessary complexity.



CO-CREATING THE FUTURE:

we are not only aware of the radical changes in our sector, such as digitalisation and decentralisation, but we shape them.



FEEDBACK:

we give and ask for feedback and this is in multiple directions. Thus, we show appreciation and we strive for continuous improvement.

Code of Ethics

Integrity and ethics are a critical aspect of our interactions internally. The Board and management communicate regularly about these principles to make the mutual rights and responsibilities of the company and its employees transparent and tangible. These rules are communicated to all new employees and their compliance is formally included in employment contracts.

The Code of Ethics, Guidelines and Policies defines what Elia Group considers to be proper ethical behaviour and establishes a set of principles in order to avoid conflicts of interest. These identical elements can be found in the codes of Ethics of both Elia and 50Hertz and we are currently working on a Group Code of ethics. Management consistently ensures that employees comply with internal values and procedures and, where applicable, takes actions deemed necessary as set out in company regulations and employment contracts.

The Code of Ethics, as well as the policies derived from it, also helps to ensure that employees do not violate laws on the use of privileged information or market manipulation and suspicious activities.

Acting honestly and independently towards all stakeholders is an important guiding principle for all our employees. The Code of Ethics explicitly states that Elia Group prohibits bribery in any form, abuse of prior knowledge and market manipulation. Elia Group and its employees do not accept gifts or hospitality to gain competitive advantage. Elia Group does not allow facilitation payments. Disguising gifts or hospitality as charitable donations is also a violation of the Code of Ethics.

In addition, the Code of Ethics ensures that discrimination is not tolerated within the organisation by prohibiting all forms of racism and discrimination and promoting equal opportunities for all employees. This applies regardless of race, colour, gender,

religion, political opinion, ethnic background, social origin, age, sexual orientation or physical ability. It also aims to ensure that all employees are given equal opportunities through fair assessments. Elia's internal policy on discrimination and equal opportunities is based on the International Labour Organisation's Convention C111 on Discrimination. Lastly, the Code of Ethics ensures the protection and confidential use of IT systems.

Supplier Code of Conduct

All parties involved in procurement must comply with Elia Group's Supplier Code of Conduct and all related regulations. Elia Group's Supplier Code of Conduct is published internally and externally and is based on four pillars: confidentiality, non-discriminatory treatment of suppliers, transparency and avoidance of conflicts of interest. The management of employees involved in the procurement and payment processes provides regular opportunities for training and awareness-raising on these topics.

ELIA IN BELGIUM

Elia complies fully with the corporate governance requirements.

In addition, internal management systems based on recognised standards such as environmental management (according to ISO 14001) and early public acceptance are used in sustainability core areas.

In the area of Health and Safety, Elia obtained, Safety Culture Ladder level 3 certification in November 2020.

In the area of information and security management, Elia launched a programme in line with ISO 27001 with a view to obtaining ISO 27001 Certification in 2022.

50HERTZ IN GERMANY

50Hertz expresses its commitment to responsible corporate governance in its sustainability mission statement and corporate charter. It states that in the areas of human rights, labour standards, environmental protection and anti-corruption, the company acts in accordance with the ten principles of the UN Global Compact. Employees also have access to comprehensive company documentation that includes all valid guidelines, directives, work instructions, process manuals and company agreements and is integrated into the company-wide intranet. This corporate manual was fundamentally revised, updated, simplified and made more accessible in 2020.

Furthermore, certified management systems, such as ISO 45001 in the area of health and safety and ISO 27001 in information security management, or internal management systems based on recognised standards, such as environmental management (according to ISO 14001) and early public participation (according to VDI 7000), are used in CSR core areas.



1.3.3. Roles and responsibilities

GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-32. GRI 102-33, GRI 103-3

For Elia Group, successful long-term business is achieved by acting in the interest of society. This is reflected in the company vision: “A successful energy transition - for a sustainable world”.

To that end, Elia and 50Hertz have expressed their commitment to responsible corporate management by being signatory of the United Nations Global Compact (UNGC) – the leading U.N. initiative for businesses to move forward on the Sustainable Development Goals for 2030. Both companies are also committed to and actively working on topics included in the 10 Principles of the UNGC.

With a view to more closely integrating the management of the sustainable aspects of Elia and 50Hertz, Elia Group Officers have been established at Elia Group for a number of key areas, including Safety, Risk Management, Talent Management, Procurement, Strategy and EU Affairs. Elia Group CEO Chris Peeters, is responsible for the Group functions.

Additional information can be found in the Corporate Governance Report.

ELIA IN BELGIUM

Under the overall responsibility of the Chief Community Relations Officer, the Environment & CSR department has defined a sustainability concept and a roadmap of measures for the continuous expansion of sustainability reporting. All environmental reporting and sustainable communication to external stakeholders is coordinated by the Community Relations department.



1.3.4. Legal and regulatory framework

Elia Group complies with all applicable legislation. Its business activities are subject to numerous regional, national and European laws and regulations.

Elia Group is subject to the rules of good governance applicable to listed companies.

Elia Group actively monitors the emergence of European, national or local regulations.

Additional relevant information can be found in the Corporate Governance Report.

GRI 419-1

During the reporting year Elia Group did not receive any significant fines or non-monetary sanctions for failure to comply with social or economic legislation and regulations.

ELIA IN BELGIUM

One of the core principles of corporate governance laid down by the legislation governing the electricity industry in Belgium is the strict separation between the composition of and responsibilities incumbent upon Elia Transmission Belgium and Elia Asset Board of Directors and Management Committee respectively.

Additional information on the legislation and regulations relevant to our business activities can be found on our website

50HERTZ IN GERMANY

For the reporting year, the following laws in particular should be mentioned as, they have a special influence on the company's business activities for the integration of renewable energies and thus sustainability:

The Act to Reduce and End Coal-fired Power Generation and Amend Other Laws (Coal Phase-out Act), the Act on the Development and Promotion of Wind Energy at Sea (Wind Energy at Sea Act - WindSeeG), the Act to Ensure Proper Planning and Licensing Procedures during the COVID 19 Pandemic (Plan-SiG), the Act to Amend the Renewable Energy Sources Act and Other Energy Law Provisions (EEG), the Draft Act to Amend the Federal Requirements Plan Act and Other Provisions (BBPig).

Additional information on the legislation and regulations relevant to our business activities can be found in the Eurogrid annual report. [\[Link!\]](#)

50HERTZ IN GERMANY

Under the overall responsibility of the Managing Director Finance of 50Hertz, the Corporate Development department defined a sustainability target and designed an action roadmap for the continuous expansion of sustainability reporting, while the Communication & Public Affairs department further defined the reporting processes.

The responsibilities and organisation of sustainability management are clearly defined:

RESPONSIBILITY SUSTAINABILITY MANAGEMENT

CFO

General Responsibility for Sustainability



1.3.5. Anti-corruption

GRI 205-1, GRI 205-2

Due to their legal status as electricity transmission system operators, Elia and 50Hertz are subject to a wide range of legal and regulatory rules in their respective countries, which stipulate three basic principles: non-discriminatory behaviour, confidential treatment of information and transparency towards all electricity market participants for non-confidential market information.

Elia Group companies have company charters, guidelines and other documents on the expected behavior from our employees that set out Elia Group's understanding of correct ethical conduct and make it clear that the company complies with the law and does not tolerate corruption. These principles flow into organizational measures that are binding throughout company.

A policy on bribery and corruption has been formulated as part of our Code of Ethics, which defines what is considered bribery and corruption. Apart from barring any involvement in a practice (be it direct or indirect via our suppliers) where bribery or corruption has taken place, Elia Group also focusses on capacity building for our employees. Employees are given trainings to enable them to recognise behaviours or incidents where bribery or corruption may be at play, and to provide them with a safe, anonymous space to report any such matter, i.e. the whistleblower system.

Elia and 50Hertz compliance officers state that no such breaches were reported by internal employees or external stakeholders in 2020.

ELIA IN BELGIUM

With a view to meeting the three basic principles described above, Elia has drawn up an Engagement Programme approved by the Corporate Governance Committee. Any violations of the company codes can be reported to the Compliance Officer, who handles them objectively and confidentially. The Compliance Officer reports annually to the relevant regulatory bodies in this regard.. The annual internal audit programme includes a number of measures and verification checks designed to serve as specific safeguards against fraud. All findings are systematically reported to the Audit Committee. In 2020, no relevant findings related to fraud were reported during the specific fraud risk audits in the finance and purchasing processes.

Since 2018, Elia has had a policy in place that regulates the external reporting point for business integrity breaches via an external whistleblowing system. If internal staff and external stakeholders anonymously report suspected integrity violations, an internal committee is convened immediately to deal with the case and take further internal action if necessary. The committee reports to the management of Elia annually and on an ad hoc basis as required.

Elia also regularly provides all employees involved in the procurement process and financial process with training on the basics of procurement, anti-corruption and compliant behaviour.

50HERTZ IN GERMANY

A corruption prevention guideline specifies what 50Hertz as a company understands by ethically correct behaviour and that corruption has no chance at 50Hertz. These principles lead to organisational measures that apply throughout the company and are binding. The internal control systems (ICS) are continually being developed and employees are made aware of the issues in defined relevant areas of the company through training and process discussions, among other things. In addition, 50Hertz regularly trains employees in the areas of regulation, taxes and purchasing on anti-corruption and compliant behaviour. Since 2010, 50Hertz has had a policy in place that regulates the whistleblowing system and requires the establishment of an internal compliance committee and an external ombudsman.

Comprehensive e-learning on corporate compliance topics and ongoing accompanying communication are planned for 2021. The identification and analysis of relevant compliance risks as well as the revision of the existing Code of Ethics should contribute to the effective further development and strengthening of corporate compliance management.



1.3.6. Risk management

GRI 102-30, GRI 102-11, GRI 201-2

Elia Group is committed to avoiding risks that could potentially harm its existence, to reducing risk positions as far as possible and to optimising the risk-opportunity profile. Elia Group has a Head of Group Risk Management, who reports directly to the CFO of Elia Group. In the reporting year, the Elia Group launched an initiative to further develop the management of environmental, social and governance risks (ESG) that will have an influence on the risk management at Elia and 50Hertz. In 2021, climate risks will be assessed and integrated even more firmly into risk management at all Elia Group companies. Since 2017, Elia has been responding to the CDP Climate Change Questionnaire that addresses the company's management of environmental impacts, climate risks and opportunities. Elia obtained a B score in 2020 for the year 2019.

As part of their systematic risk management, both Elia and 50Hertz regularly survey and assess the following risk areas:

- Profit & loss
- Health & safety
- Cash
- Security of supply
- Reputation

Within each company, risk guidelines set out how risks are systematically identified, recorded, assessed and monitored each financial quarter. A risk conference/workshop is held once a year during which all division heads (second management level) as risk owners as well as the risk manager discuss the most significant risks and risk-related topics together with the Executive Board. With respect to infrastructure project management, an integrated process has been established for the associated planning of schedule, budget and risk management. With regard to sustainability, various risks are assigned to environmental, social and governance (ESG) domains. These risks pertain, for example, to occupational safety, environmental damage, data security and transparency.

Additional information on risk management can be found in the Corporate Governance Report.

1.3.7. Political influence

GRI 415-1

Laws and regulations have a strong influence on Elia's and 50Hertz's operations. The various governments at federal and regional level grant the Elia Group companies the operating licence and contribute to the determination of the legal framework in which the public mission of the transmission system operators has to be realized. The regional governments and authorities are responsible for granting permission to build the transmission infrastructure. Regulatory authorities determine the regulatory framework in which these activities have to be developed.

In this context, Elia and 50Hertz act in compliance with all the regulations that affect the operation of the transmission grid. It is also the responsibility of the Elia Group companies to contrib-

ute to the political debate and to the orientation of the regulation. We assure these advocacies in a transparent manner that is visible to the public. As legal monopolies responsible for such important public missions, Elia group companies establish their viewpoints having the interest of society as priority.

The Elia Group is a trusted advisor on topics such as the fundamental design of the energy transition, the secure supply of electricity with a simultaneously increasing share of renewable energies, and the expansion of the grid.

When developing viewpoints, Elia Group is committed to involve political stakeholders and regulators as early as possible. This gives all parties the opportunity to present their point of view, improves the quality of information and builds trust. Elia Group companies ensure that employees who are active in societal and energy policy are guided by clearly defined principles in their communication and actions.

In order to strengthen political contacts at EU level in particular, the position of Elia Group Head EU Affairs was created. Both Elia and 50Hertz are registered in the EU Transparency Register and committed to its Code of Conduct.

ELIA IN BELGIUM

The Public & Regulatory Affairs and External Relations department is among others responsible for political communication. A Corporate Reputation Committee composed of representatives of all internal departments that have external coordinates contacts with (political) stakeholders has been set up to coordinate the different contacts with these stakeholders.

Elia is an important player in Belgium at national level that has a global view of the electricity system, but also incorporates a regional and local approach. This puts us in a singular position to provide analysis, advice and recommendations to the authorities so that informed decisions can be made.

Elia has its Code of Ethics applicable to all our employees that frames aspects as respect of legislation, conflict of interests, professional deontology. In 2020 (and as in the past), Elia made no donations to politicians or political parties.

50HERTZ IN GERMANY

The Communication & Public Affairs department is responsible for political communication, which is managed responsibly and refrains from making party donations. Ethical principles for political advocacy have been formulated. This is regulated in a company-wide orientation guide on conduct in the political environment, which is coordinated with the Board of Management. This states that 50Hertz does not make donations to politicians or political parties and ensures appropriate consideration and balance when sponsoring. Responsibility for donations to party-affiliated foundations and associations is centralised in the Communications & Public Affairs department. Together with specific training programmes, 50Hertz thus ensures that its employees who are active in societal and energy policy align their communication and actions with clearly defined principles. In 2020, 50Hertz made no donations to politicians or political parties.

5 NCC: National Control Center; RCC: Regional Control Center(s)

6 GDPR: General Data Protection Regulation

7 European Programme of Critical Infrastructure Protection

1.3.8. Security and Emergency management

Critical infrastructure

For Elia Group, security does not stop at the company's boundaries. For example, personnel are trained in crisis management and crisis communication with internal and external stakeholders during regular crisis team exercises. Not only are the existing structures, processes and reporting channels reviewed and continuously improved, but crisis team members and employees are also intensively trained in the skills needed to deal with unexpected events in a level-headed manner under high stress and to make quick and appropriate crisis management decisions. These and other measures serve the goal of continuously increasing the resilience of Elia Group in a holistic manner. In addition to the training concept for all members of the crisis team, this also includes the review of property protection concepts and the further development of general corporate security.



ELIA IN BELGIUM

In 2020 the framework and specific *modus operandi* on screening for our most critical zones (NCC/RCC/Data Rooms)⁵ received a final approval by the competent authority. In order to optimally guarantee the privacy of personal data, a special GDPR⁶ protocol was developed between Elia and the Belgian Federal Public Service Economy. After a positive test phase, full implementation and roll out started in November. Our goal is to have all access to these specific zones screened by the end of 2021.

Despite the challenges related to COVID, the predetermined CAPEX plan regarding the specific security policy for Critical and Strategic Infrastructure was fully implemented. In addition, in the context of innovation, a proof of concept for new security technologies for specific high-voltage substations was provided. The positive outcome of this may enable us to optimally secure sensitive infrastructures in the future.

In order to optimally guarantee security as regards access to our substations, we are planning to switch to an online access control system. In 2020, pilot projects for this were carried out simultaneously in various zones across the country. The new system allows us to (de)activate access rights with immediate effect and to have real-time online reporting.

In accordance with the European legislation on critical infrastructure (EPCIP⁷ Directive), Elia, in consultation with the relevant authorities, set out the new criteria and analysed the current infrastructure. This multidisciplinary study resulted in a short list of potential new Elia Critical Infrastructures, which may be officially confirmed in 2021.

In consultation with and under the guidance of the Security Department, both the Federal Public Service and the Federal Agency for Nuclear Control carried out several inspections of our Critical Infrastructures in 2020. The objective is to check the Operator's Security Plan (Beveiligingsplan van de Exploitant - BPE) against the reality in the field. Any points of attention are included in the revision of the specific BPE per Critical Infrastructure.

At the specific request of the relevant government department, Elia, in coordination with the energy supplier ENGIE, elaborated a joint Operator Security Plan for the Critical Infrastructure associated with the Tihange nuclear power plant. This was officially notified to the relevant government department in 2020.

The security conditions relating to access to the infrastructures at the Doel nuclear power station were tightened up in 2020. The requirement for security clearances for persons with access to the technical installations was extended to the entire site (administrative buildings, workshops, 150 kV substations, etc.). A total of approximately 150 additional security clearances were requested for this purpose.

Concerning the COVID pandemic, Elia set up a special Elia Corona Task Force as soon as it was first reported in Europe. The Head of Security was designated as crisis manager. (see further details in 9. COVID-19 pandemic management).

IT

The further reinforcement of the robustness, security and protection of our IT and network systems is a key recurring component in preserving the confidentiality of critical data.

Best practices and information are exchanged at a national level in the utility sector (Synergrid), as well as on a European level (ENTSO-E). We evaluate the threat landscape and evolutions to be able to put the right risk mitigation measures into action.

ELIA IN BELGIUM

A number of concrete measures from 2020 in this field are listed below:

- Monthly external scanning of Elia's external perimeter (Elia's public IP addresses) in order to assess the potential vulnerabilities of Internet applications with regard to possible cyber risks. In the reporting year, no targeted cyber attacks on Elia were recorded.
- Launch of the ISMS program as part of good governance and as enabler to meet regulatory requirements (NIS Directive, ENTSO-E): Design, create and implement an Information Security Management System (ISMS) in line with ISO27001. The ISMS is a framework of policies and controls to manage security and security risks systematically and across the entire organization. The objective is to obtain ISO27001 Certification in 2022.
- Appointment of a Data Protection Officer (DPO) to ensure that Elia processes the personal data of the data subjects (staff, customers, providers or any other individuals) in compliance with the applicable data protection regulation (GDPR).

50HERTZ IN GERMANY

The information security management system in accordance with ISO 27001 "IT Security Catalogue in accordance with §11 Paragraph 1a EnWG" was recertified in 2020. IT information security risks are systematically identified and dealt with through the established security process. In the reporting year, no targeted cyber-attacks on 50Hertz were recorded or damage caused by information security incidents. In an independent audit for the evaluation and certification of the operational security of data centres (based on DIN EN 56000), the 50Hertz data centres were designated as "highly available" at Level 3.

As part of the data protection management system (DSMS), the existing e-learning programme was updated and internal and external employees were sensitised and trained.

As an operator of critical infrastructure, 50Hertz is obliged under the IT Security Act and EnWG to ensure information security. In this context, the processing, storage and communication of information must be designed in such a way that the availability, confidentiality and integrity of information and systems are ensured to a sufficiently appropriate degree.

Emergency and restoration

G4-EUS-DMA Disaster/ Emergency Planning and Response

Should an electricity crisis occur, as a result of natural disasters – such as extreme weather conditions –, malicious attacks or a fuel shortage, Elia and 50Hertz have set up a crisis management which consists in 3 main plans:

- The **crisis management plan** describes the roles, responsibilities and processes related to crisis management within Elia Group. The emergency management is based on scenario emergency plans, e.g. Standardized Emergency Preparedness Plan (SEPP) The emergency plans contain measures and the definition of reporting and information processes.
- The **system defense plan**: automatic and manual measures aiming to prevent abnormal situations up to a blackout by any means, to limit the extension of disturbances and to stabilize the electric power system when in Emergency State. This in order to return to Normal or Alert State as soon as possible with minimal impact on grid customers and society.

In accordance with the system defense plan, both 50Hertz and Elia have established load shedding and other plans to be executed by themselves or related Distribution Operators containing an amount of demands to be manually or automatically performed, when necessary to prevent the propagation or worsening of an electricity crisis.

- The **restoration plan**: set of actions that can be used after a disturbance with large scale consequences (e.g. blackout) to bring the electricity system back to the normal state.

Both Elia and 50Hertz regularly train their operator teams by means of simulated exercises and life exercises in small scale, including relevant stakeholders and partners. i.e. Distribution System Operators or Generation Companies. In general system operators continuously practice the handling of abnormal as well as crisis situations by means of theoretical and practical trainings by various means.

Transmission system operators must regularly test their capability of restarting the system.

These restart tests - also called black start tests - are part of the grid reconstruction plans of transmission system operators, who must regularly test this capability in their respective grid areas so that the power supply can be restored as quickly as possible after a power outage.

Simulator trainings and theoretical training sessions are given to the operators of the national control center and the regional control centers on the application of the emergency and restoration plans.

ELIA IN BELGIUM

In the reporting year 2020, Elia successfully conducted two black start tests and various emergency exercises such as risk preparedness tests of crisis personnel and 'National Backup Control Center' tests (Real-time net-out from the Backup control room of the national control center in Merksem for several hours).

During several virtual consultation moments in 2020, the crisis organization was prepared to adequately respond to a crisis situation during the Covid-19 Pandemic.

50HERTZ IN GERMANY

In the year under review, the transmission system operators 50Hertz and Energinet from Denmark as well as the operators of the coal-fired power plant KNG Rostock successfully simulated a test run to rebuild the grid. The fictitious situation after a power blackout in continental Europe was tested live with voltage input from Denmark. For the first time, a land-sea cable between two countries - also using offshore wind energy - was used to restart a power plant under real conditions.



1.3.9. Grid reliability

G4 EUS, DMA

In order to meet electricity demand at all times, both Elia and 50Hertz must assure their customers that their grid is reliable. As transmission system operators (TSO), Elia and 50Hertz provide infrastructure with adequate electricity interconnections for smoothly functioning markets and systems. This is the best guarantee of security of supply.

However, even where markets and systems function well and are interconnected, the risk of an electricity failure still exists.

The actions established to cope with a large-scale electricity failure caused by an exceptional event are described in the previous section.

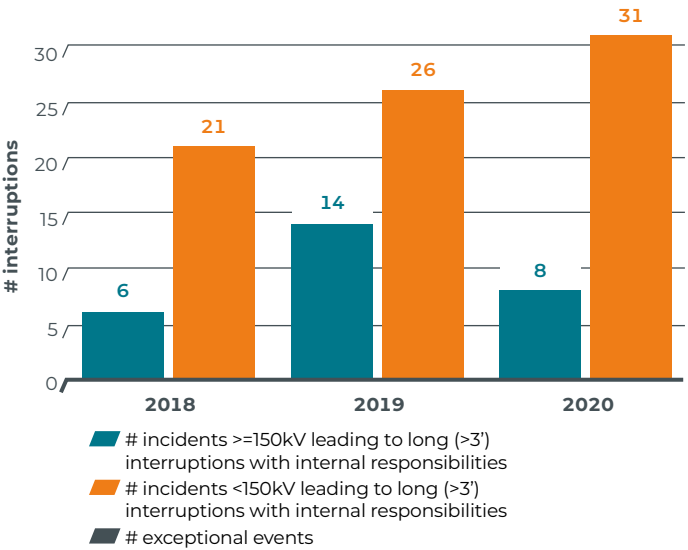
Grid availability and interruptions

ELIA IN BELGIUM

In order to assess grid availability on one year, we record the number of incidents leading to at least one customer interruption that lasted more than three minutes (international standard) and for which Elia is responsible. Any interruption caused by customer errors, thunderstorms, third parties, birds, etc. are not considered here.

No exceptional event occurred in 2020.

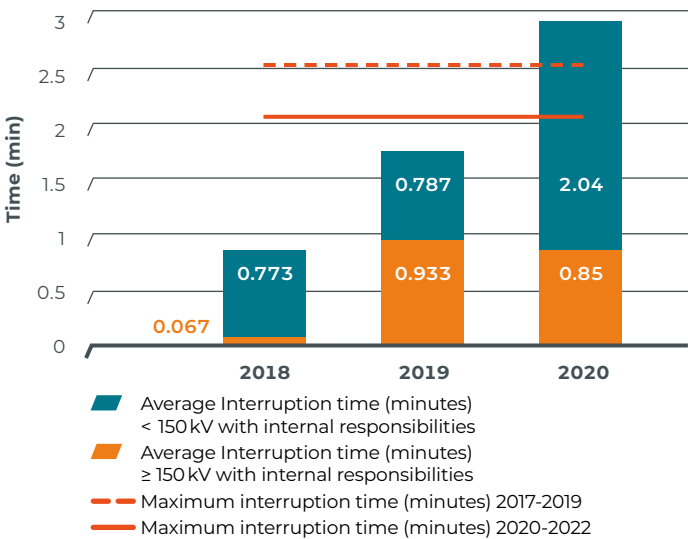
GRID INTERRUPTIONS



Most interruptions take place on the local transmission grid (< 150 kV) as most customers are connected to the local (regional) transmission grid rather than the federal transmission grid. When discussing grid interruptions, the **average interruption time** (AIT) is also considered. This represents the equivalent interruption time if all the customers connected to the grid had been interrupted the same way (i.e. during the same time) during the observation and is calculated as Energy Not Supplied / Yearly Average Power.

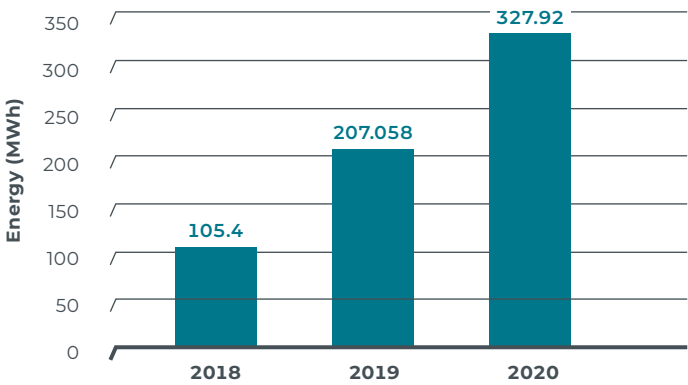
The **maximum interruption** time is the reference value used for calculating the Average Interruption Time (AIT) Incentive relating to continuity of supply by CREG, the Belgian federal regulator. For the period 2020-2022, its value is 2.1 minutes.

AVERAGE INTERRUPTION TIME



Energy not supplied (ENS) refers to all energy not supplied to our customers during outages of more than three minutes caused by Elia's internal problems. However, it does not take into account the impact of major events.

ENERGY NOT TRANSPORTED/NOT SERVED (MWH)



The ENS score achieved is higher than last year due to several technical failures i.a. as consequences of a series of storms in January-February 2020.

Grid availability

Onshore availability represents the availability of the interface points between the Elia grid and the customer's grid. It takes into account all the interruptions caused by intrinsic risks (weather, third parties, animals outside building, etc.) or by internal Elia problems (e.g. material failure, human error) which lasted more than three minutes, but excludes interruptions directly caused by Elia's customers.

CALCULATION METHOD:

Onshore availability = 1 – AIT (intern Elia + intrinsic rik) (# minutes in the year)

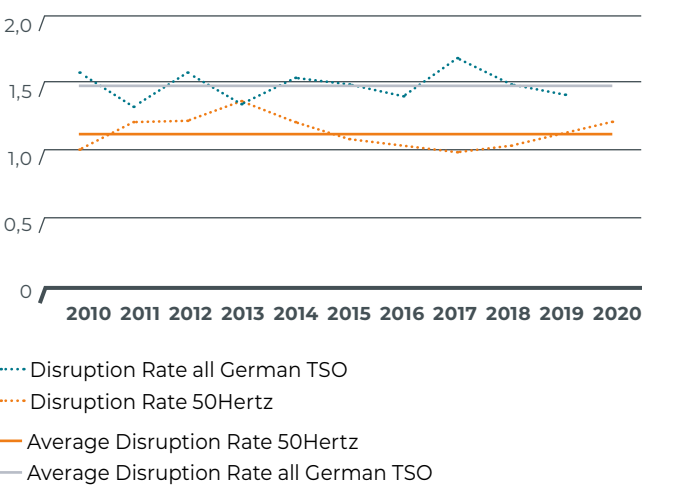
	2018	2019	2020
Onshore grid availability at connection points	0.99999039	0.99999671	0.999994

In 2020, the onshore availability in Belgium remained at a very high level (above 0.99999).

50HERTZ IN GERMANY

50Hertz operates the extra-high voltage grid in the north and east of Germany. The reliability is shown in the presentation of the faults per 100 km in the extra-high voltage grid (>= 150 kV) of 50Hertz. Faults include network and equipment disturbances that result in transmission capability being restricted or system conditions being violated. Grid disturbances include, among other things, the effects of storms that cause an electrical short circuit. Equipment faults are only taken into account if network elements have caused a fault or have to be switched off. Network elements are lines, transformers, chokes and bus-bars.

DISRUPTIONS / 100 KM LENGTH OF LINE



The disruption rate for all German TSO will be available in June/July 2021

2. Strategy

GRI 102-15, GRI 102-29, GRI 201-2

2.1. Act Now – the Elia Group Sustainability Initiative

In 2020, the Elia and 50Hertz sustainability teams launched “Act Now”, the Group’s sustainability initiative.

This ambition has been translated into sustainability goals in five key areas (or lighthouses):

Act Now – Objectives Elia Group



7 AFFORDABLE AND CLEAN ENERGY



13 CLIMATE ACTION

We

fight against climate change
want to be carbon neutral by 2040



15 LIFE ON LAND



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We

protect the environment, conserving resources and nature, thus generating a positive impact on biodiversity
integrate ecological design into all steps of our projects
want to abolish the use of herbicides completely



8 DECENT WORK AND ECONOMIC GROWTH

We

ensure that all our employees and everybody we collaborate with arrive home safe and sound every day



10 REDUCED INEQUALITIES

We

promote diversity and inclusion and provide equal opportunities



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We

are committed to our societal role and the values of society
conduct our activities with integrity
are transparent about expected behaviours and do not tolerate ethical breaches



These five lighthouses are linked to the United Nations’s global Sustainable Development Goals (SDGs). The 17 global SDGs are intended to be a “blueprint” and make explicit the contributions towards a better and more sustainable future for all - to be achieved by 2030. Under Act Now, we are defining long-term goals in the areas of carbon neutrality, biodiversity and eco-design of our assets, health and safety, diversity and inclusion, ethical values and governance. Sustainability will become a stronger compass to guide business plan decisions in order to reach a level sufficiently ambitious for our projects and activities.

Act Now – Objectives Elia Group:

Climate Change

- Carbon-neutral by 2040

Circular Economy & Environmental Protection

- Eco-design and recycling requirements for system components
- Increasing biodiversity in and around substations and under pylons and alternative to herbicides use
- Extension of the Ecological Aisle Management

Safety Leadership

- Consequent accident prevention
- Implementation of an uncompromising safety culture internally and externally for contractors

Diversity & Inclusion

- Giving equal opportunities to our diverse talent and creating an inclusive work environment for it
- Increase the proportion of women to 30 % in the executive board, management and the entire workforce at 50Hertz
- Increase in the rate of severely disabled persons at 50Hertz

Ethical Values & Standards

- No tolerance of ethical breaches
- Strengthening compliance further

With regard to climate change, the electricity sector has major potential for decarbonisation. Electricity as an energy carrier is already the most cost-efficient solution in most sectors. Accordingly, further electrification based on renewable energy integration is the most efficient way to realise the energy transition. Elia Group is positioned at the very centre of the energy system and thus well placed to identify the levers for decarbonizing the system. In addition to developing the necessary grid infrastructure to integrate and transport additional volumes of renewable energy, Elia Group is identifying the necessary sources of flexibility to cope with the variability of renewable energy and is preparing the market and system to operate in a 100% renewable energy context.

Collaboration has been established with with several other TSOs (Terna, RTE, Tennet, Amprion, Red Electrica, Swissgrid and APG) to identify the main levers for decarbonising the energy system. A paper will be published by mid-2021.

50Hertz has also set itself a new strategic goal *From 60 to 100 by 2032 - new energy for a strong economy*, whereby it aims to cover the electricity consumption in its grid area on a balance sheet basis - i.e. calculated over the year - with renewable energies by as early as 2032. 50Hertz supports renewable energy suppliers to help them implement their projects more quickly and industry in their efforts to decarbonise their processes. In this way, an effective contribution can be made to fighting climate change while strengthening sustainable industrial centres.

With the Group-wide sustainability programme “Act Now”, the study with other TSOs into decarbonising the energy system, and the 50Hertz strategic goal *From 60 to 100 by 2032 - new energy for a strong economy*, we are making an ambitious contribution to achieving European, national and regional renewable energy and climate targets - as well as decarbonising society - both internally and externally.

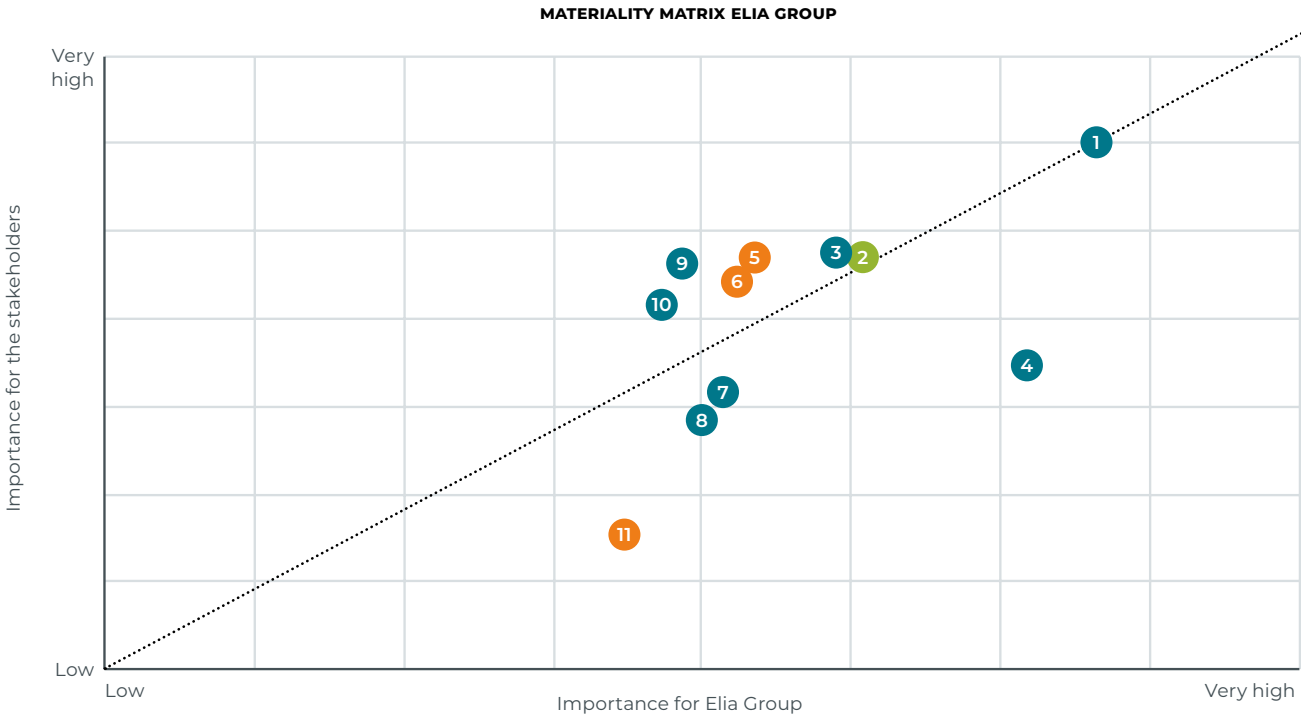
The Elia Group supports the European Green Deal in its core business. The demand-driven grid development and our innovation programmes enable the continually increasing integration of renewable energies, and the operation of interconnectors enables barrier-free European electricity trading. We cover the high investments required for this - where this makes economic sense - through green bonds that we place in the European and international financial markets. We are therefore committed to the efforts of the EU taxonomy to make this market more transparent.

2.2. Materiality and objectives

GRI 102-15, GRI 102-29, GRI 102-46, GRI 102-47, GRI 103-1

We consolidated our material economic, environmental and social topics at Elia Group level back in 2019.

As a result, 15 material topics of high and very high importance were identified, which determine Elia Group's guidelines for reporting and stakeholder dialogues. These topics are shown in the materiality matrix below.



Topics of high and very high relevance

ESG - Environmental (green circle), Social (orange circle), Governance (blue circle)

- 1 Network availability and reliability
- 2 System and market integration of RE
- 3 Corruption and bribery
- 4 Legal and regulatory environment
- 5 Transparent dialogue
- 6 Customer orientation and satisfaction
- 7 Risk management
- 8 Technology development and access
- 9 Transparency and openness
- 10 Cost and process efficiency
- 11 Employment creation and skills development

Topics resulting of the Act Now initiative

In addition to the existing topics of high and very high relevance, the following fields of action have come into sharper focus:

- Climate-relevant emissions and climate adaptation
- Biodiversity
- Operational environmental protection
- Diversity and equal opportunities

ESG Criteria

Elia Group transparently documents the implementation of its consistently sustainable business orientation. ESG (Environmental, Social, Governance) criteria are increasingly becoming driving factors in investors' capital decisions. Elia Group also relies on green financing, i.e. green bonds, for the high financing costs that are necessary to finance the expansion of the grid and thus the energy transition. This is why we have constantly expanded and improved our sustainability reporting in recent years. This is being rewarded and is subsequently reflected in the good and ever higher ratings that Elia Group receives from internationally recognised rating agencies, such as Sustainalytics, MSCI and Vigeo Eiris.

In the reporting year, Elia signed a €650 million revolving credit facility (RCF) agreement with a pricing mechanism linked to three of Elia's sustainability performance targets.

In the reporting year, 50Hertz successfully placed a €750 million green bond.



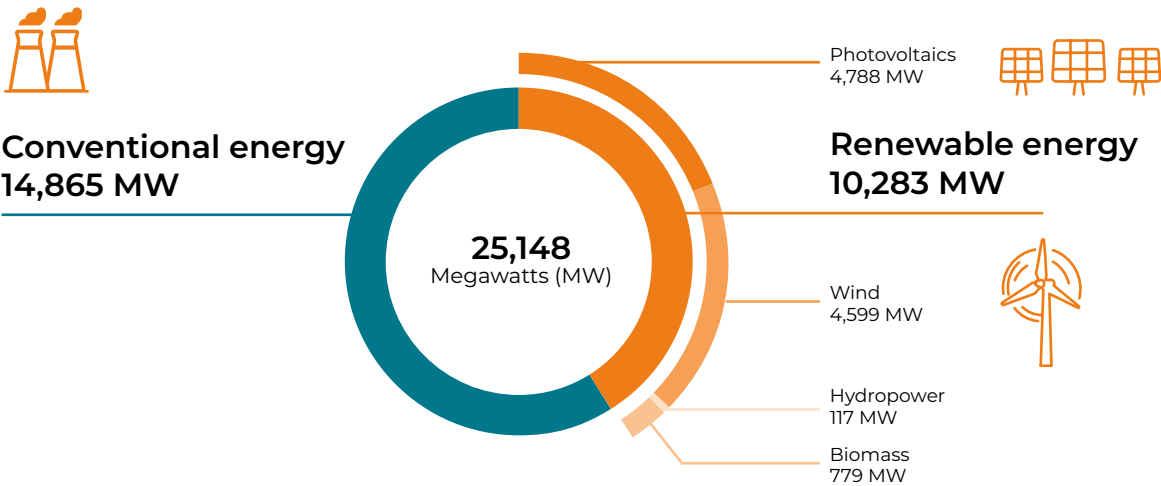
3. Energy – Market and integration of renewables

GRI 302-2, SDG7

3.1. Installed capacity

G4-EUS-EU1

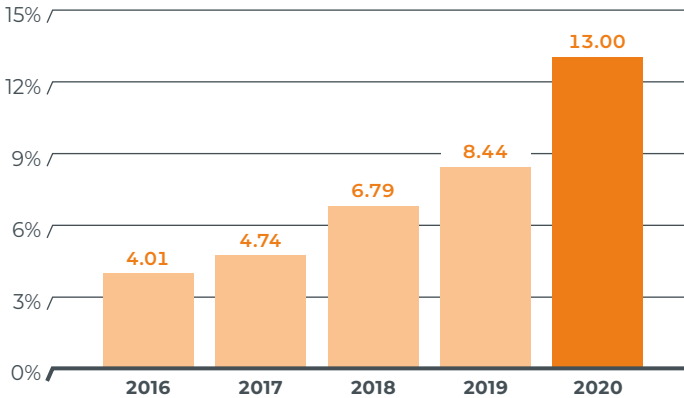
ELIA IN BELGIUM



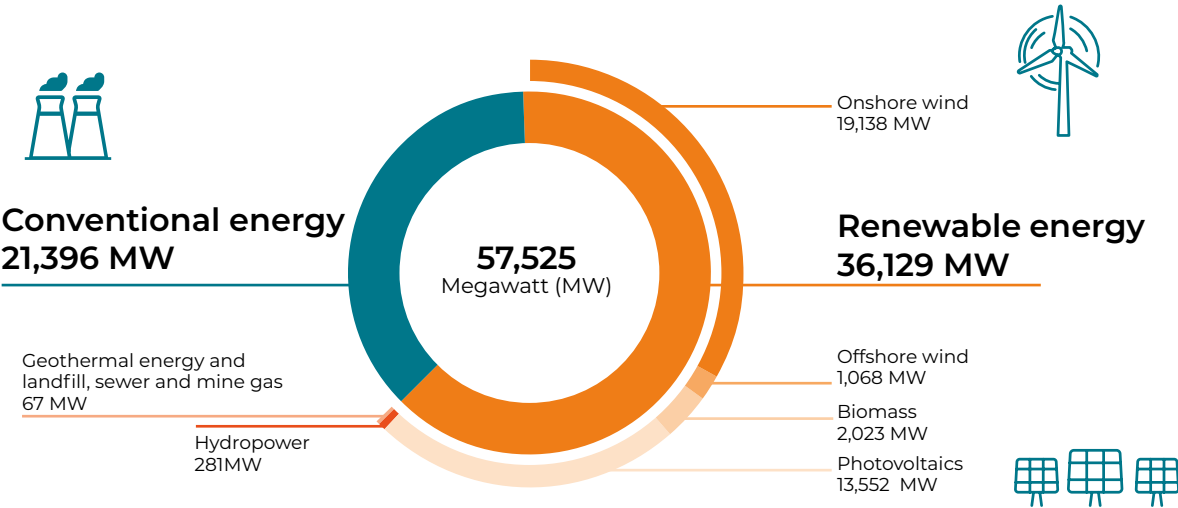
3.2. Evolution

ELIA IN BELGIUM

CHANGE IN THE SHARE OF RENEWABLE ENERGY IN ELECTRICITY CONSUMPTION

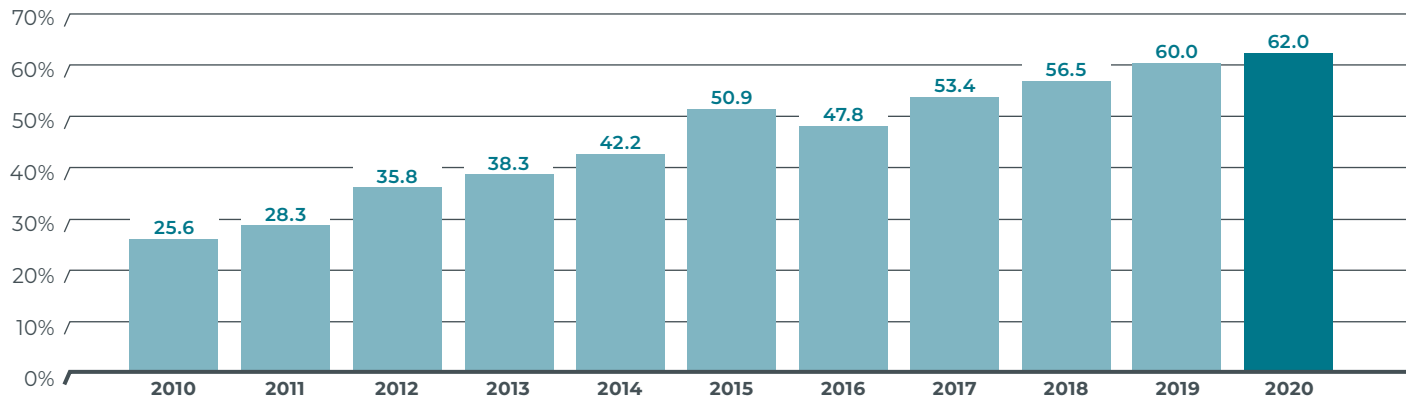


50HERTZ IN GERMANY



50HERTZ IN GERMANY

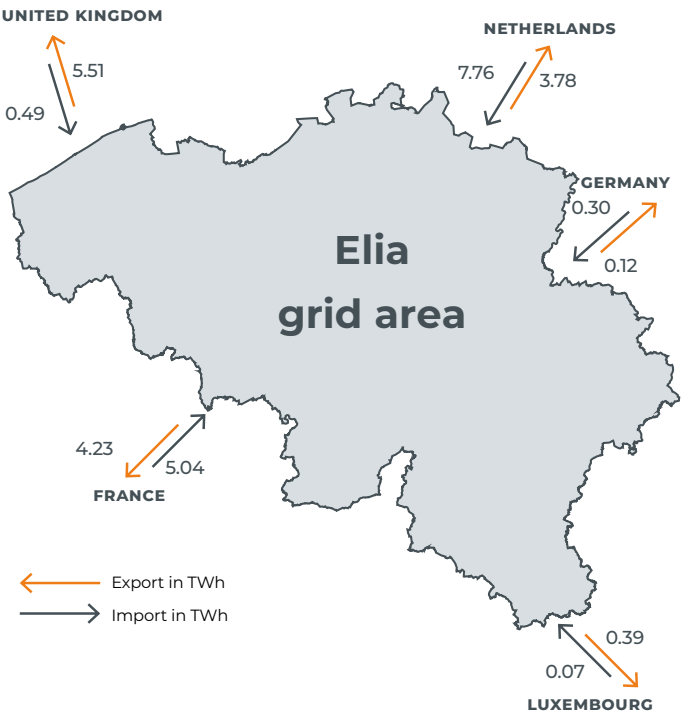
CHANGE IN THE SHARE OF RENEWABLE ENERGY IN ELECTRICITY CONSUMPTION



3.3. Energy import & export

GRI 102-6, GRI 302-2

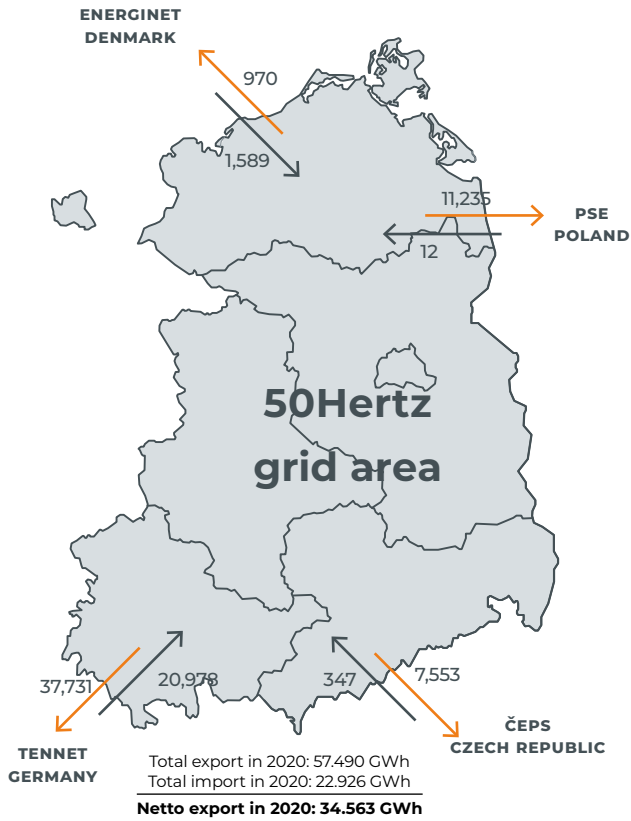
ELIA IN BELGIUM



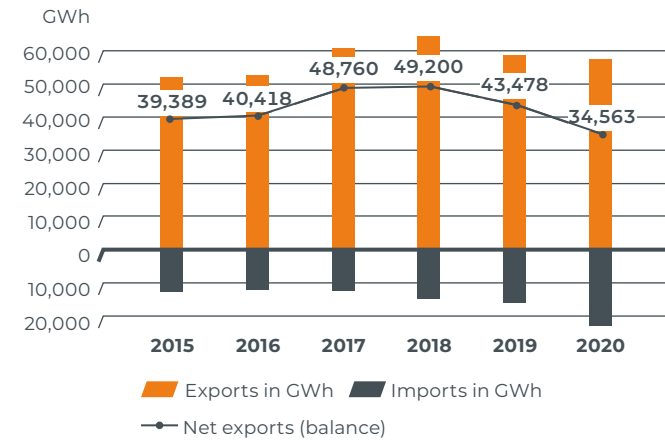
ALEGrO, the first interconnector between Belgium and Germany, was inaugurated in November 2020. The connection will enable the two countries to exchange 1,000 MW (1 GW) of additional electricity (approximately equivalent to the electricity consumption of a city with a population of one million).



50HERTZ IN GERMANY



CHANGE IN EXPORTS AND IMPORTS IN THE 50HERTZ CONTROL AREA

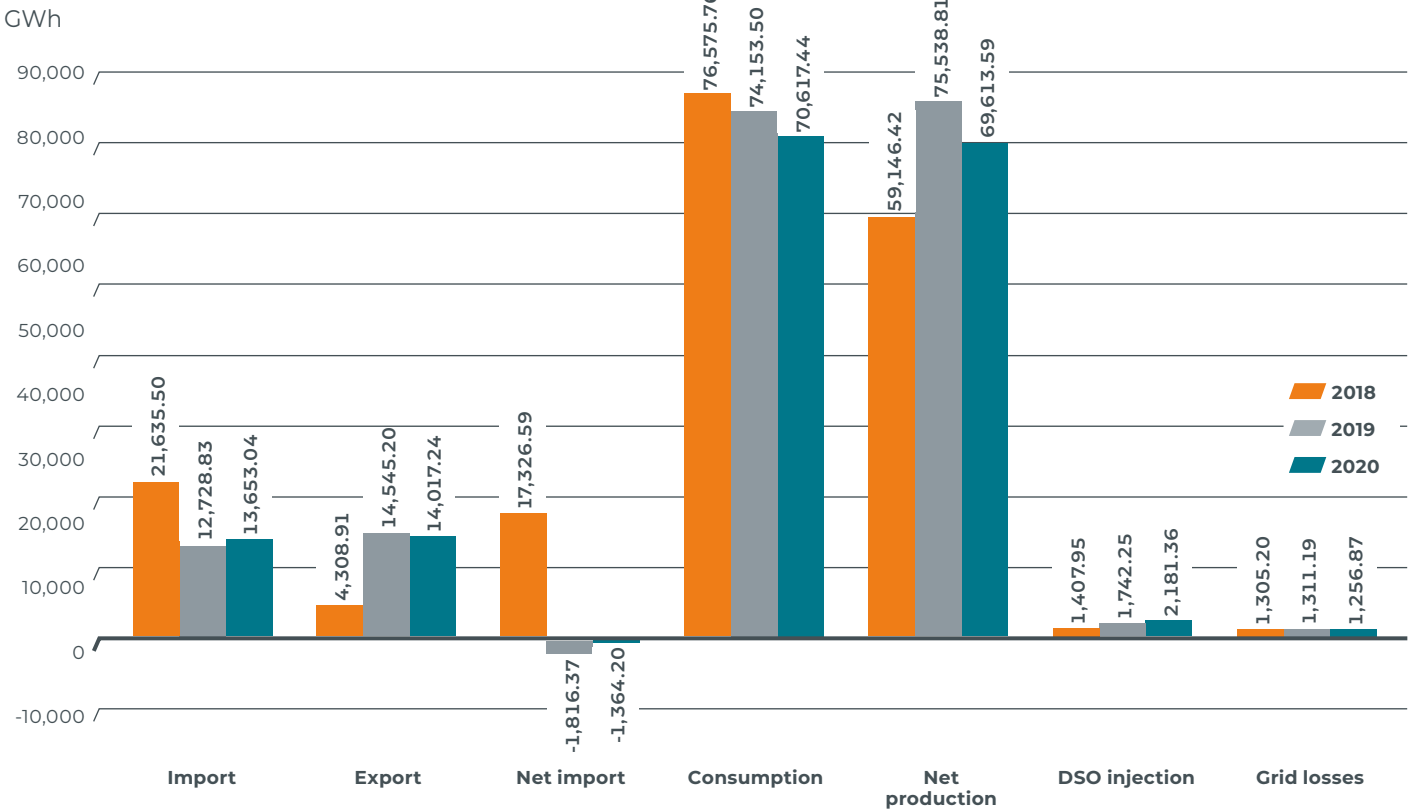


In October 2020, 50Hertz and Danish grid operator Energinet jointly organised the inauguration of the world's first hybrid interconnector, the Combined Grid Solution (CGS). The CGS connects two substation platforms in the Baltic Sea both to each other and to the existing land connections of the offshore wind farms. This means that the CGS can transmit offshore wind power to Denmark or to Germany and can also be used for cross-border electricity trading.

3.4. Energy balance

ELIA IN BELGIUM

ENERGY BALANCE



3.5. Grid Losses

G4-EUS-EU12

Grid losses are the difference between the amount of electricity entering the grid and the amount of electricity supplied. They are unavoidable when transmitting electricity and depend on voltage and length, among other factors. They take the form of current heat losses in transmission lines, transformers and other system elements as well as leak and corona losses.

The high-voltage direct current (HVDC) technology used for interconnectors is more suitable than conventional three-phase alternating-current technology for transmitting large quantities of electricity with low grid losses and optimal control over long distances.

When assessing the carbon footprint of a TSO following the GHG Protocol, grid losses are accounted for in its Indirect emissions (Scope 2). For further details on our Carbon assessment, see Section 8.2.1. Emissions – GHG Emissions.



ELIA IN BELGIUM

In Belgium, there is a distinction between two categories of grid losses:

- Losses on the grid monitored at federal level (> 150 kV) compensated with kind in accordance with federal legislation;
- Losses on the grid monitored at regional level (< 150 kV)

In 2020 the grid losses of Elia totalled 1.3 TWh. Transmission losses as a percentage of total energy (electricity transmitted): 1.8%

Grid losses	unit	2020
Federal level (from 150 kV)	MWh	717,811
Regional level (less than 150 kV)	MWh	539,061
Grid losses total	MWh	1,256,872

The losses are calculated using the EMS State Estimator. The EMS models the entire Belgian network, listing each network element. The State Estimator will estimate the state of each network element on the basis of measurements taken in real time and the system modelling parameters.

50HERTZ IN GERMANY

In 2020 the grid losses of 50Hertz totalled 2.2 TWh. Transmission losses as a percentage of total energy (electricity transmitted): 2.08%. 50Hertz has already premeditated the South-East Link between Saxony-Anhalt and Bavaria, the first 525 kV high-voltage direct current (HVDC) transmission line in its grid area. This technology is more suitable than conventional three-phase AC technology for transmitting large quantities of electricity with low grid losses and optimal control over long distances.

To be able to better predict the losses more precisely and to be able to purchase electrical energy for balancing more cost-effectively on the electricity market, 50Hertz has developed a new forecasting model based on artificial intelligence (AI). 50Hertz has developed the grid loss model in cooperation with the Fraunhofer Institute for Optronics, Systems Engineering and Image Analysis (IOSB) in Ilmenau.

4. Human Ressources

GRI 102-7, GRI 102-8, GRI 103-2, GRI 401-2, GRI 401-3, GRI 405-1, SDG5, SDG8

4.1. Management approach

Elia Group owes its success entirely to the success of its employees. It is the company's responsibility to help them develop their skills, foster their health and commitment, involve them in decisions and guarantee equal opportunities for all.

Elia Group complies with international guidelines extending beyond its collective agreements and company agreements, such as the core labour standards of the International Labour Organisation (ILO: C87, C98 and C135) and the worker's rights set out in the UN Global Compact.

Elia Group is committed to promoting diversity out of conviction and in accordance with ILO Convention 111 and strictly condemns any discriminatory action in all work-related situations. All employees are equal regardless of their ethnic origin, age and gender, sexual identity, religious affiliation, political views, national or social origin or other factors. Elia Group is committed to valuing all employees and their abilities equally - regardless of their individual identity.

There were no cases of discrimination in 2020.

As part of the Group's sustainability initiative "Act Now", we have a Group Diversity and inclusion charter. In 2021, we will launch a Diversity & Inclusion Scan to better understand where we stand today in relation to these areas of action. This will lead us to a specific roadmap to work on our improvement. We also pursue our efforts in "occupational health and safety". The maintenance and further development of our values-based corporate culture is one of the top goals for the company and the strategic basis for all personnel-related decisions. Within the management team, responsibility for personnel strategy issues lies with the Group Chief Alignment Officer and the Group Talent Management Officer.

ELIA IN BELGIUM

In 2020, Elia received the **Top Employer** label for the third time in a row. According to the jury's report, Elia is particularly successful in the recruitment and selection of new talent. Efforts promoting corporate culture and the values and behaviours we want to develop were also rewarded with the highest score. Other HR policy strengths highlighted in the report are the progress made in the areas of employer branding, the policy for onboarding new employees and the integration of sustainability into our HR policy.

The proportion of women in Elia's overall workforce is 19.59%. As of 31 December 2020, the share of women in the first and second management levels among the extended management was 20.93%, in the third management level 22.8%, in the Board of Directors 35.71% and in the Executive Committee 37.5%

The average age of employees at Elia is 42.4 years, which is stable compared to the previous years.

50HERTZ IN GERMANY

50Hertz is a member of the Diversity Charter, a work initiative to promote diversity in companies and institutions, and participated in the nationwide Diversity Day for the second time in the reporting year with a program to raise awareness among employees.

As part of the Act Now initiative, the 50Hertz management has agreed to increase the proportion of women in the overall workforce, in leadership positions and in management to at least 30 percent by 2030. As of 31 December 2020, the share of women in the first and second management levels among the extended management was 21%, in the third management level 14%, in the supervisory board 33% and in the executive board 17%.

Promoting diversity and equal opportunities at 50Hertz also means giving people with health impairments the same opportunities as colleagues without health impairments.

The average age of employees at 50Hertz has fallen slightly compared to the previous year and is now 42.5 years.

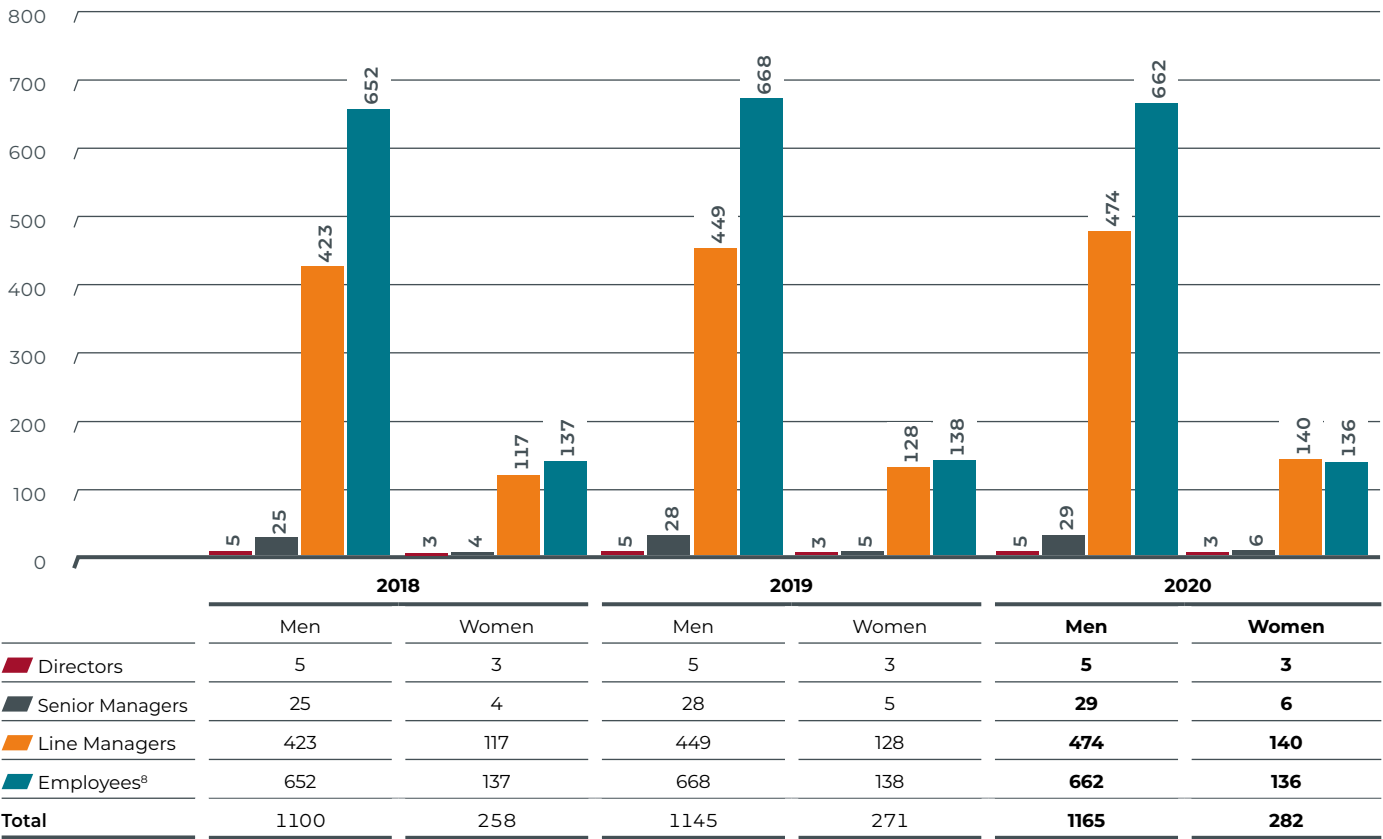
AVERAGE AGE	
AGE	YEARS
Total for 50Hertz	42.5
Employees covered by collective agreements	41.9
Employees not covered by collective agreements	47.8
Executives	51.3
Management	53.2

4.2. Head Count

GRI 102-7, GRI 102-8, GRI 405-1

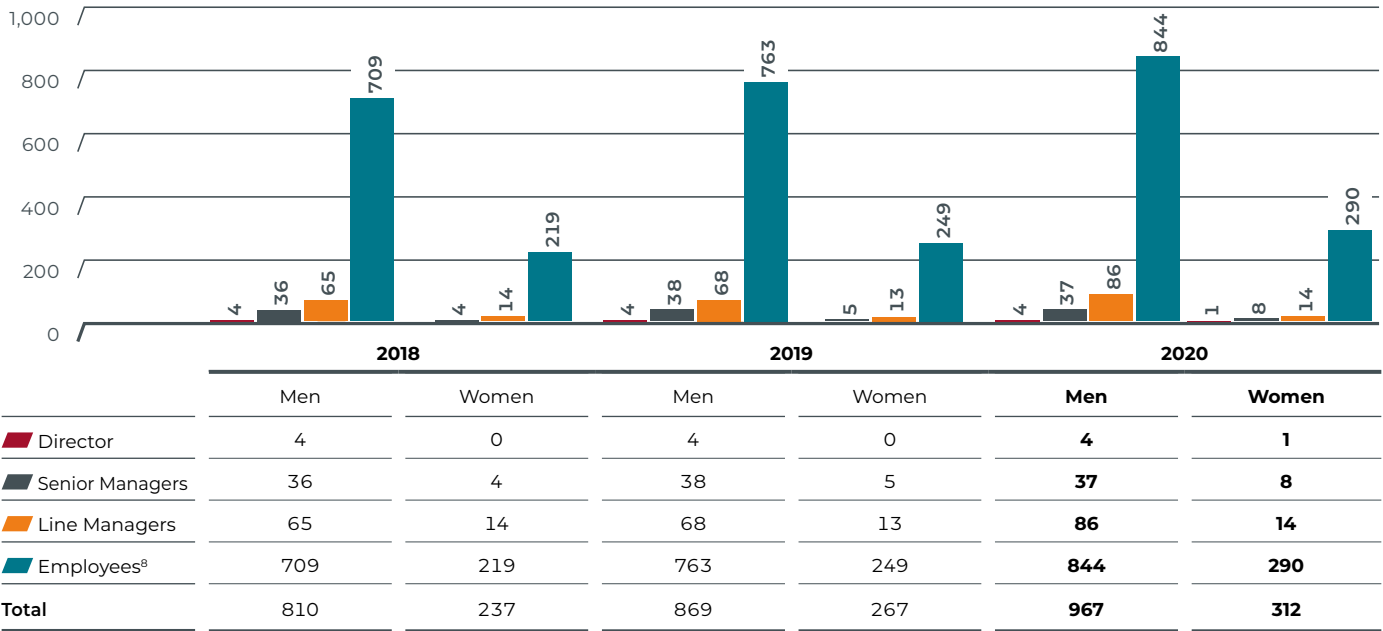
ELIA IN BELGIUM (subsidiaries included: ESO, ETB, EE, EA, EGI and Eurogrid International)

BREAKDOWN BY RESPONSIBILITY LEVEL AND GENDER



50HERTZ IN GERMANY

BREAKDOWN BY RESPONSIBILITY LEVEL AND GENDER



8 Technical and administrative staff

4.3. Workability

GRI 401-1, GRI 401-2

Elia Group employees benefit from a family-friendly work environment and the opportunity to strike a work-life balance.

The early recognition and prevention of work-related illnesses and the ability to remain employable are also integral parts of occupational health and safety at Elia Group (see also Section 5. Safety). In order to achieve these goals, Elia Group guarantees sufficient occupational medical precautions, the focus of which is on individual protection and individual prevention of health risks. In addition, Elia Group regularly provides company medical consultations, vaccinations and advice on workplace ergonomics for all employees.

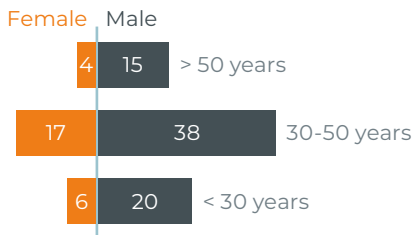
A qualified counselling service is available to employees at all times in confidence in the event of individual stress, conflicts or problems of addiction. Employees can also take part in various public sporting events.

In order to improve our HR environment continuously, there is always an exit interview for leavers to better understand the reasons of departure.

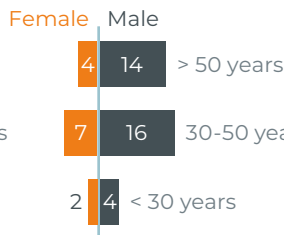
New employee hires and employee turnover

ELIA IN BELGIUM (subsidiaries included: ESO, ETB, EE, EA, EGI and Eurogrid International)

NEW EMPLOYEE HIRES 2020



EMPLOYEE TURNOVER 2020



- New hires include all new employees within the planned budget and all the employees that were recruited as additions to the original budget.

Changes in positions are not included.

- The number of leavers is determined based on all employees leaving the company as a result of dismissal, retirement or resignation from 1 January to 31 December of the year concerned.

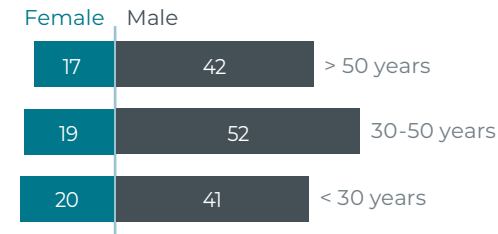
New Hires		2018		2019		2020	
		Num-ber	rate (%)	Num-ber	rate (%)	Num-ber	rate (%)
Total		89	7%	132	9%	100	7%
New hires per gender	Men	66	74%	107	81%	73	73%
	Women	23	26%	25	19%	27	27%
New hires per age category	< 30 year	36	40%	51	39%	26	26%
	30 < 50 year	47	53%	70	53%	55	55%
	>= 50 year	6	7%	11	8%	19	19%

Employee Turnover		2018		2019		2020	
		Num-ber	rate* (%)	Num-ber	rate* (%)	Num-ber	rate* (%)
Total		46	3.4%	43	3.1%	47	3.2%
Employees who left Elia per gender	Men	31	2.3%	34	2.4%	34	2.3%
	Women	15	1.1%	9	0.6%	13	0.9%
Employees who left Elia per age category	< 30 year	7	0.5%	9	0.6%	6	0.4%
	30 < 50 year	36	2.7%	34	2.4%	23	1.6%
	>= 50 year	3	0.2%	0	0.0%	18	1.2%

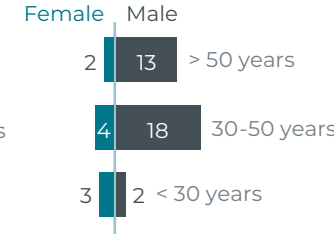
* Turnover rate = # employees who left (#employees begin of year+#employees end of year)/2

50HERTZ IN GERMANY

NEW EMPLOYEE HIRES 2020



EMPLOYEE TURNOVER 2020



Parental leave

GRI 401-3

ELIA IN BELGIUM

In Belgium, every worker has the right to take four months of parental leave (either fulltime or fractional).

NOTE: It is not possible to report on the total number of employees within Elia who are entitled to this type of leave as they may have already taken this leave while working at another company.



		2018		2019		2020	
		Number	Rate (%)	Number	Rate (%)	Number	Rate (%)
TOTAL	Men	57	66%	75	67%	111	66%
	Women	30	34%	37	33%	58	34%
Full time parental leave (>=1 month)	Men	31	-	39	-	34	-
	Women	16	-	21	-	18	-
	Total	47	54%	60	54%	52	31%
Parental leave as a deduction of full time employment	Men	26	-	36	-	77	-
	Women	14	-	16	-	40	-
	Total	40	46%	52	46%	117	69%

50HERTZ IN GERMANY

In order to give mothers and fathers the necessary flexibility for childcare, a company agreement on better work-life balance is in place, among other measures. It regulates issues such as parental leave, support services, flexible working hours, special leave and sabbaticals as well as career advancement. The 50Hertz Netzquartier also has a day-care centre for employees' offspring, which also offers places for children from the neighbourhood. In addition, a parent-child office has been set up for short-term childcare bottlenecks. In job advertisements

at 50Hertz, the so-called Flexi-Compass provides information about possible part-time and flexi-time work. Employees whose work is suitable for this are to be granted spatial flexibility and self-organisation of their work in order to better reconcile personal interests and operational requirements. The company principles for this are provided by the guideline on mobile working, which was converted into a general company agreement on "mobile working" in the reporting year.

PARENTAL LEAVE

Number of employees on parental and caregiver leave	9
of which male	4
of which female	5
Number of employees on parental leave 01.01.2019-31.12.2020	67
of which male	47
of which female	20

Retirement

G4-EUS-EU15

ELIA IN BELGIUM

	5 years	10 years
Percentage of employees eligible to retire in the next 5 and 10 years	11.40%	11.80%

50HERTZ IN GERMANY

PERCENTAGE OF WORKFORCE EXPECTED TO RETIRE IN THE NEXT FIVE YEARS	M	W
Total for 50Hertz Transmission	6.0 %	1.6 %
Directors	0 %	0 %
Senior managers	13.6 %	0 %
Line managers	5.0 %	0 %
Employees	5.8 %	1.8 %

PERCENTAGE OF WORKFORCE EXPECTED TO RETIRE IN THE NEXT TEN YEARS	M	W
Total for 50Hertz Transmission	12.9 %	3.3 %
Directors	20.0 %	0 %
Senior managers	22.7 %	0 %
Line managers	18.6 %	0 %
Employees	12.2 %	3.8 %

4.4. Employee survey

In 2020, for the first time, the employee survey was organised at Group level using the same questionnaire and approach. For the first time, questions on the topic of diversity were asked in a section on corporate culture.

87% of Elia Group employees answered the questionnaire, showing a great level of interest.

The results of the survey were also positive. The commitment index is around 70, which is above the average of other companies that conducted a similar survey and then demonstrate the high engagement of our workforce.

The detailed results will be discussed across the organisation and throughout the hierarchy. In a follow-up process starting in the first quarter of 2021, company-wide fields of action and measures for the individual teams will be derived.

4.5. Training

GRI 404-1

To realise our vision and master the challenges of tomorrow, the Group needs motivated employees, since they are a key success factor in times of constant change. In addition to training on technical and safety skills required to perform tasks specific to our core business (training specifically focusing on safety is detailed in 5.2.), Elia Group employees are offered individually tailored further training and relevant additional qualifications.

Systematic succession planning ensures that sufficient numbers of potentially suitable employees are available for all management positions and that vacancies can be filled internally wherever possible. To this end, talent is identified and promoted - for example through programmes for "young professionals" that are jointly developed and offered within Elia Group. Programmes for upgrading employee skills and career transition assistance programmes (including innovation, "intrapreneurship", leading the change and external education programmes).

Elia Group attracts qualified young talent via its own in-house training, via a 24-month trainee programme and via the supervision of internships as well as diploma, bachelor's and master's theses in cooperation with universities and universities of applied sciences.

An Elia Group talent programme was launched in the third quarter of 2020 to complement the existing programmes. Talent@Elia Group is one of the top projects in the Elia Group Business Plan. Against the backdrop of an ever-changing environment and digital transformation, the project team will develop a common - and sustainable - integrated and comprehensive framework for Group-wide talent and competency management.

In addition, managers can take specific training modules to develop their own leadership skills.

ELIA IN BELGIUM

In 2020, 8 students joined Elia in the context of internships or theses and 34 "internal consultants" (who follow the 24-month trainee program) were employed at the company.

The average number of hours for training and further education, excluding regular safety instructions, was 22 hours per male employee and 11 hours per female employee in the reporting year.

50HERTZ IN GERMANY

In 2020, a total of 79 student employees and 7 trainees were employed at 50Hertz. Currently, 29 young people are completing industrial or commercial training. The trainee ratio was therefore 2.2%. In a survey for our "Fair Training" certificate, which we received again, it came out that 93.3% of our trainees and dual students want to stay at 50Hertz after they graduate. In 2020, all trainees and dual students received a follow-up contract and were hired. The average number of hours for training and further education, excluding regular safety instructions, was 8.67 hours per employee in the reporting year.

4.6. Remuneration policies

GRI 102-38, GRI 102-41, GRI 405-2

Elia Group's remuneration policy focuses on attracting and retaining our best talents, rewarding performance and supporting the culture of feedback and continuous development when possible.

Remuneration is in line with requirements and performance, regardless of gender, and is supplemented by extensive social benefits and a company pension scheme.

In addition, with the Elia Group share programme, employees have the opportunity to participate in the success of the previous financial year. For the eighth time in 2020, every employee was offered shares at a preferential price.

Elia Group transparently discloses the total remuneration of the management team in the consolidated financial statements and shows the fixed and variable total remuneration as well as company pensions and other benefits for management. The basic features of the remuneration system are explained and detailed in the corporate governance statement.

ELIA IN BELGIUM

Elia negotiates collective agreements for the 'non-exempt population' together with the energy sector. For the 'exempt population', our remuneration practice is based on internal equity combined with market competitiveness, maturity in the role, respect for corporate values and safety leadership, and performance – all irrespective of gender.

Elia is willing to disclose its annual total compensation ratio. We are working internally on the calculation method and making every effort to achieve this soon.

50HERTZ IN GERMANY

The Mining, Chemical and Energy Industrial Union (IG BCE) is negotiating the collective agreements together with the Employers' Association of Energy and Utility Companies (AVEU). For the first time since 2013, a separate collective agreement was negotiated for 50Hertz in 2020 and it was decided to continue the talks on the general working conditions (framework collective agreement).

The remuneration of the highest paid employee compared to the median of the total annual remuneration of all employees is a factor of 6.5.

4.7. Incentive systems

The remuneration of employees includes success and performance-related elements that provide an incentive to achieve our common corporate objectives as well as the individual objectives derived from them. All employees receive regular performance and career development reviews. Some collective objectives also relate to the environment of sustainable corporate governance, such as compliance with occupational health and safety and, at 50Hertz, successful social dialogue.

4.8. Social Dialogue and Codetermination

GRI 402-1

Elia Group is committed to freedom of association, collective bargaining and the protection of employee representatives. Particular emphasis is placed on trust and constant cooperation with all trade-unions. A cross-company dialogue takes place in Elia Group's European Works Council with representatives of Elia and 50Hertz.

Social consultation at Elia Group involves information provision, dialogue and negotiation via the statutory consultative bodies, such as the works council, the committee for prevention and protection at work and the trade union delegation. These bodies consist of a representation of the employee and of the employer. Each body has an advisory mission for certain matters and a decision-making mission for certain matters.

In addition to these legal bodies, we involve our social partners in social consultation and dialogue via involvement in work-groups to jointly prepare the implementation of our strategy.



5. Safety

GRI 103-2, GRI 403-1, GRI 403-2, GRI 403-3, 403-6, 403-8

5.1. Management approach

As high-voltage electricity transmission operators, Elia and 50Hertz operate facilities where accidents, asset failure or external attacks may cause harm to people. The safety and welfare of all individuals (Elia Group's staff, the staff of contractors and third parties) is a key priority and a daily preoccupation for the Group and the relevant subcontractors. The Elia Group companies have implemented a Health and Safety policy and they undertake safety analyses and promote a safety culture.

Elia Group applies the highest safety standards for its employees, contractors and everyone coming into contact with its infrastructure. An Elia Group Safety Officer position has been established.

Every employee is instructed to consciously recognise hazards, report them immediately, and submit suggestions for promoting safe and healthy working conditions.

Employees' personal Protective Equipment (PPE) is always kept up to date, new PPE is tested by wearing it and the catalogue is adapted to requirements.

As part of our commitment to safety, Elia Group is continuously working towards a zero accident rate for all types of work-related accidents, not just electrical risks.

Accordingly, occupational health and safety and injury and illness prevention are integrated into our corporate strategy and are part of the Group's Act Now sustainability programme.

In the year under review, the Elia Group companies joined the European Union's Vision Zero health and safety initiative to actively promote benchmarking and peer learning.

The early detection and prevention of work-related illnesses and the preservation of employability are also fixed components of occupational health and safety at Elia Group. To achieve these goals, Elia Group ensures appropriate occupational health care, which focuses on individual protection and the prevention of health hazards. In addition, Elia Group provides regular company medical consultations, protective vaccinations and advice on ergonomics at the workplace for all employees. Qualified external counselling is available to employees in confidence at any time in the event of individual stress, conflicts or addiction problems. Employees can also take part in various public sports events.

ELIA IN BELGIUM

In Belgium, the GO FOR ZERO safety programme (started in 2015) aims to embed the safety culture within Elia and with contractors; it includes all projects.

For Elia, it was important to measure our safety culture – the way safety is experienced at Elia – to know where we are and what we can still improve. In November 2020, Elia obtained

“Safety Culture Ladder level 3” certification. We were awarded this certification following an audit of our company in September 2020 by the external organisation KIWA. The Safety Culture Ladder measures the maturity level of a company's safety culture. This exercise shows that we must continue to strengthen our security management tools, in line with the Go4zero project.

This audit will be used to identify our priorities and establish our global prevention plan for 2020-2025.

Elia has also signed a two-year-partnership with VIAS, the Belgian road safety Institute, in order to promote road safety among its employees and raise their awareness of risks and good practices as road users (motorists, cyclists and pedestrians) in their professional and private travel.

In addition to the sector-specific risks, we also address risks related to the wellbeing of our employees with the Care4Energy programme that ensures their wellbeing by targeting their mental, physical, emotional and personal development.

Pulse check surveys: in the new and difficult context of the Covid-19 pandemic (and subsequent lockdowns), Elia regularly invited its employees to fill in surveys in order to better understand how they were coping with the situation and to determine what could be done to better support them. Online relaxation sessions were also organised.

50HERTZ IN GERMANY

At 50Hertz, protecting life and health is a top priority. This is backed up by our Health and Safety Policy, which is binding for all employees. The occupational health and safety management system (OH&S) in accordance with DIN ISO 45001:2018 was confirmed in a monitoring audit in the reporting year without any deviations. As part of an annual internal audit plan, ten audits were conducted for the continuous development of the management system.

In order to further raise awareness of occupational health and safety issues among 50Hertz employees and suppliers, additional elements were added to the “gib8” campaign. In 2020, two special briefing packages - consisting of audio-visual materials and booklets - were created to support the briefing of internal and external employees in special onshore and offshore work environments.

An occupational safety competition is also held once a year to further raise awareness and motivate the workforce. This involves taking into account the accident figures for the individual locations from the previous year as well as testing knowledge of occupational safety and then anchoring it in a practical test that changes from year to year.

5.2. H&S Training

GRI 403-5

Elia Group continuously trains its staff. There is a compulsory training path for all field employees that is updated periodically. All employees are regularly instructed about workplace-specific hazards and measures to avoid them.

Elia Group also provides training materials, training and tests for contractors.

ELIA IN BELGIUM

In addition to the refresher trainings for our operational teams, we also ensure that they are continually informed about the evolution of procedures and working methods, and that they are able to learn from our experience feedback.

Safety flashes are also sent out to our own staff and contractors on an ad hoc basis when Elia identifies specific risks associated with working with specific tools or reminders of our good practices.

Due to the nature of our activities, the training trajectory could not be altered even during the COVID-19 pandemic, a series of training sessions were thus converted to webinars or maintained on the field with all the appropriate protection measures.

50HERTZ IN GERMANY

Topics of instruction for operational employees in the regional centres are distributed over six dates per year. Employees in administrative areas are given training on at least one date per year.

For work requiring personnel to wear personal protective equipment (PPE) to protect them from falls from a height, said personnel must complete annual practical exercises on the use of PPE and on rescue from heights and depths. The content of annual training on overhead line pylons and transformers is determined on the basis of the 50Hertz rescue concept, whereby a uniform level of knowledge is promoted among employees as well as an exchange of knowledge across sites.

In a special safety training course, the offshore rescue of people in distress was trained in the reporting year. Both the rescue chain and the personal protective equipment (PPE) proved to be effective.

5.3. Inspections

GRI 403-2

Occupational health and safety protection is not limited to our own employees.

Elia Group's stringent standards also apply to external contractors working on Elia Group sites. During the contracting process and later, every effort is made to ensure that suppliers comply with Elia Group strict safety requirements.

Both the safety team and management carry out inspections on a regular basis.

ELIA IN BELGIUM

Within the context of the *Safety Culture Ladder* certification trajectory (see above), external auditors visited some of our administrative sites, made six site visits and organised 25 interviews with management and 49 with employees and contractors.

These audits will be used to identify our priorities and establish our global prevention plan for 2020-2025.

Operational managers and the Safety team regularly go out into the field to observe how activities are organized and carried out, both for our own teams and those of our contractors.

Safety-related visits to workplaces and worker behavior are an essential part of the dynamic risk management system. Listening to and observing management allows adaptations of methods or equipment, management coaching allows a better adherence of the staff to the company's methods and behaviors.

We have adapted our safety visit system to better put this approach into practice, with the aim of promoting specific behaviors that characterize a proactive safety culture throughout the company: Transparency and the Willingness to Learn.

In the reporting year, 1142 construction sites visits were carried out.

50HERTZ IN GERMANY

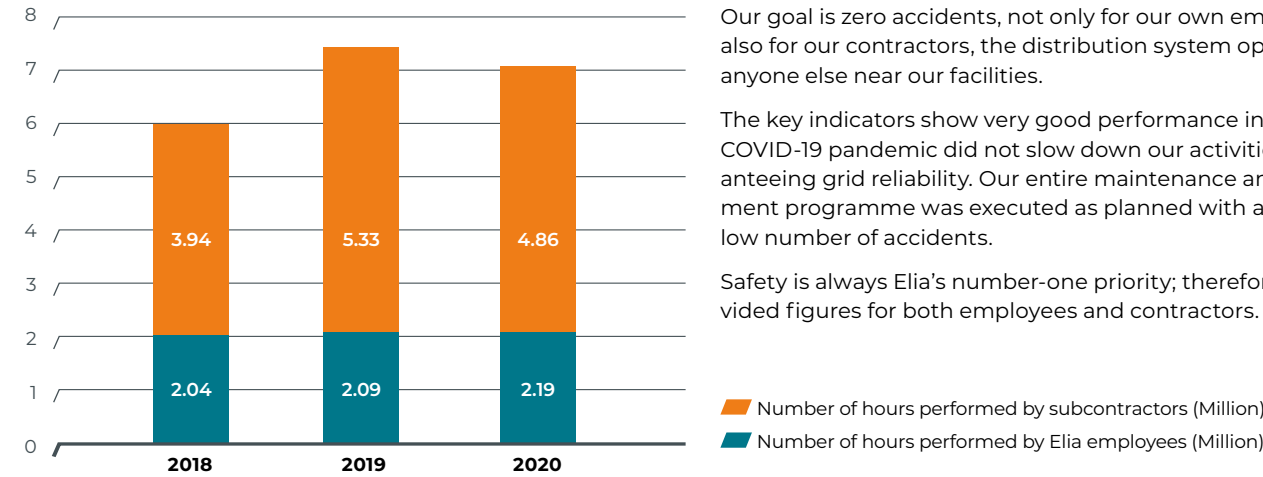
Already at the time of commissioning and later via IT-supported construction inspections with specially trained 50Hertz employees, it is verified that the suppliers comply with 50Hertz's high safety standards. In the reporting year, 933 construction site inspections were carried out (1,260 in 2019). Incidents relevant to occupational safety and environmental protection that occurred at contractors working on behalf of 50Hertz were analysed together with the contractors concerned in accordance with a defined process. Measures to avoid similar accidents and incidents were derived, implemented and documented under the control of a central evaluation commission. In accordance with this process, a total of 32 environmental incidents, accidents, near-accidents and safety-relevant incidents were evaluated together with contractors in the reporting year.

5.4. Accidents

GRI 403-9

ELIA IN BELGIUM

WORK PERFORMED (MILLION HOURS)



Our goal is zero accidents, not only for our own employees, but also for our contractors, the distribution system operators and anyone else near our facilities.

The key indicators show very good performance in 2020. The COVID-19 pandemic did not slow down our activities for guaranteeing grid reliability. Our entire maintenance and investment programme was executed as planned with a remarkably low number of accidents.

Safety is always Elia's number-one priority; therefore we provided figures for both employees and contractors.

ELIA ACCIDENT STATISTICS

			2018	2019	2020
Employees	#employees injured with at least 1 missed workday	Men	4	4	1
		Women	2	0	0
	#work related fatalities	Men	0	0	0
		Women	0	0	0
	Accident rate ⁽¹⁾		2.9	1.9	0.5
	Total recordable injury (TRI) rate ⁽²⁾		7.3	5.7	5
Contractors	Accident severity ⁽³⁾		0.11	0.05	0
	Fatal accidents	Nr.	0	0	0
	#accidents (with & without lost time)	Total	44	41	27
	Accident rate ⁽¹⁾		5.6	3.4	3.9
	Total recordable injury rate (TRI) ⁽²⁾		11.1	7.7	5.5
	Fatal accidents	Nr.	1	0	0

(1) Number of work related accidents with missed time (>1day) x 1,000,000/number of hours worked

(2) Number of work related accidents x 1,000,000/number of hours worked

(3) Number of missed days due to work-related accidents in calendar days x 1,000 / number of hours worked

50HERTZ IN GERMANY

ACCIDENT STATISTICS

	31 DEC 2018	31 DEC 2019	31 DEC 2020
Work-related accidents at 50Hertz (with at least two days of downtime)	3	0	6
Frequency rate ¹	2.0	0.6	3.9
Severity rate ²	0.02	0.00	0.03
Number of accidents in contracted companies	11	18	12

1 Number of work-related accidents resulting in downtime (at least one day) x 1,000,000=number of hours actually worked

2 Number of calendar days of downtime due to work-related accidents x 1,000=number of hours actually worked

6. Suppliers, human rights and local added value

6.1. Management approach

SDG 12, GRI 102-9, GRI 103-2, GRI 204-1, GRI 308-1, GRI 308-2, GRI 414-1

Elia Group is required to comply with European tendering rules. The application of these rules and other internal guidelines ensure that every supplier receives the same non-discriminatory and transparent treatment and that the information sent is treated confidentially. The processes for selecting suppliers and signing new contracts are based on an evaluation of multiple criteria. Elements relating to sustainability are integrated in the tendering contract and the general purchasing terms and conditions, which are signed by the suppliers.

Elia Group is committed to incorporate its strong ethical principles in the procurement process, and to having a positive impact on its wider environment via the purchases performed. It also aims to avoid risks arising from non-compliance with certain rules and norms within the supply chain. The position of Head of Group Procurement was established in order to enhance this process.

In 2018, Elia drafted a Supplier Code of Conduct containing internationally recognised principles regarding ethical conduct, health and safety, the environment and social aspects. This code now applies to the entire Elia Group and is systematically included in the documents for European procurement procedures.

In order to deploy this set of principles as a lever for a positive supply chain impact, we set up a risk-based approach. For all purchasing categories we assess risks based on traditional supply chain risks and supply chain sustainability risks. A matrix is drawn up to prioritise supplier engagement activities. To rationalise resource and impact management we aim to focus on those suppliers, who are most relevant from that risk perspective.

At Elia, we started the roll-out of an in-house, Sustainability Supplier Self-Assessment questionnaire aimed at high-risk suppliers and some hand-picked, medium-risk suppliers to understand their level of engagement in terms of ethical conduct, social aspects, health and safety and environment.

European TSOs want a greener economy

In a joint statement entitled *The Greener Choice*, high-voltage grid operators from Austria, Belgium, France, Germany, Italy, the Netherlands, Spain and Switzerland announced that they want to help stimulate an ever greener economy as soon as possible by making their purchasing more “green” and thus sustainable – a reference to the European Green Deal.

6.2. Suppliers and expenditures in EURO-Zone

GRI 204-1

ELIA IN BELGIUM

At Elia, we started the implementation of an in-house Sustainability Supplier Self-Assessment questionnaire in the procurement process of specific purchasing categories to understand the level of engagement of the interested suppliers in terms of ethical conduct, social aspects, health and safety and environment.

Procurement outside the EURO-zone countries is very limited (below 5%) and the large majority of it is IT and consultancy

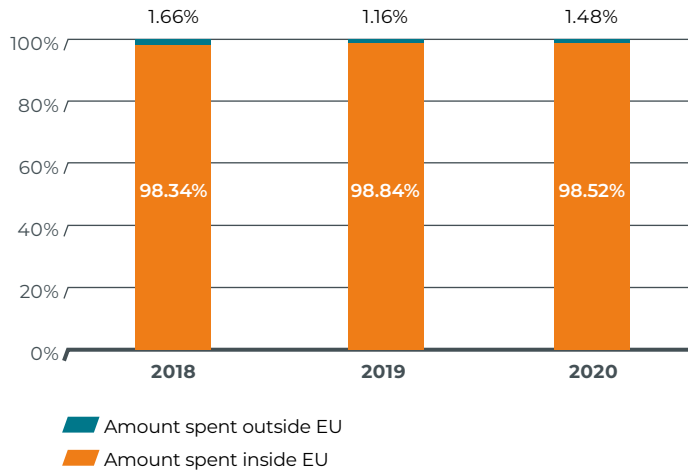
related. The environmental impact is also considered in the awarding criteria. Elia complies with the high EU or Belgian standards in terms of environment, social responsibility and worker wellbeing.

A specific evaluation of the safety aspects is carried out separately since it is crucial for Elia to have suppliers on board that share the same values when it comes to the importance of safety.

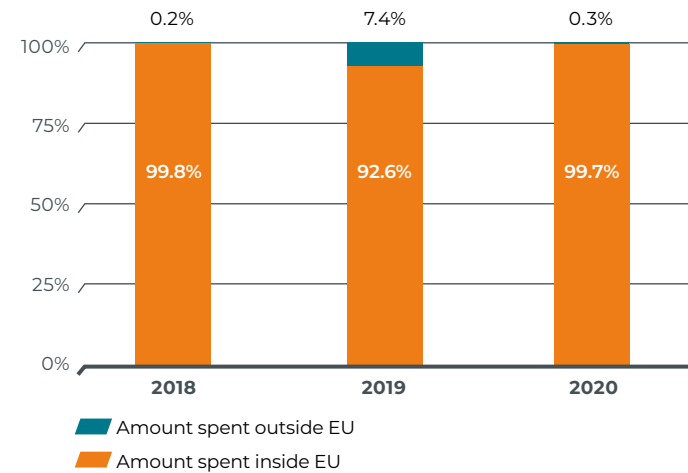
	2018	2019	2020
Number of EURO-zone suppliers	2,305	2,271	2,236
Number of non EURO-zone suppliers	116	109	101
Number of non-EURO countries within Elia suppliers	19	16	17

ELIA IN BELGIUM

SPLIT YEARLY SPEND EURO VS NON-EURO



50HERTZ IN GERMANY



6.3. Human rights

GRI 414-1

Elia Group acknowledges its responsibility to respect human rights and naturally respects the rights to privacy, personal safety, freedom of expression and property rights of employees, residents and customers. Elia Group also takes responsibility for compliance with social standards in the supply chain. For this reason, Elia and 50Hertz are not only members of the United Nations Global Compact, but are also committed to the core labour standards of the International Labour Organisation (ILO).

In order to ensure that business partners also comply with internationally valid rules on human rights - such as the ban on forced labour and child labour - sustainability and ethics are essential components of the supplier and service provider evaluation. Elia Group suppliers commit to a common, binding Code of Conduct in their cooperation. This is an integral part of all Elia and 50Hertz supplier contracts. In addition, both raise awareness of sustainable action in regular discussions and thus convey an understanding of compliance with ethical principles and guidelines for sustainable development. All orders are placed centrally in Belgium or Germany. In this respect, all Elia and 50Hertz business locations are screened for human rights due diligence issues and anti-corruption.

50HERTZ IN GERMANY

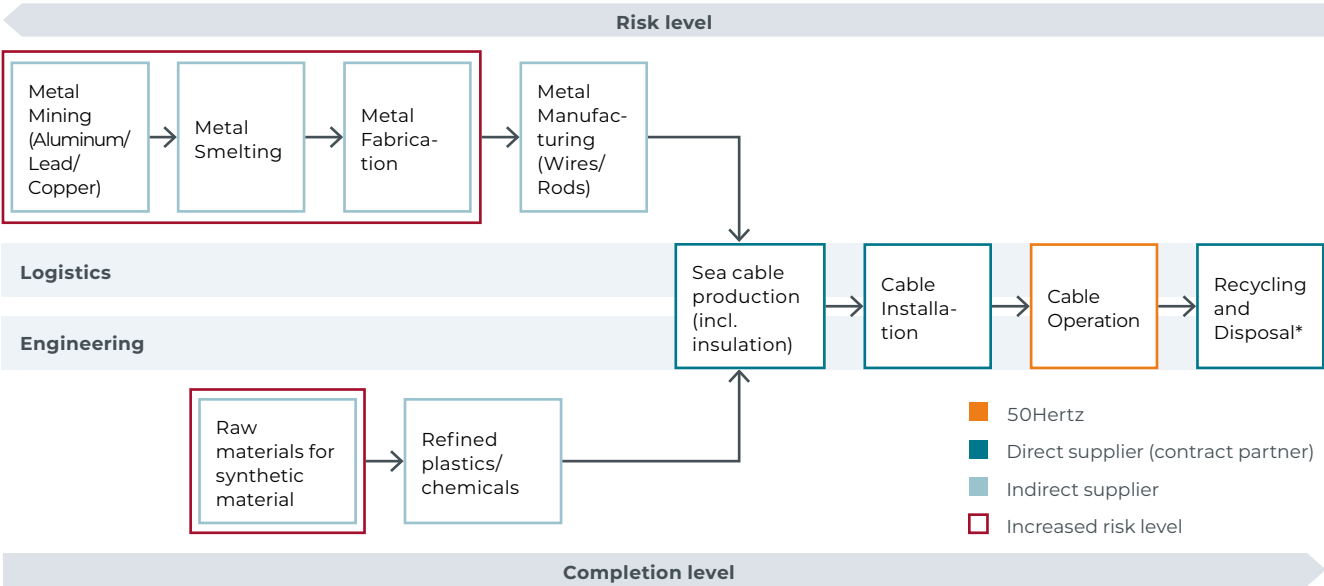
Based on the human rights due diligence requirements anchored in the German National Action Plan (NAP), 50Hertz conducted an analysis of its direct and indirect supply chains. As a result, four human rights risks could be prioritised:

- Occupational health and safety
- Environmental protection and health
- Employment and working conditions
- Freedom of association and expression

50Hertz is examining the identified risks in an in-depth analysis of the submarine cable value chain. Submarine cables are used in offshore activities and are suitable for analysis due to their complex supply chain and high investment volume. The analysis includes interviews with 50Hertz's direct suppliers in order to determine and track the risk potential of past steps in the value chain and to derive suitable measures.

The successive expansion of supply chain management on sustainability topics will be continued in the coming years. The results will be shared at Group level.

SEA CABLE SUPPLY CHAIN



* Currently deprioritised due to non applicability (end of product life cycle still unknown)

7. Stakeholder Engagement

7.1. Management approach

GRI 102-40, GRI 102-42, GRI 102-43, GRI 103-2

Involving stakeholders upstream helps to improve their understanding of the need for infrastructure in benefit for the society and can optimize the associated processes, Elia Group regularly contacts and exchanges information with various stakeholder groups.

Elia Group's stakeholder environment is continuously analyzed and defined. Depending on the specific strategic topics, Elia and 50Hertz have contacts with public authorities and administrations, political parties, local citizens, civil society (associations representing environmental, economic, agricultural or other interests) or clients directly connected to their grid.

GRI 413-1

ELIA IN BELGIUM

Within Elia, a Corporate Reputation Committee has been created, presided over by the Chief External Relations Officer in order to follow up, for selected issues, on the various stakeholder contacts organised by the relevant departments in Elia.

Elia has many stakeholders' initiatives. The method and frequency of engagement for each stakeholder group and the link to the material topics are summarised in the table below:

Stakeholder group	Mode of Engagement	Frequency	Main topics / expectations
Employees	– Performance management – Intranet – Donations	– Regular	– Employees - Human development – Employees - Wellbeing – Community involvement
Customers	– Customer satisfaction survey – Users' Group / Working Groups – Elia extranet – Annual	– 4 to 6 times a Year	– Transmission services – Environment – Fair operating practices
Society	– Social events – Engagement via own employees	– Regular	– Community involvement
Shareholders	– Shareholder meeting	– Regular	– General corporate performance incl. the contribution to society
Regulators	– Reports – Communication	– Regular	– Fair operating practices

Regarding public participation, Elia has developed a wide range of communication means (further detailed in the next section).



50HERTZ IN GERMANY

Internal, project-related guidelines regulate timelines and the interaction of project planning, approval, public participation and stakeholder management. This also includes comprehensive “lessons learned” processes that enable the company to continuously develop the standardised “toolbox” for public participation at 50Hertz. In addition, 50Hertz takes part in the debate on the quality of public participation, for example as part of the Bertelsmann Foundation’s Alliance for Diverse Democracy, and is a founding member of the Renewable Grid Initiative e.V. (RGI) and the Dialogue Society. (RGI) and the Dialog Gesellschaft e. V.

	FINANCIAL SECTOR			ENVIRONMENT/ SOCIETY									MARKET				
	Shareholders	Investors	Rating agencies	German Federal Network Agency	Political decision-makers	Non-governmental organisations	Citizens' initiatives	Trade unions	Public	Media	Employees	Research and education	Suppliers	Generators	Distribution system operators	Major consumers	Transmission system operators
DIALOGUE																	
OWN FORMATS																	
Reports	✓	✓	✓	✓	✓	✓						✓					
Press conferences		✓								✓							
Telephone conferences		✓	✓														
Co-determination								✓			✓						
Information sessions		✓									✓		✓				
Conventions/conferences														✓	✓	✓	✓
Scientific advisory committee												✓					
Partnerships with higher education institutes												✓					
Research work												✓					
Network meetings for visitor groups					✓												
Visitor groups					✓							✓			✓		✓
Cultural events									✓		✓						
Learning activities for children and teenagers									✓								
Media relations work									✓	✓	✓						
Outreach activities					✓		✓		✓								
Publications							✓		✓		✓						
FOREIGN FORMATS																	
Guest lectures								✓				✓					
Committees					✓			✓									
Work and network meetings						✓	✓								✓		✓

7.2. Community Relations and Public acceptance

GRI 102-21, GRI 102-29, GRI 102-43, GRI 102-44, G4 EUS Stakeholder Participation













Elia Group is convinced that early involvement with all stakeholders is vital to the success of the energy transition and the huge projects needed in order to achieve a sustainable grid expansion. Our approach is to contact and inform all parties for having their point of view, in order to improve the exchange and dialogue and build up trust.

A transparent and consistent approach aimed at meeting societal requirements and community expectations as far as possible will significantly improve the acceptance of projects. Furthermore, this approach must be clearly communicated to the various stakeholders from the outset of projects so that many concerns and anxieties can be reduced quickly. To achieve this objective, the Community Relations department developed an integrated communication and public acceptance methodology, integrating stakeholders and communication actions in a systematic way in the grid development in order not only to control the risk of costs and timing but also to be able to realize the best project in the interest of society.

Dialogue with the relevant stakeholders begins at a very early stage of project planning. In the concept phase of our projects, we are mainly working with civil society, local municipalities and academics. There is also a public consultation on the grid development plan. In a later phase, when projects are more concrete, an intensive dialogue is set up with the citizens.

Against the backdrop of the COVID-19 pandemic, we also adapted how we inform the citizens and the local authorities using more digital communication tools. We set up various information and consultation formats ranging from digital formats to one to one consultations. This approach gave us the possibility to maintain contacts with the stakeholders while complying with the restrictions and rules in effect during this difficult period.

OUR APPROACH

AVOID		REDUCE		OFFSET	
	Avoid protected zones		Visual integration of overhead lines and substations with vegetation		Pylon types
	Avoid residential zones		Group existing infrastructure		Reforestation
	Upgrade or reuse existing infrastructure		Architectural integration of the substations		Bird markers, nesting boxes
					Community projects
					Financial compensation for owners
					Financial compensation for farmers

ELIA IN BELGIUM

For the two most important projects in Wallonia and Flanders, Elia started an early participation process with civil society and some regional experts. The objective was to define the best project (responding to environment, economic and agricultural interests) and collect their opinion based on their different expertise. These processes are still ongoing and include now more representative parties and organizations. Specific reports on technology options for the project were delivered. For the Flanders project, a participative approach was set up with a project facilitator, a group of independent experts, representatives of citizens, municipalities and civil society in order to answer all questions and scenario's proposed by the local communities.

Elia communicates and cooperates transparently throughout the entire development process. In addition to the legally required preliminary public information meetings in the context of the development of this type of project, we organize a series of “info-markets”, which are information sessions for local residents. During 2020, 8 information sessions linked to the official permit process were organised to inform more than 11,000 people. These information moments were supported by several communication tools: invitation letters, citizen's information pack, brochures, flyers and roll-ups for the paper part; Press conferences and press releases; digital newsletters, Facebook posts, didactic videos; telephone hotlines with or without appointment and mailbox provision.

In 2020, Elia collaborated with the University of Liège and the ILVO⁹ and the Belgian professional associations of farmers on a literature review study to better understand the impact of high voltage infrastructure on agriculture.

Moreover, we developed a public reference framework to mitigate the impact of the realization of new infrastructure projects.

9 Flanders Research Institute for Agriculture, Fisheries and Food

50HERTZ IN GERMANY

50Hertz works according to VDI 7000 standards standards for this purpose. This enables a participation roadmap to be developed and implemented together with the region, which is based both on the standards of good early public participation and on the project specifics of the respective project. This is done because the information and participation needs of citizens vary in the regions where existing capacities are being reinforced or new

substations and lines are being built. 50Hertz would like to orient itself to these specific needs and conduct a dialogue on site. This is the only way to further improve planning, integrate local knowledge and turn those affected into participants.

Dialogues with stakeholders take place according to clearly defined specifications, in specified formats and via a standardised toolbox.

	NEP-consultation (4 transmission system operators)	Project preparation	Regional plan- ning procedure/ federal planning	Planning preparation	Planning approval pro- cess, planning permission	Building preparation	Construction	Economic operation
	PUBLIC PARTICIPATION							
TARGET GROUPS								
Policy and administration	✓	✓	✓	✓		✓	✓	✓
Citizens' initiatives	✓			✓	✓			
Residents		✓	✓	✓	✓	✓	✓	✓
Public interest bodies	✓		✓		✓		✓	
NGOs	✓		✓	✓				✓
PARTICIPATION								
World Café								
Group conferences			✓		✓			
Planning panels		✓		✓				
Dialogue mobile		✓	✓	✓	✓	✓		
1:1 discussions	✓	✓		✓				
Advisory board		✓	✓	✓	✓	✓	✓	
DIALOGUE								
Work groups (across all Federal states)		✓	✓	✓	✓	✓	✓	
Information market	✓*	✓	✓		✓			
Press talks			✓		✓			
Hotline		✓	✓	✓	✓	✓	✓	✓
Launches								✓
Regional events		✓	✓	✓	✓			
Project presentations	✓	✓	✓	✓	✓			
INFORMATION								
Public relations	✓		✓	✓	✓	✓	✓	✓
Newsletter			✓	✓	✓	✓	✓	✓
Printed material		✓	✓	✓	✓	✓	✓	✓
Website	✓	✓	✓	✓	✓	✓	✓	✓

*As part of the consultation on NEP, the 4 transmission system operators are holding information and dialogue events, where selected procedures, methods and used data will be presented for the 1st draft of the NEP. Subsequent to this, opinions about it can be given.

7.3. Stakeholder Dialogues

GRI 102-21, GRI 102-44

Communication events

Despite the special circumstances in 2020, the dialogue between Elia Group and the company's stakeholders continued. Communication options were expanded to include virtual and hybrid events, and hygiene guidelines were established for the various occasions.

The Elia Group Stakeholder Day was held for the first time as a hybrid, with simultaneous events in Berlin and Brussels. The programme included panel discussions and presentations. Around 300 guests from Germany and Belgium took part virtually.

ELIA IN BELGIUM

The most important event was held on Monday 9 November, system operators Elia and Amprion inaugurated ALEGrO, the first electricity interconnector between Belgium and Germany. The livestreamed event took place in the City Hall of the German city of Aachen and was attended, either in person or digitally, by German Chancellor Angela Merkel, Belgian Prime Minister Alexander De Croo, North Rhine-Westphalia Minister-President Armin Laschet and Belgian Energy Minister Tinne Van der Straeten.

Additionally to this main event, another nine events were held during this particular year: stakeholder's events, press conferences and participation to fairs. Some were physical or digital and other were a hybrid version.

50HERTZ IN GERMANY

At a press briefing on 1 July 2020, 50Hertz CEO Stefan Kapferer and Elia Group CEO Chris Peeters informed reporters about the Group's new corporate strategy: *From 60 to 100 by 2032 - for an economy with a future*. Journalists from Berlin attended the press briefing at the 50Hertz headquarters and took advantage of the opportunity for a direct exchange. The press briefing marked the first on-site event since the start of the coronavirus pandemic and was successfully carried out in compliance with a broad-based concept of measures. In an open-air video message, Stefan Kapferer later addressed the public directly and provided information on the specific goals of the strategy.

In October, 50Hertz and Danish grid operator Energinet jointly organised the inauguration of the world's first hybrid interconnector. The interconnector, known as the Combined Grid Solution (CGS), connects two substation platforms in the Baltic Sea, both to each other and to the existing land connections of the offshore wind farms. This means that the CGS can transmit offshore wind power to Denmark or to Germany and can also be used for cross-border electricity trading. In addition to around 40 guests on site, enabled by consistently applied hygiene and distance regulations, more than 1,000 guests took part in the event digitally via livestream and were able to follow, among others, the speeches given by German Federal Minister of Economics and Technology Peter Altmaier, Danish Minister for Climate, Energy and Utilities Dan Jørgensen and EU Energy

Commissioner Kadri Simson, who took part in the inauguration either on-site or digitally.

A total of 19 events were held in the Communication & Public Affairs area in the reporting year.

Customer satisfaction survey

Elia Group companies regularly measure the customer satisfaction level of its key stakeholders (distribution system operators, grid users, producers, access responsible parties, Users' Group, etc.).

The main objective of these surveys is to provide an overview of the Key Performance Indicators (KPIs) related to service quality and their evolution over time.

In 2020, customer surveys were conducted within both Elia and 50Hertz.

ELIA IN BELGIUM

250 stakeholders took part in the biennial survey. The KPIs measured by the Elia Satisfaction Index reflect how stakeholders evaluate the Elia's products and services in general. The Customer Effort Score reflects the ease of doing business with Elia, the customer satisfaction regards account management and image, etc. The overall aim is to identify our strengths and weaknesses among the different stakeholders in order to further optimize the customer relationship.

Elia scored 69% for the Satisfaction Index, reflecting the high quality of products and services. The majority of the stakeholders still describe collaboration with Elia as "easy".

50HERTZ IN GERMANY

In 2020, a third customer survey was conducted, but for the first time cross-divisional in Customer Management / Grid Settlement. A total of 1,054 customers were contacted on the basis of an online evaluation, including balance responsible parties (BKV), grid and metering point operators and connection customers. The aim of the survey was to sustainably improve service quality and communication. As a result, 92 percent of the respondents are very or rather satisfied with 50Hertz's communication.

Elia’s Users’ Group

ELIA IN BELGIUM

Elia regularly organises Users’ Group meetings and working groups.

The Users’ Group provides a platform that allows Elia to maintain an ongoing dialogue with its main customers and partners. Every year, about four Users’ Group plenary meetings are scheduled to inform market participants and stakeholders about important and strategic topics related to our business.

User’Group Plenary meetings	Session
18.02.2020	- Storm Ciara: return of experience of the off-shore integration
	- Daily procurement of mFRR
20.04.2020	Impact of Covid-19
17.06.2020	Elia’s E-mobility study
08.09.2020	- Elia Customer satisfaction survey: feedback results
	- ALEGrO
01.12.2020	- Elia’s E-mobility study
	- Consumer centricity: Elia’s vision

In support of these plenary meetings, there are three working groups, which usually meet four times per year (more if necessary).

Working Groups	System Operation and European Market Design	mainly addresses topics related to the operation of the high-voltage grid and capacity calculation, as well as initiatives and developments linked to the European integration of the electricity markets
	Belgian Grid	addresses issues associated with the Elia grid and related mechanisms, products and services that are of interest to Elia’s customers
	Balancing	mainly addresses operational, technical and market-related issues in order to prepare for the challenges Elia’s balancing market will face in the coming years

Under the WG Balancing there are two task forces. The task forces are set up on an ad hoc basis to handle specific issues when necessary. Currently, two task forces are active:

Task Forces	Implementation of Strategic Reserves	aimed at informing and consulting market players and stakeholders about all relevant issues linked to the implementation of strategic reserves
	iCAROS	aims to discuss topics related to future asset coordination procedures with the relevant stakeholders



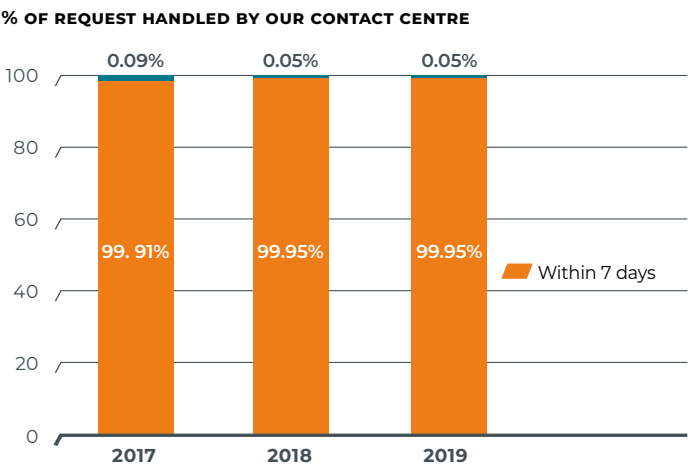
Contact centres

ELIA IN BELGIUM

Elia’s two Contact Centres receive and handle requests for information from various sources: local residents, contractors, engineering firms, public authorities, utilities and project developers, to name just a few.

Because of the specific risks involved in working near a high-voltage facility, anybody wishing to carry out work close to high-voltage lines, high-voltage pylons, underground electricity cables or high-voltage substations is required to report these works to Elia. We can then provide them with maps of the relevant facilities and instructions about the safety measures to take while working near them.

There are statutory timeframes within which Elia has to answer the requests (7 working days from receipt).



In 2020, our contact centers received 70,567 requests, 99.97% of these were answered within the set times.

Upon request via the Contact Centre or any communication channel, Elia offers information and free electromagnetic field measurements to the owners of land and buildings located near Elia facilities. In 2020, we performed 108 measurements.

7.4. Cooperations and Innovation

SDG 11

For Elia Group, active lead management and participation in research and development projects are an integral part of innovation management. In diverse cooperations with academic and industry partners, the focus is mainly on activities in the areas of new technology and digitalisation, energy markets and system security, the integration of renewable energies and the required development of the electrical system as well as on supporting the industry in decarbonising its processes.

In light of the increasing electrification, decentralisation and integration of the continuously growing share of renewable energies, Elia Group launched its own incubator in May 2020: “The Nest”. The aim is to promote digital transformation projects in an agile manner and overcome the increased complexity of various processes. Furthermore, the company strives to develop new business models in this interdisciplinary space and enhance the quality and efficiency of its activities and internal processes at all levels.

Elia and 50Hertz, along with 18 other organizations signed a joint declaration of intent, the Offshore Coalition, an initiative of the RGI (Renewables-Grid-Initiative) members. Elia Group was one of the founding members of RGI. TSOs and NGOs join forces in RGI to support the build-up of a sufficient grid infrastructure in Europe for both decentralised and large-scale renewable energy sources.

In January 2020, Elia Group launched its fourth Open Innovation Challenge. The competition invites start-ups from around the world to present solutions to any of the many challenges system operators face.

The 2020 Challenge focused on the development of digital solutions promoting more secure grid and data management. Every year, the competition allows Elia Group to innovate faster in specific sectors by creating synergies with start-ups and SMEs (small and medium-sized companies).

In October 2020, Elia Group launched re.alto, its own corporate start-up to accelerate digitalisation of the energy sector. The aim of the re.alto marketplace is to make energy data easy to access and integrate, enabling the industry to take a giant digital stride towards more widespread adoption of Energy-as-a-Service business models and ultimately drive a low carbon energy future.

In its vision paper “Accelerating to net-zero: redefining energy and mobility”, published in November 2020, Elia Group describes how better alignment between the power and mobility sectors can deliver societal benefits and push electric mobility to widespread adoption. However, successful convergence between the power and mobility sectors can only be achieved if current barriers are removed and additional value streams are unlocked and developed.

ELIA IN BELGIUM

Belgium’s energy system operators teamed up with 60 companies, public bodies and academic institutions in a collaborative innovation initiative, IO.Energy, launched in February 2019 to bridge the gap between digitalisation and sustainability and to promote innovation in the energy sector. It aims to develop new services through the exchange of data between all sector players. The focus is on end users, who will be able to tailor their generation and consumption to grid needs using a digital communication platform. In October 2020, the first sandboxing of the Internet of Energy (IO. Energy) project came to an end. Eight Belgian pilot projects were completed.

50HERTZ IN GERMANY

The former scientific council was realigned in the reporting year. From 2021 onwards, the Scientific Advisory & Project Board (SAPB) will align the research areas of 50Hertz with a greater number of disciplines and innovative topics of the future. The new structure in line with forward-looking topics is, amongst other things, expected to support the company in meeting its strategic objective: *From 60 to 100 by 2032 - new energy for a strong economy*. The Scientific Advisory will aim to enable an open and unbiased dialogue on problems and contribute to reaching a common understanding. Cooperation with scientific institutions in research and development projects is expected to produce concrete results.

As an additional component of its strategy “From 60 to 100 by 2032: for an economy with prospects”, 50Hertz draws on its expertise in three real-life laboratories for the energy transition as an associated partner. Under the motto “Nutzen statt abregeln” (utilisation before limitation), 50Hertz is also involved in the construction of power-to-heat plants in Hamburg, Parchim, Rostock, Stralsund and Neubrandenburg, amongst others. These projects all focus on the issues of sector coupling or hydrogen technology. There will be millions of electric vehicles driving and charging on Germany’s roads in the years to come. To ensure that they can also contribute to system stability, data exchange via a smart metering infrastructure is required. For this reason, the distribution grid operator Stromnetz Berlin and the transmission system operator 50Hertz are investigating and testing which kind of data exchange is necessary for this and how balancing power can be provided by a network of electric vehicles in a joint project with Elli and Bosch.IO, subsidiaries of Volkswagen AG and Robert Bosch GmbH. This is an integral component of 50Hertz’s strategy *From 60 to 100 by 2032 - new energy for a strong economy*.

7.5. Community engagement

GRI 413-1

Elia Group is committed to creating a sustainable future for all stakeholders. This also means that we take our social responsibility seriously. That’s why Elia and 50Hertz support a wide range of projects in the fields of culture, energy and environmental education or youth and social affairs in their grid areas

ELIA IN BELGIUM

Local added value / Supporting local initiatives

Since 2017, Elia has been collaborating with the Be Planet Foundation to develop and support local citizen initiatives promoting ecological transition. Elia has established a structural partnership with the public utility foundation Be Planet to develop and support ecological transition initiatives by citizens in municipalities where Elia infrastructure projects are underway.

Through this collaboration we are setting up a fund and a methodology (call for citizen projects) to compensate municipalities for the impact of an overhead line.

The role of the Be Planet Public Benefit Foundation is to ensure that the general objective of the fund and the selection criteria for citizen projects are respected. Within this framework, each project supported must have a positive impact on ecological transition and must contribute to sustainable development.

The ecological engineering consultant, Ecofirst, is our partner in the implementation of various biodiversity measures (for further details, see 8.3. Biodiversity and Landscape integration).

Donations

In 2020, 2.9 tonnes of our hardware (laptops, docking stations, printers, screens and carrying cases) received a second life when, they were donated to schools or non-profit organisations.

	2017	2018	2019	2020
Hardware donated (ton)	1.75	2.55	5.2	2.9

The employee participation to the company survey enabled us to donate €5,920 to the COVID-19 Fund for the fight against poverty of the King Baudouin Foundation.

A series of donations were made in the context of the Covid-19 pandemic (See section 9. Covid-19 pandemic management)

50HERTZ IN GERMANY

50Hertz supports numerous projects in its grid area, primarily relating to cultural, energy and environmental education, as well as youth and social affairs. Clear management and organisational structures have been established for the implementation of our many social activities. Our Communications and Policies department is responsible for our engagement. The department coordinates with management to set goals,

coordinate activities and, if necessary, examine inquiries for worthy projects together with the Legal department and the Compliance Committee. Our internal guidelines for donations and sponsorship define our general support principles, assessment criteria and organisational process transparently and consistently, and are binding on all employees. When granting donations and sponsorship support, it is always ascertained that the cause is commensurate with our corporate values and that the sponsorship is geared towards sustainability, offers true added value for society and the public, and follows the defined process.

In area around its headquarters, also known as 50Hertz Netzquartier, the company sees itself as a good corporate citizen that actively contributes to making the new Europacity residential and working district attractive to its residents. The Energiebündel daycare centre welcomes not only children of 50Hertz employees but youngsters from the neighbourhood as well. In the reporting year, the partnership with the Hamburger Bahnhof Museum for Contemporary Art in Berlin was extended by three years. Every year, outstanding works by graduates of various art academies in the 50Hertz grid area are exhibited. In the future, the Rundgang 50Hertz exhibition will be extended via a digital showroom.

Specifically educating children and adolescents about the energy transition is of great importance. An interactive

exhibit called Energie gemeinsam wenden (Changing energy together), developed by 50Hertz and the Independent Institute for Environmental Issues (Unabhängiges Institut für Umweltfragen e.V.), playfully teaches students about different aspects of the energy transition. In the future, this cooperative exhibit will be adapted for greater use in the digital environment.

50Hertz also supports selected projects in its grid area that foster a multifaceted cultural landscape. For example, soprano Anna Prohaska was supported via the renowned Artist in Residence programme at the Konzerthaus Berlin. We also once again promoted the Musikfestspiele Mecklenburg-Vorpommern.

As in previous years, 50Hertz was again actively involved in numerous initiatives, associations and organisations in 2020. Examples include the Rennsteig-Herbstlauf run in the Thuringian Forest, the Baltic Sea relay marathon in Dierhagen and a large number of local non-profit institutions.

50Hertz continued to support its long-standing sponsorship partners during the coronavirus crisis, even if the return services of the sponsored associations could not always be provided in full due to the pandemic. In addition to its existing fundraising efforts, 50Hertz decided to increase its donations to non-profit associations in its grid area in the reporting year instead of sending its business contacts Christmas presents.



8. Environmental aspects

8.1. Management approach

GRI 102-11, GRI 103-2

High-voltage transmission grids play an essential role in the energy transition and the decarbonisation of society and industry. That is why Elia and 50Hertz are developing their transmission grids with an eye on the long term and in line with demand. To that end, Elia Group is investing large sums in the development of the onshore and offshore high-voltage grid in order to drive the integration of renewable energies, and in the construction of interconnectors to enable the integration of the European energy market. One of the biggest challenges we face is maintaining and expanding this grid while ensuring a sustainable approach to environmental impacts.

Ecological and social sustainability as well as a clear commitment to environmental and climate protection and resource conservation are integral parts of the corporate strategy. Under Act Now, the Group's sustainability initiative, 50Hertz and Elia have set themselves clear ambitions for action on climate protection as well as the biodiversity and eco-design of their assets.

When developing and building our grid, we always strive for socially acceptable and economically efficient solutions. To this end, we try to limit the construction of new infrastructure and prefer to optimize and improve existing infrastructure wherever possible.

Our goal is to keep the impact of our corporate and construction sites and other activities on people and natural habitats as low as possible.

The planning, operation, maintenance and environmentally compatible conversion and expansion of the transmission grid in Belgium and in the north and east of Germany are based on national and European framework conditions and regulations. These environmental requirements are implemented and constantly updated and adapted.

In the geographical areas where we operate as TSOs, an environmental impact assessment (EIA) makes part of the permitting requests and is conducted in the early stages of infrastructure projects. It allows the identification, prediction and analyse of the potential impacts on the physical environment, as well as social, cultural, and health impacts during both the construction and operation phases.

There are also binding laws determining emissions thresholds (among others noise, EMF) taken into account in the permitting phase.

Moreover, we adopt the precautionary principle to reduce and avoid possible negative impacts by conducting studies (e.g. studies in EMF), by calculating our carbon footprint , imple-

menting mitigation measures and including climate risks into the regular risk management process.

Elia Group supplier code of conduct contains additional principles on environmental protection and resource conservation.

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We apply the avoid-reduce-offset approach described in 7.2. Community Relations and Public Acceptance with the least impact on environment in mind.

The Community Relations department is responsible for the appropriate handling and implementation of all tasks relating to environmental and nature conservation issues, quality management and the management of related tasks. Within this department, the Environment & CSR team provides advice on process control and ensures the stringent implementation of the environmental and quality strategy and legal compliance.

A team member is involved in multi-functional teams for the procurement processes for specific goods and services (e.g. waste management, transformers).

The Policies related to all types of compensations are available on our website.

Employees are trained in the environmentally friendly operation of our systems

We also work on the awareness of our contractors on sustainable aspects (environment and mobility) during construction phase by working on guidelines and specifications detailing the quality expected by Elia on its construction sites.

As part of Act Now, we have reflected on the different ways to integrate sustainability in the management of our assets, Elia is going to put the focus on energy efficiency of our substations, eco-design and the enhancement of biodiversity in and around them (avoidance of herbicides).

As two new overhead high voltage lines are planned, Elia realized a comparative study on the type of pylons that could be used to reduce environmental impact (visibility, EMF) also looking at technical feasibility and costs. The results of the comparative study confirmed that the current use of the compact tower is most favourable but also adding the possibility to use another pylon type - the Wintrack pylon - from an environmental perspective.

50HERTZ IN GERMANY

50Hertz respects flora, fauna and biodiversity, uses natural resources conservatively and keeps the energy consumption and emissions of our activities at the lowest level possible.

In the year under review, the Environmental Protection Organisation Directive, in which 50Hertz has defined its specific duties and tasks, was adapted and the introduction of an environmental management system in accordance with ISO 14001 was resolved.

50Hertz ensures the availability of all relevant information as well as all necessary resources for the fulfilment of strategic and operational goals within the framework of energy efficiency and environmental protection. Environmental protection activities are documented internally in annual environmental reports. The environmental report for the 2020 reporting year will be available in March 2021. Parts of the stated figures are therefore based on estimated values and are marked.

50Hertz is firmly committed to continuously improving its environmental performance, energy-related performance and management system. The further development of operational environmental protection and energy management also includes raising awareness and actively involving employees who are motivated to act in an environmentally conscious and energy-efficient manner. The legal requirements on further training for waste, water protection and hazardous goods transport officers are met. In addition, annual training courses are held for the company's employees. Individual company departments - such as the purchasing/facility management department and the project departments - are trained as needed. The Agreement on Quality Assurance on Construction Sites is part of the contract for new projects with suppliers and includes, among other things, the precautionary principle in environmental protection. Compliance with this agreement is regularly checked within the framework of IT-supported construction inspections. In the reporting year, 933 construction inspections were carried out.

Another step towards the consistent reduction of environmental impact is the development of the compactLine mast design. Lower mast heights, narrower lines and a full-wall mast with a smaller circumference characterise this innovative research and development project. In the future, it should make it possible to reduce the impact of overhead lines on the landscape and nature in sensitive areas. The compact design offers a good possibility of integrating a new 380 kV line into sections of existing 220 kV lines.

8.2. Emissions

SDG 13, SDG7, GRI 302-3, GRI 305-1 – GRI 305-2 – GRI 305-3, G4-EUS-EN15, G4-EUS-EN16

8.2.1. Greenhouse gas emissions

The transmission of electricity does not release effluents or emit significant amounts of gases such as SOx and NOx. We have identified our emission drivers in Scope 1 to 3 as follows:

SCOPE 1- DIRECT EMISSIONS OF GREENHOUSE GASES FROM OWNED OR CONTROLLED SOURCES

These are mainly due to SF₆ gas losses from our installations, natural gas consumption for heating and for our vehicle fleet.

Both Elia and 50Hertz fall under the loss rate to which SF₆ producers and users have voluntarily committed (0.6%).

Sulphur hexafluoride (SF₆) is now used as insulation and switching gas for gas-insulated high-voltage switchgear. It has great electrical properties, is non-toxic and is also very stable in the chemical sense. However, the greenhouse potential per unit of SF₆ is 23,000 times higher than CO₂. Thus, SF₆ is used in a close circuit in switchgears, as a result of which emissions into the environment are almost fully eliminated. The pressure vessels are always under technical monitoring for potential leakage. Despite all of these protective measures, some leakage due to the seal technology and the necessary gas handling cannot be avoided entirely.

SCOPE 2 - INDIRECT EMISSIONS OF GREENHOUSE GASES RESULTING

from the generation of purchased or acquired energy consumed by the organization (technical and administrative consumption).

These are mainly due to grid losses that are unavoidable when transmitting electricity and over which Elia and 50Hertz have no direct influence.

SCOPE 3 - ALL OTHER INDIRECT EMISSIONS OF GREENHOUSE GASES

(not included in scope 2) that occur in the value chain (outside the company), including both upstream and downstream emissions by buying goods and services, employee commuting, business travel, etc. We are currently in the process of reviewing our scope 3 emissions at Elia Group level. Works and materials were identified as the main categories, possible measures will be identified within the Act Now programme. We are committed to implementing a more accurate method for calculating Scope 3 emissions in order to be able to initiate measures to reduce the Scope 3 footprint of our investments.

MITIGATION AND COMPENSATION

For the reporting year, the full CO₂ emissions from air travel were offset and the (small amount of) SF₆ losses were offset via service provider Atmosfair, with which 50Hertz has already collaborated last year.

Elia Group supports the EU’s carbon reduction targets as well as those of the Belgian and German governments to reduce CO₂ emissions, mainly by integrating large volumes of renewable energy via the development of its grid.

Furthermore, the Elia Group is committed to the *Greener Choice Initiative* (see section 6.1.) of the leading European transmission system operators.

ELIA IN BELGIUM

GREENHOUSE GAS EMISSIONS IN 2020 IN T CO ₂ EQUIVALENT*		
Direct (scope 1)		
SF ₆ leakage	5,663.00	4.91%
Heating (natural gas)	632.67	0.55%
Heating (fuel)	34.92	0.03%
Vehicle fleet (diesel)	3,156.61	2.74%
Vehicle fleet (fuel)	324.41	0.28%
Airco gas leakage (R134 A)	188.50	0.16%
Airco gas leakage (R410 A)	7.70	0.01%
TOTAL SCOPE 1	10,000.11	8.68%
INDIRECT (SCOPE 2)		
Electricity consumption*	13,614.93	11.81%
Grid losses*	91,640.37	79.51%
TOTAL SCOPE 2	105,255.30	91.32%
TOTAL	115,255.41	100.00%

*The following assumptions have been made for this calculation:
- only regional grid losses are taken into account
- the consumption of the HV substations is the result of an estimate based on metering data of 60 sample stations

The scope of Elia's carbon assessment is emissions by Elia Transmission Belgium, Elia Asset and Elia Engineering.

Elia has developed an investment and maintenance policy to minimise the risk of SF₆ leakage. Manufacturers are obligated to guarantee a very stringent maximum percentage of SF₆ loss throughout the lifetime of the facilities. Our maintenance policy aims to maintain operations involving compartments filled with SF₆ to a minimum.

The total volume of SF₆ gas installed on the Elia grid (36 kV to 380 kV inclusive, excluding the NEMO substation) in 2020 was 134.89 tonnes. Consumption of SF₆ gas (as a replacement and as a top-up in the event of a leak) is closely monitored using a system that tracks each cylinder of SF₆. The SF₆ leak rate for all Elia facilities was “< 0.25%” in 2020.

Research on SF₆-free high voltage equipment (switching gear/circuit breakers) is supported by integrating a series of proof-of-concepts in new framework agreements with manufacturers to be installed in the coming years

In order to mitigate emissions from the commuting of our personnel, in the context of the Act now programme, a new mobility and commuting programme has been set up called

Orange is the New Green:

- This new plan aims to transform our employees' idea of mobility and change their behaviour accordingly. It is in line with the Group's efforts to promote further soft mobility, encompassing measures to promote the use public transport, cycling, facilitate teleworking, and expand the electrification of our vehicle fleet.
- Under the new plan, 75% of commutes by Group staff will be low carbon (i.e. made via public transport, bicycle, electric vehicle or some form of shared mobility, or otherwise avoided altogether as staff will be working remotely) by 2025 and in 2030, all the company car fleet will be electric.

- We will offset the remaining CO₂ emissions produced by our vehicle fleet (approximately 2,000 tonnes of CO₂ per year) by contributing to projects aimed at promoting the development of renewable energy.

- With regard to our fleet of vehicles for technical interventions (small vans and trucks), as technology is not mature yet, we provided in our procurement contracts, the possibility to buy and test upcoming alternatives.

Since 2017, Elia has taken part in theCarbon Disclosure Project (CDP), an international, nonprofit organisation providing a global disclosure system for companies, investors and cities. We answered the climate change questionnaire in which a company has to describe how climate-related risks and opportunities are handled and disclose its carbon footprint.

The calculated value of the carbon footprint corresponds to 1.65 tonnes of CO₂ equivalents per TWh transmitted including grid losses and 0.34 tonnes of CO₂ equivalents per TWh transmitted excluding grid losses (basis: 69.937 TWh).

50HERTZ IN GERMANY

50Hertz is a pioneer in the integration of renewable energies into the overall electrical system. In 2020, an annual average of around 62% of electricity consumption in the 50Hertz grid area came from renewable energies. With our new *From 60 to 100 by 2032 - new energy for a strong economy strategy* we have set ourselves an ambitious goal. The development of the extra-high-voltage grid is essential to enable a stable electricity supply from 100% renewable energies in the 50Hertz grid area as early as 2032.

In addition to electricity consumption, the vehicles in our fleet, which are indispensable for comprehensive coverage of our extensive grid area and quick access to our systems, also impact the carbon footprint. In 2020, these vehicles produced 1,521 tonnes of CO₂. Some 237 tonnes of CO₂ were saved compared to the previous year (previous year's figure: 1,758 tonnes of CO₂). As part of the Act Now sustainability initiative, 50Hertz set itself the goal of achieving a zero-emission vehicle fleet by 2030. For this purpose, the existing fleet was analysed and a roadmap for vehicle exchange was developed, including supporting measures, such as the creation of the required charging infrastructure at the administrative sites. Various modes of transport are used for business trips. In the reporting year, air

travel accounted for 436 tonnes of CO₂ equivalents. In addition, our employees travelled by long-distance trains operated by Deutsche Bahn. According to Deutsche Bahn, long-distance train journeys should be considered carbon-neutral.

Under the voluntary commitment made by SF₆ producers and users, the total SF₆ loss rate in Germany may not exceed 0.6%. At 0.2%, 50Hertz's loss rate was significantly below this amount. 50Hertz generally takes a very sensible and responsible approach to transporting, storing and using this technical gas, and strives for an alternative solution. However, at present, no alternative to SF6 is available on the market that is fit for use for 220 and 380 kV switchgear. For this reason, 50Hertz is promoting a research project at ETH Zurich alongside 13 other companies that aims to systematically examine alternative gases in terms of their suitability as insulation and switching gases for switchgear. The research programme will run for three years. An operational switchgear was tested with an alternative gas for the first time at the new Charlottenburg transmission substation.

Service provider Atmosfair compensated for total CO₂ emissions from air travel for the second time and for the minor SF6 losses for the first time in the reporting year. While the construction and operation of a wind farm in Nicaragua was supported in the prior year, the compensation measures aim to promote a photovoltaic plant in Senegal in 2020. The project is in keeping with the UN Sustainable Development Goals (SDG 1, 3, 7, 8, 9, 13 and 17).

In the reporting year, direct (scope 1) and indirect GHG emissions (scope 2) were included in the balance sheet for the third time.

GHG EMISSIONS		
GREENHOUSE GAS EMISSIONS IN 2020 IN T CO ₂ EQUIVALENT		
DIRECT (SCOPE 1)		
SF ₆ leakage	8,300	0.90 %
Emergency power system NQT*	0	0.00 %
Vehicle fleet*	1,351	0.15 %
Natural gas	145	0.02 %
Total direct emissions	9,797	1.06 %
INDIRECT (SCOPE 2)		
District heating*	287	0.03 %
Total electricity consumption for the Netzquartier building*	1,578	0.17 %
Grid losses	890,220	96.42 %
Energy consumption by own assets	21,314	2.31 %
Total indirect emissions	913,399	99.93 %

The calculated value of the carbon footprint corresponds to 8.73 tonnes of CO₂ equivalents per TWh transmitted including grid losses and 0.31 tonnes of CO₂ equivalents per TWh transmitted excluding grid losses (basis: 105.7 TWh).

ELIA GRID INTERNATIONAL (EGI)

EGI, the consultancy branch of Elia Group has obtained the “CO₂ neutral” label in 2020.

The consulting activities of this subsidiary of Elia Group consist in bringing to other countries our expertise in optimizing the grid, integrating renewable sources or building interconnectors or offshore connections. A carbon assessment of its activities was conducted in order to measure its impact, reducing it and offsetting it by supporting a sustainable development project. The programme supported is a wind turbine project in India in the Karnataka, Andhra Pradesh and Tamil Nadu regions. The label “CO₂ NEUTRAL” is issued by company CO2logic and certified by independent third-party Vinçotte.

8.2.2. Energy consumption

GRI 302-1, SDG7, SDG13

The energy consumption of Elia and 50Hertz can be subdivided into two categories:

- Core: energy used by all the infrastructure directly related to its business model e.g. all substations.
- Non-core: energy used by support services, administrative centres.

Electricity consumption represents the biggest share (~96%) of consumption.

Our more recent administrative centers are built following internationally recognised energy-efficiency standards.

Audits have been conducted in other buildings in order to identify optimisation potentials in line with the BATNEEC principles (Best Available Technology Not Entailing Excessive Costs). These measures are then gradually implemented.

ELIA IN BELGIUM

Elia's two most recently built administrative centres, Monnoyer in Brussels and Crealys in Wallonia, are BREEAM certified. As required by Belgian regional regulations, energy audits were conducted on our administrative buildings and service centres.

	2020	
	MWH	%
Electricity Non Core - Total (green electricity)	2,737.84	3.15%
Electricity Core - Substations with meters (green electricity)	3,288.03	3.78%
Electricity Core - Substations without meter (estimate)*	77,350.00	88.98%
Heating - Natural gas	3,419.82	3.93%
Heating - Fuel	136.98	0.16%
TOTAL	86,932.67	100.00%

*résultat d'une estimation basée sur les données de metering d'un échantillon de 60 postes

N.B.: the consumption of the HV substations is the result of an estimate based on metering data of 60 sample stations

*The values provided here are estimates as of 31 December 2020. The following calculation bases and emission factors were used to work out the CO2 equivalents: SF6 – IPCC Fifth Assessment Report (ARS); vehicle fleet – direct fuel consumption; energy (electricity, district heating) – German Environment Agency 2017 and GHG Protocol Scope 2 Guidance; business trips – service provider data and GHG Protocol Scope 3 Guidance.

50HERTZ IN GERMANY

As scheduled, the second external energy audit according to the DIN EN 16247-1 standard was commissioned in 2019 to systematically record the energy consumption of our systems and administrative buildings. This was based on energy consumption in 2018. The 50Hertz Netzquartier has received the internationally recognised Gold Award of the German Association for Sustainable Building (Deutsche Gesellschaft für Nachhaltiges Bauen – DGNB) and the American LEED Standard (Leadership in Energy and Environmental Design). For new buildings, aspects of sustainable construction in terms of energy use have already been taken into account in the planning and implemented where possible.

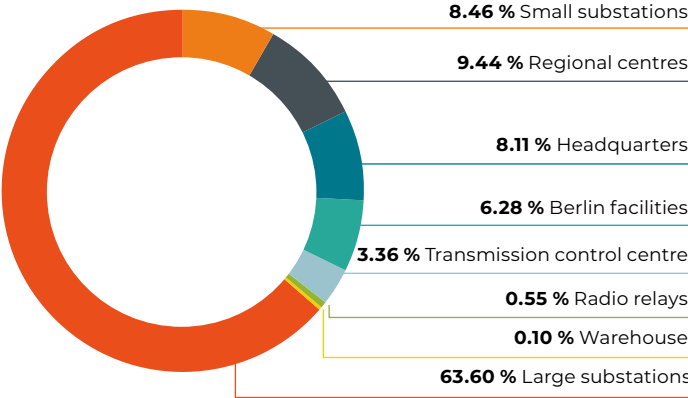
ENERGY CONSUMPTION

	MWH	%	t CO ₂ -EQ
Electricity	63,627.87	89.82	34,168
District heating	1,182.55	1.67	331
Fuel (petrol)	808.28	1.14	163
Fuel (diesel)	0.16	0.00	0.04
Natural gas	5,219.39	7.37	1,388
Total energy consumption	70,838.25	100.0	36,050.04

Data source: External energy audit carried out in line with DIN EN 16247-1 in 2019 for the year 2018

With regard to the distribution of total CO2 emissions, electricity takes the lead by far with a share of almost 90%. A noticeable reduction of the carbon footprint is only possible in this segment. At 55,497.65 MWh, the largest share of electricity consumption is attributable to the transmission substations of 50Hertz. All switchgears, which solely require electrical energy, make up a total share of almost 79%. The locations with administrative and management functions, such as the headquarters, regional centres and the control centre (CC), which also require heat energy and fuels, account for a total share of around 21%.

DISTRIBUTION OF TOTAL ENERGY CONSUMPTION*



* Data source: External energy audit carried out in line with DIN EN 16247-1 in 2019 for the year 2018

The energy audit had resulted in various optimisation opportunities, most of which have been seized or are currently in the process of being seized.

8.2.3. EMF

SDG 3, GRI 416-1

ELIA IN BELGIUM

Electrical transmission and distribution systems in Europe are mainly operated with alternating voltage at a frequency of 50 Hz. Hence, they create electric and magnetic fields (EMFs) of Extremely Low Frequency, as is also the case for all applications of electricity, including domestic appliances.

Although no causal link can be established between magnetic field exposure from electricity transmission infrastructures and human health, Elia takes this issue very seriously looking at each project on the electricity grid and also supporting scientific studies that improve the knowledge on the subject.

Elia continues to contribute, yearly €370,000, to support scientific research on the subject. In that regard, it supports the Belgian BioElectroMagnetics Group (BBEMG) whose scientific independence is enshrined in a cooperation agreement.

At international level, Elia concluded a research contract with the Electric Power Research Institute (EPRI - a non-profit organisation that conducts research in energy and the environment), an agreement granting Elia access to the results of international research studies in this field.

To communicate transparently on the subject, Elia provides various tools: a dedicated website, information sheets, a brochure, newsletters, information sessions (with the possible presence of an independent expert) and, at the request of local residents, carries out free measurements of electric and magnetic fields via its Contact Centre.

The study of magnetic fields is also one of the criteria analysed for each project developed by Elia. In accordance with the precautionary policy established in Flanders and Brussels, Elia assesses future exposure to magnetic fields by means of specific calculations (modelling) and mitigation/reduction measures are applied where necessary.

In 2020, Elia collaborated with the University of Liège and the ILVO¹⁰ and the Belgian professional associations of farmers on a literature review study to better understand the impact of high voltage infrastructure on agriculture (including EMF).

50HERTZ IN GERMANY

Strict regulations apply to electric and magnetic fields in Germany, which are governed by the Federal Immission Act. 50Hertz complies with these limits. 50Hertz takes the concerns of interested parties seriously, carries out on-site measurements together with them and derives measures if necessary.

8.2.4. Noise

SDG 3

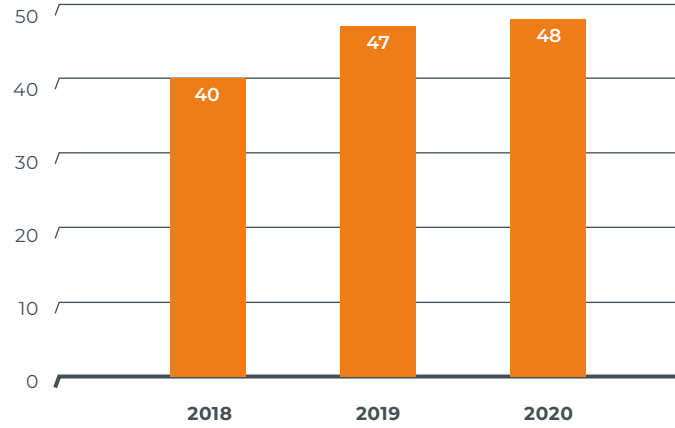
Noise can be caused by transformers in high-voltage substations, high-voltage lines, pylons and other equipment. Underground lines do not cause any noise.

Strict guideline values apply in both operating zones of Elia Group (no noise/acoustic pollution)

ELIA IN BELGIUM

Elia always carries out soundscape studies prior to the realization of its infrastructure projects to ensure that acoustic standards are not exceeded. Elia also conducts noise studies in the event of complaints (see also Contact Centres).

SOUNDSCAPE STUDIES



50HERTZ IN GERMANY

Just as in the area of electric and magnetic fields, strict guideline values apply in Germany for noise emissions, which are regulated in the Federal Immission Act. 50Hertz complies with these limits as well. Measurements are carried out in response to information from interested parties and measures are derived where necessary.



¹⁰ Flanders Research Institute for Agriculture, Fisheries and Food

8.3. Biodiversity and landscape integration

SDG 14 GRI 304-1 – GRI 304-2 – GRI 304-3, G4-EUS-EN12

When planning projects, not only are economic efficiency, the concerns of local residents and the technology taken into account during the approval procedures, but also the protection of flora and fauna. In the run-up to such procedures, environmental impact assessments are carried out to minimise nature conservation conflicts at an early stage. A corridor is then identified for the exact route of the electrical line and defined in a subsequent step. At the same time, protection and compensation measures are identified. All these investigations are carried out together with external environmental planners, routing experts and, if necessary, other science and nature conservation experts. Nature requirements are included in the contractual requirements of the infrastructure projects.

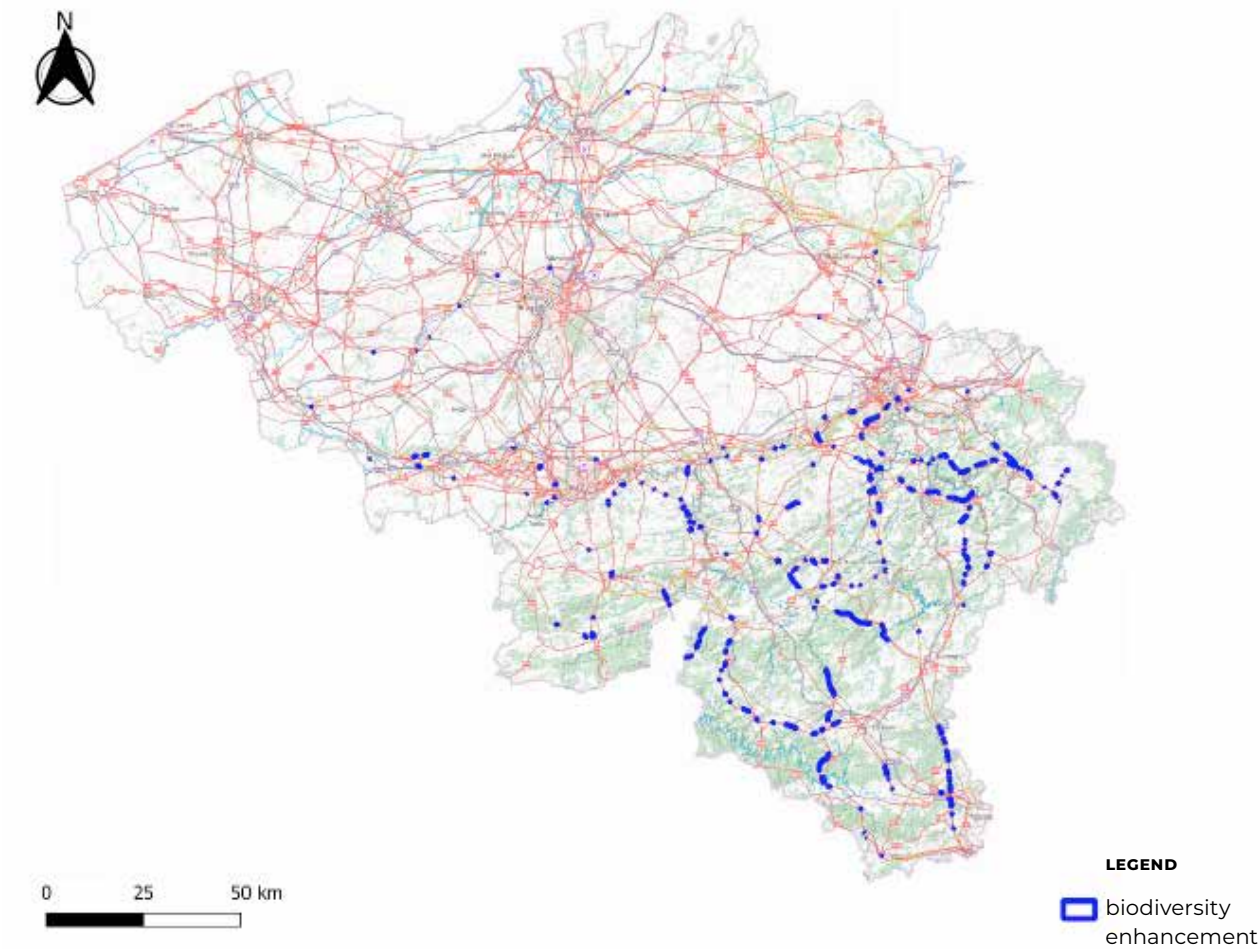
The use of wind at sea to generate electricity is enormously important and indispensable for climate protection. At the

same time, the expansion of offshore wind energy and the sub marine cables on the seabed needed to transport the electricity require intervention in the natural environment. In addition to the Marine Grid Declaration co-signed by Elia and 50Hertz - with which Renewables Grid Initiative (RGI) members set the standards for the early involvement of stakeholders and for nature and species protection in offshore grid expansion beyond the legal requirements in 2019 – Elia Group is committed to growing responsibility in this sensitive environment as a co-signatory of the Offshore Coalition declaration of intent.

ELIA IN BELGIUM

The total length of our utilities located in Natura 2000 areas (on land and sea) was 665 km in March 2020.

MAP OF BIODIVERSITY ENHANCEMENTS AROUND ELIA'S POWER LINES (BETWEEN 2012 AND 2020)

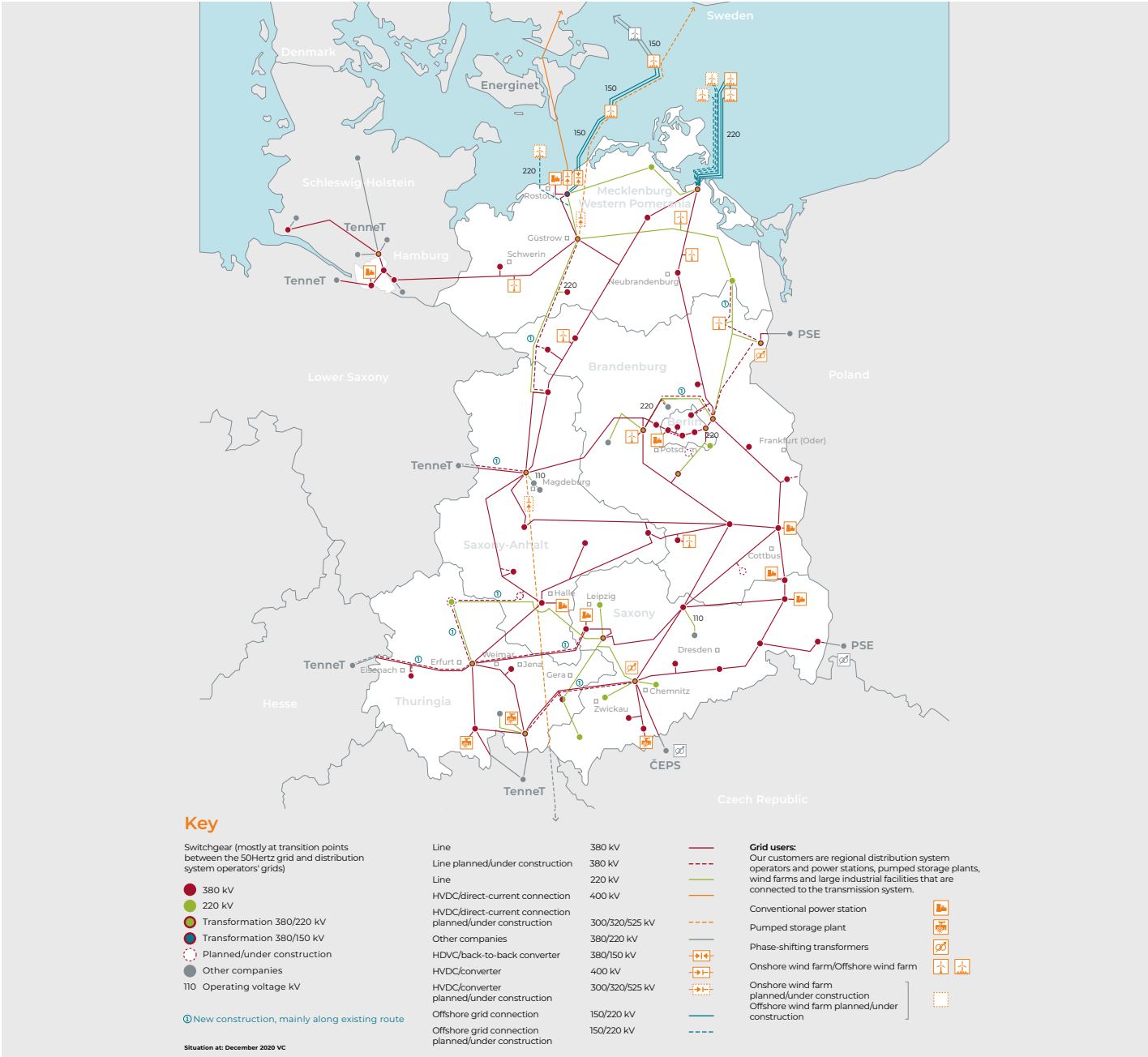


50HERTZ IN GERMANY

50Hertz follows the principle of keeping the impact of its own activities on nature and a restriction of biodiversity as low as possible. Only when this overall process has been completed does the construction project begin - including external ecological construction supervision. Construction site facilities and the construction process are implemented in such a way that even temporary impairments to nature are minimised, nature

conservation-relevant deadlines and requirements are taken into account at an early stage and the companies carrying out the work on behalf of Elia Group are committed to the ecological aspects of their actions.

In the 50Hertz grid area, there are many different protection zones that are recorded in a cadastre.



As part of "Act Now", a pilot to increase biodiversity in and around substations was launched in 2020. It includes various measures, such as green roofs, nesting aids and insect hotels, as well as plant protection measures and the avoidance of

herbicides, which were in planning or pilot application in the reporting year. The potential analysis of the measures will take place in 2021.

8.3.1. Mitigation and compensation measures

GRI 304-2

If preventive or corrective measures cannot prevent certain environmental impacts, then mitigation and compensatory measures are applied. These can be either voluntary or legally required in order to obtain all the legal authorisations needed prior the execution of a project.

ELIA IN BELGIUM

Earlier, a set of measures was developed ad hoc for each project. In 2020, we decided to have clear and structured policies related to compensations transparently available on our website.

Depending on the impacts to mitigate or compensate, there is a wide range of existing measures:

- Landscape integration: plantations of shrubs, hedges or trees (green screens), more compact types of pylons, infrastructure grouping, architectural integration
- Species protection: bird markers and nests
- Forestry: restoration and specific management measures

For our offshore projects, mitigation measures were implemented principally during the work phase with the objective to reduce the impacts on marine mammals e.g. during the installation of the foundation piles of our Offshore Switchyard (OSY) platform (a.o. mitigation of the acoustic nuisance, acoustic deterrent).

50HERTZ IN GERMANY

According to the Federal Nature Conservation Act (BNatSchG), there is an obligation to refrain from avoidable impairments of nature and landscape or to keep them as low as possible (avoidance and minimisation requirement). Wherever it makes sense, power lines are combined and bundled with existing overhead lines and other infrastructure such as railway lines and motorways. In order not to impair the landscape unnecessarily, the lines are adapted to the landscape conditions. Where interventions are unavoidable, 50Hertz will implement compensation measures.

These can be divided into six categories: planting measures, forestry measures, water measures, species protection, dismantling measures and other measures. For this purpose, regional eco pools are being used more and more. Eco pools are contributions to projects of other organisations as well as compensation payments, which enable more comprehensive measures than planting individual replacement plants and are therefore more effective, efficient and sustainable. When planning and implementing compensatory measures, 50Hertz involves the affected communities, conservation agencies, interested citizens and NGOs early in the process. 50Hertz works with them as partners to develop suitable plans early on and suggest these to the authorities as part of our approval planning. Guidelines for targeted compensation management define the action areas necessary for successful approval and implementation of the measures. An internal assessment commission meets every two months to decide on the measures. The chosen measures are recorded in a real estate cadastre. There are currently 186 compensatory and replacement measures being planned in the 50Hertz grid area as well as 640 that are being implemented, maintained or have already been completed. Therefore, the total number of compensatory and replacement measures has increased from 768 in 2019 to 826 in the reporting year.

8.3.2. Ecological aisles management

GRI 304-3

Until recently, the standard maintenance policy for overhead lines involved ensuring that a corridor measuring approximately 50 meters wide below the lines was kept clear of all vegetation with a rotary slasher every eight years¹¹.

To build an overhead line in forest areas, aisles are usually created. The conductor cables need sufficient clearance to the sides and to the ground because of the necessary safety distances, which means, trees have to be removed in sections and at regular intervals on the aisles. However, trees and shrubs provide habitats for numerous animals and plants. Therefore, the goal is to impair these natural areas as little as possible in the long term and to increase biodiversity under power lines.

Both Elia and 50Hertz have already for a while been developing ecological aisles management initiatives that are in line with the EU biodiversity strategy. The strategy, which has been officially adopted in May 2020, considers the integration of ecological corridors to be part of a real trans-European nature protection network and, thus, a key obligation to improve biodiversity.

ELIA IN BELGIUM

Since 2012, Elia has been a forerunner in the implementation of a seven-year LIFE project that was completed in 2017.

Our project partner in this is the ecological engineering consultant, Ecofirst.

The first “Elia LIFE” project, for which Elia joined force with the French TSO RTE, was partly funded by the European Commission and the Walloon Region. It had the aim of creating green corridors to enhance biodiversity under overhead electrical lines in wooded areas. Elia restored in this way 430 ha stable natural environments below the lines (using peat bogs, bushes and grasslands managed by grazing).

Elia decided in 2018 to pursue this action for another five years without subsidies under the name “Life2” by adding more green corridors (122 ha). In addition to this, the other objective of this project was to further monitor the evolution of these areas and their maintenance in order to assess the impact on biodiversity. The results are highly encouraging, with 98% of evaluated sites showing conclusive outcomes.

(Further information on these projects can be found on <http://www.life-elia.eu/>)

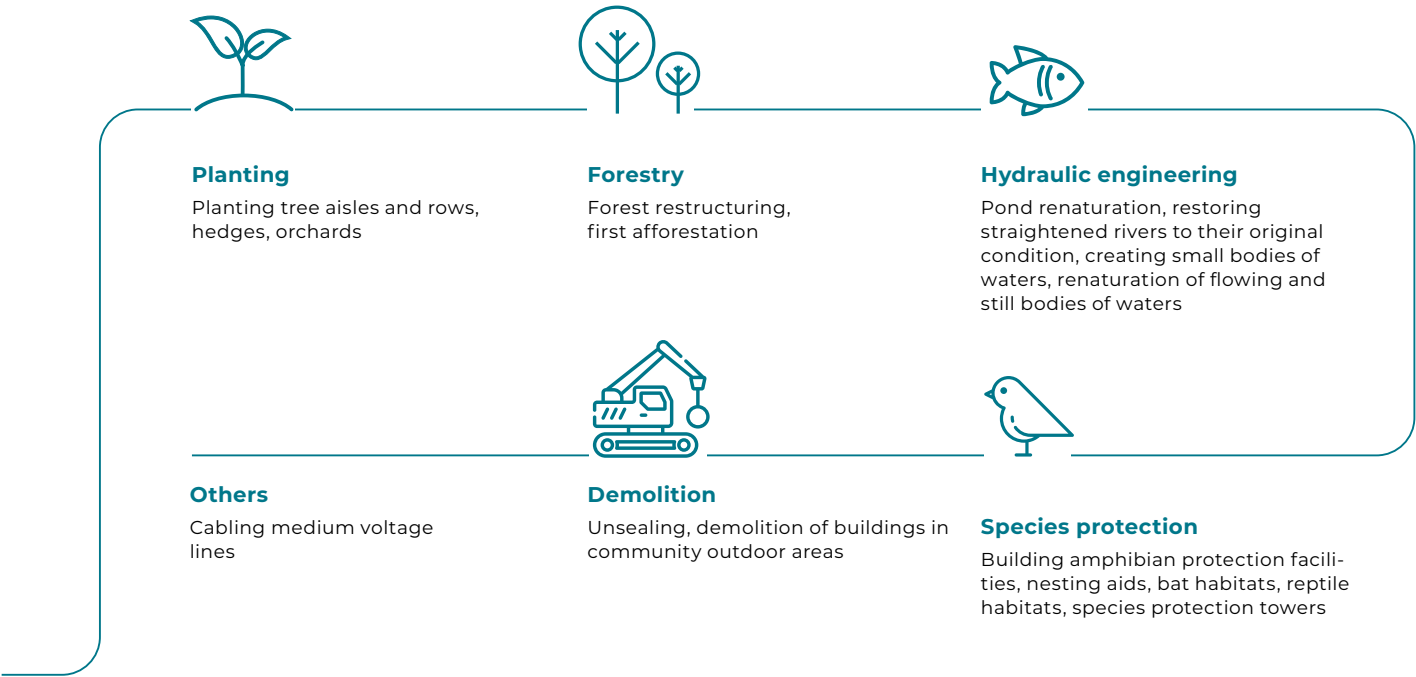
Elia has again applied to the European Life program for the continuation of this project, the focus being set this time on electrical lines located in Natura 2000 zones.

Elia is currently studying how to develop our internal geographical grid database in order to integrate all the areas where these specific management measures have been put in place.

50HERTZ IN GERMANY

50Hertz has already been focusing on ecological aisle management for several years now. In the regular maintenance of line routes, ecological aspects, such as the extraction of individual trees and care for heathers, are taken into account in more than two thirds of the forest aisles in the entire grid area. The pilot activities in the ecological aisle management of existing line routes, such as the creation of forest edges or species-rich grassland and meadows, which were initiated in recent years, are now part of an overall strategy to increase biological diversity. A geo database is currently being created, which presents and organises all activities in line aisles that contribute to the increase of biological diversity, in order to establish a valid basis to target the next course of action. At present, this database contains 40 line sections. The geo database also establishes the spatial reference between forest aisles and the protection zones in the 50Hertz grid area. Based on this correlation, 50Hertz is able to contribute to the EU’s biodiversity strategy for 2030. The biodiversity strategy, which was officially adopted in May 2020, considers the integration of ecological corridors to be part of a real trans-European nature protection network and, thus, a key obligation to improve biodiversity.

EXAMPLES OF COMPENSATION MEASURES



¹¹ This obligation can be indirectly beneficial to specific ecosystems of great ecological value, for example the moors (present in the High Fens nature reserve, in the eastern part of Belgium) are better protected in the corridors under the overhead lines crossing them, because the rest of the moors were planted with trees for wood production and by draining these areas.

8.3.3. Bird protection

G4 EUS EN12

High-voltage lines can harm bird life. Hence Elia Group also makes a huge effort to protect birds and minimise negative impact.

For this reason, Elia Group is installing bird markers – in order to make the lines more visible for the avifauna and thus more easily avoidable – and nests – to reduce these negative impacts and protect some endangered species.

ELIA IN BELGIUM

With the help of Belgium’s leading environmental associations, Elia has identified the 130 sections of its network that pose the greatest hazard to birdlife. Measuring 200 km in total, they are gradually being fitted with bird anti-collision devices over a 10 year-period (starting from 2016). If a project is due to take place on these sections, markers will be installed immediately.

For sections without projects, we will seize the opportunity of scheduled interventions to fit markers on conductors or earth connections.

Bird markers	2017	2018	2019	2020
Lines equipped (km)	13.62	26.24	37.59	43.74

Elia did also apply together with various partners (TSOs RTE and REN and other nature and bird protection organizations) to the European LIFE programme with a project “Safelines4Birds” targeting specific endangered bird species considered as “priority”.

50HERTZ IN GERMANY

An extensive study was carried out in the past reporting years with the Brandenburg State Environmental Agency and evaluated together with experts from the Renewables Grid Initiative (RGI) and the German Nature and Biodiversity Conservation Union (NABU). The aim is to identify lines with an increased collision risk for birds and to equip them with bird protection markers. The data will also be incorporated into a Germany-wide sensitivity map. This project will be implemented in 2021, together with other transmission and distribution system operators as part of the joint initiative with NABU e.V. and RGI.

In 2020, a further 30 kilometres of transmission lines in the ornithologically highly valuable Havelländisches Luch were thus retrofitted with folding markers as part of a voluntary species protection measure. Currently, bird protection markers are installed on around 368 kilometres of overhead lines.

8.4. Natural Resources

GRI 306-5, SDG14

8.4.1. Water and soil

Elia Group is committed to an effective water and soil conservation. Since the company’s business activities do not result in significant water consumption or regular releases of process-linked effluents, our corporate responsibility is not so much to reduce water consumption, but rather to pay special attention to water retention in the ground in grid and substation projects and to prevent water and soil pollution by hazardous substances. Elia Group has installed special safety systems in installations containing oil. Containment systems equipped with coalescence filters are installed beneath transformers in substations to prevent drips from leakings into the ground.

Installations are regularly checked by maintenance staff and renovated or renewed if necessary.

ELIA IN BELGIUM

In the accidental event of a leakage of hazardous substances, Elia has developed processes to immediately cope with the potential impacts on the environment and the employees are trained to detect early signs of this types of events.

A significant part of the Belgian soils is historically polluted as a direct result of nearby or in situ (prior use) industrial activities or backfilling with polluted soil.

Elia has mapped the soil condition of its own land in order to schedule intervention priorities. Several remediation actions have been launched on our sites. In 2020, EUR 1.4 million has been paid for surveys, follow up and the realization of remediation works.

50HERTZ IN GERMANY

When it comes to water protection, the Water Resources Act (WHG) and the Plant Ordinance (AwSV) are important to 50Hertz. Employees are trained in the environmentally friendly operation of the plants. Water protection officers have received specific training.

In the event of a leakage of substances hazardous to water, 50Hertz implements numerous preventive measures. Wastewater may only be discharged if an official permit has been obtained and it has been regularly checked to ensure that it is free of pollutants. In addition to contracted service providers, sufficient damage prevention material is available at all substations and administrative sites. In 2020, the standard of materials to be kept on hand was reviewed and comprehensively expanded.

In 50Hertz’s activities at sea, the protection of the Baltic Sea is ensured through a variety of measures. For example, as early as the planning stage for offshore platforms, care is taken to ensure that no substances hazardous to water enter the sea and that equipment with readily biodegradable hydraulic oils is used wherever possible.

8.4.2. Waste

GRI 306-2

When dealing with waste that cannot be avoided, the motto is *reuse - recycle - recover - dispose*. Maintenance work and infrastructure projects are our core activities that generate most waste flows. If facilities are newly built, converted or dismantled, specific elements (e.g. transformers that have a very long lifetime) are stored in order to be reused either in refurbished stations or in newly built ones. Those parts that are no longer needed are disposed of in a resource-conserving manner and specific elements are recycled (e.g. metals from the cables and oil).

ELIA IN BELGIUM

Elia has established a waste management policy for collecting, sorting and handling its waste in our local technical sites (service centres).

All types of waste generated during the maintenance of assets in this geographical zone are stored in container parks guaranteeing optimal storage in dedicated locations. They are eventually removed periodically or upon request by authorised collectors specialised in the collection, transport and recycling of hazardous and non-hazardous waste. On our construction sites, contractors must comply with environmental legislation as well and organise the sorting of the construction site waste they produce during the execution of their contract.

For consistency’s sake, Elia has decided to standardise the sorting rules and procedures which are identical throughout Belgium, regardless of the site even if the regulations might differ slightly depending on the region where the site is located.

Waste is determined to be hazardous on the basis of its waste code from the European List of Waste.

The waste disposal contractor provides Elia with information on the waste disposal method (and certificates), as legally required in Belgium. Depending on the region, Elia is also required to report to the authorities the yearly quantities of specific waste types.

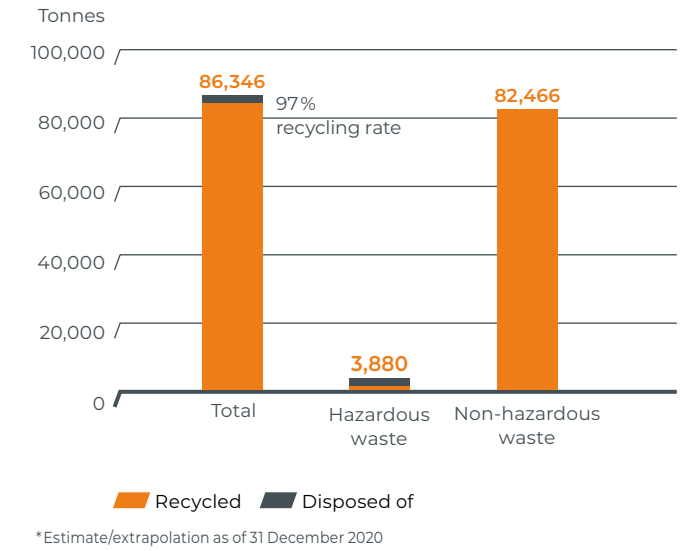
Total weight (ton)	Non-hazardous waste	Hazardous waste
Recycled	628.74	710.59
Disposed of	3.25	18.42
Total	631.99	729.01

N.B. all the data related to the weight of waste produced on our construction sites might not have been gathered as this waste is under the responsibility of our external contractors

50HERTZ IN GERMANY

When dealing with waste, avoidance is 50Hertz’s top priority. However, the annual amount and composition of waste is highly dependent on conversion and dismantling projects and compensation and replacement measures. Therefore, an annual ranking is not appropriate. As a result of numerous construction projects for grid expansion, construction projects and compensation projects generated more waste overall than in the previous year.

WASTE DISPOSAL 2020



50Hertz was able to implement the legally stipulated recycling requirement (recycling before disposal) with a recycling rate of around 97%.

9. COVID-19 pandemic management

The coronavirus pandemic has confronted society with fundamental changes and new challenges. For Elia Group as a transmission system operator in Belgium and Germany, this meant analysing comprehensively, adapting pandemic plans and acting prudently. This enables us to guarantee system stability and security of supply at all times. Thanks to a “COVID-19 Task Force” set up early on in both Germany and Belgium, Elia Group was able to react appropriately and flexibly to the new challenges. In a very short time, our colleagues on the two task forces developed a broad concept for measures for all Elia Group locations and communicated recommendations for action transparently and continuously to all employees. Thanks to continuous coordination and communication, both with internal and external partners, a flexible package of measures developed at an early stage, which could be adapted to the changing conditions again and again over the course of the months, Elia Group was able to maintain its efficiency even in this extreme situation, operate and maintain the grid safely and even expand it further for the energy transition. The impact on projects was reduced to an absolute minimum and Elia and 50Hertz were able to guarantee security of supply at all times.

Amongst other things, this was possible due to the fact that Elia Group was already fully prepared for digital work before the pandemic.

The main objectives of this still existing Task Force are to limit contamination on the work floor by providing effective and efficient security measures. This is done by providing effective and efficient preventive measures, resources, testing, tracing and preparation for vaccination.

Within the framework of the COVID-19 pandemic, in addition to the existing risk assessments, additional dedicated hygiene concepts and occupational safety regulations were implemented in the area of occupational health and safety. In addition, greater emphasis was placed on social aspects and potential psychosocial consequences of the coronavirus crisis.

Despite the special circumstances in 2020, Elia and 50Hertz were able to successfully continue the dialogue with their stakeholders: The existing communication options were expanded to include digital and hybrid formats and additional hygiene guidelines were established for the - very limited - instances of personal contact.

The early involvement of all stakeholders in the planning and implementation of grid expansion projects was particularly important to Elia and 50Hertz, even in times of lock-down and contact restrictions. That is why we increasingly implemented digital formats for informal public participation at the beginning of the year.

Communication formats for internal communication were also further digitalised. In particular, large participation formats for employees, such as management information events, were conducted as hybrid events - i.e. live with a small audience plus a livestream transmission for the entire workforce. Regular dialogue events were planned and implemented fully digitally.

Right from the start, Elia and 50Hertz have been providing new employees with digital onboarding from home. Introductory events and introductions to the various divisions took place digitally without any problems. Likewise, digital, informal appointments for open discussions in the teams also offered new opportunities to get to know each other.

During the pandemic, Elia Group has proven to be a resilient organisation thanks to the commitment and dedication of our employees in both Belgium and Germany. Despite the difficult circumstances, we have continued our activities and delivered a stable and a secure electricity system in the interest of society.

A series of donations were made in the context of the Covid-19 pandemic in Belgium:

- In April 2020, Elia decided to contribute the budget set aside for the organisation of the Annual General Meeting (the amount was even increased to a total contribution of €100,000) to three King Baudouin Foundation Solidarity Funds. Due to the coronavirus measures, this year's Annual General Meeting was held in writing.
- All the members of Elia's Management Committee have decided to contribute their entire salary for the month of May to the King Baudouin Foundation to finance a special fund to fight poverty in the current context of the coronavirus pandemic . With contributions of the employees, the total amount raised was €255,000.



10. Reference Table

10.1 GRI Content Index

GRI 102-55

This annual Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. It is Elia Group's third integrated annual report and covers the period from 1 January 2020 to 31 December 2020.

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102-3	Location of headquarters	1.1.2	6
102-4	Location of operations	1.1.2	6
102-5	Ownership and legal form	1.1.1	2
102-6	Markets served	3.3	6
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102-8	Information on employees and other workers	4.2	30
102-9	Supply chain	1.1.2 & 6.	4, 38
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102-11	Precautionary Principle or approach	1.3.6 & 8.1	15, 50
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All reporting topics can be found in this Elia Group CSR Report. Page references in the Elia Group Activity Report are marked with (a).

Reporting parameters

Registered office

This report is limited to Elia Transmission Belgium and Elia Asset, which operate as a single economic entity under the names Elia and 50Hertz Transmission.

The registered office of Elia Transmission Belgium and Elia Asset is located at Boulevard de l'Empereur 20 1000 Brussels, Belgium

The registered office of 50Hertz GmbH is established at Heidestraße 2 D-10557 Berlin, Germany

The registered office of Eurogrid International is located at Rue Joseph Stevens, 7 1000 Brussels, Belgium

The registered office of Elia Grid International is located at Rue Joseph Stevens, 7 1000 Brussels, Belgium

Reporting period

This annual report covers the period from 1 January 2020 to 31 December 2020.

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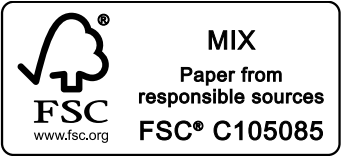
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Editor

Pascale Fonck

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

We would like to thank everyone who contributed to this annual report.

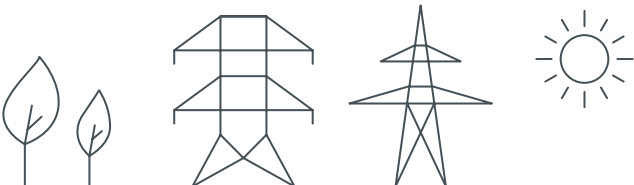






Accelerating to — a net-zero society

Financial Report 2020



CORPORATE GOVERNANCE STATEMENT






















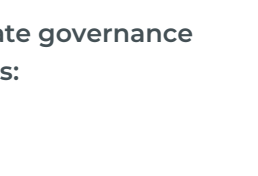






































































































































































































































































































































































































































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Corporate Governance Statement

This Corporate Governance Statement contains the main aspects of Elia Group’s corporate governance framework. In 2020 Elia Group’s corporate governance was based on the following pillars:

- the 2020 Corporate Governance Code¹, which Elia Group has adopted as its benchmark code;
- the Belgian Code of Companies and Associations²;
- Elia Group’s Articles of Association.

Board of Directors

Changes in the composition of the Board of Directors

Philip Heylen tendered his resignation as non-executive director with effect from 19 May 2020 and was replaced by Kris Peeters as from the same date.

Kris Peeters, in his turn, tendered his resignation as non-executive director with effect from 1 January 2021.

To replace Kris Peeters, the Board of Directors co-opted Pieter De Crem on 9 February 2021. The confirmation of his appointment as non-independent director will be proposed to the Ordinary General Meeting to be held on 18 May 2021.

Term and expiry of directorships and appointment procedure

The directors of Elia Group are appointed or reappointed for a maximum six-year term. In line herewith, Luc De Temmerman, Frank Donck and Saskia Van Uffelen’s mandates were renewed at the Ordinary General Meeting of 2020 for a one-year term.

Geert Versnick and Luc Hujoel’s directorships will expire after the 2026 Ordinary General Meeting relating to the financial year ending 31 December 2025.

The directorships of Bernard Gustin, Cécile Flandre, Claude Grégoire, Jane Murphy, Dominique Offergeld, Roberte Kesteman and Rudy Provoost are due to expire after the 2023 Ordinary General Meeting relating to the financial year ending 31 December 2022.

Michel Allé’s directorship will expire after the 2022 Ordinary General Meeting relating to the financial year ending 31 December 2021.

Luc De Temmerman, Frank Donck, and Saskia Van Uffelen's directorships will expire after the 2021 Ordinary General Meeting relating to the financial year ending 31 December 2020.

For the sake of clarity, the end of term of each director referred to above is also mentioned in the following chart:

	End of term after the Ordinary General Meeting to be held in	(relating to financial year)
Bernard Gustin, Chairman	2023	(2022)
Geert Versnick, Vice-Chairman	2026	(2025)
Claude Grégoire, Vice-Chairman	2023	(2022)
Michel Allé	2022	(2021)
Luc De Temmerman	2021	(2020)
Frank Donck	2021	(2020)
Cécile Flandre	2023	(2022)
Luc Hujoel	2026	(2025)
Roberte Kesteman	2023	(2022)
Jane Murphy	2023	(2022)
Dominique Offergeld	2023	(2022)
Rudy Provoost	2023	(2022)
Saskia Van Uffelen	2021	(2020)

End of term after the Ordinary General Meeting to be held in	Number of directors
2021	3
2022	1
2023	7
2026	2

As stated above, Pieter De Crem was coopted by the Board of Directors on 9 February 2021 to replace Kris Peeters. It shall be proposed to the Ordinary General Meeting to be held on 18 May 2021 to confirm his appointment, up to the 2026 Ordinary General Meeting (relating to the financial year ending 31 December 2025).

The six-year term of these directorships diverges from the term of four years recommended by the Belgian Corporate Governance Code 2020. The six-year term is justified in light of the technical, financial and legal specificities and complexities that apply within the group.

Specific requirements for members of the Board of Directors

The Board of Directors of Elia Group consists of 14 members, none of whom perform an executive role within the company or its subsidiaries.

Seven (7) directors are independent non-executive directors, in the meaning of article 7:87 of the Belgian Code of Companies and Associations. The independent directors are proposed for appointment by the Board of Directors to the Ordinary General Meeting based on the recommendation of the Nomination Committee. The seven (7) other non-executive directors are non-independent directors appointed by the Ordinary General Meeting upon proposal of Publi-T, as per the current shareholder structure and article 13.2 of the Articles of Association (see also the ‘Shareholder structure’ section on page 14 of this statement).

In accordance with the provisions of the Articles of Association, the Board of Directors is supported by four advisory commit-

tees: the Nomination Committee, the Audit Committee, the Remuneration Committee and the Strategic Committee. The Board of Directors ensures that these advisory committees operate in an efficient manner.

In accordance with the Articles of Association and the Belgian Code of Companies and Associations, at least one third (1/3) of the directors must be of the opposite gender to the remaining two thirds.

In addition, in accordance with the Belgian Code of Companies and Associations, the Belgian Corporate Governance Code 2020 and the internal rules of procedure of the Board of Directors, the composition of the Board of Directors is based on the complementarity of skills, experience and knowledge as well as on gender diversity and diversity in general.

When searching for and appointing new non-executive directors, special attention is paid to diversity parameters in terms of age, gender and complementarity.

Diversity within the Board of Directors		
Number of directors as at 31 December 2020	Unit	2020
Men	Aged 35 < 54	1
	Aged ≥ 55	8
Women	Aged 35 < 54	2
	Aged ≥ 55	3

Competences of the Board of Directors and activity report

GRI 102-19, GRI 102-26

Elia Group has a one-tier structure as governance model. The Board of Directors therefore has, in accordance with article 17.2 of the Articles of Association, the power to perform all acts necessary or useful for achieving the statutory purpose, with the exception of those acts reserved by law or by the Articles of Association to the General Meeting.

Thus, the Board of Directors has *inter alia* the following powers:

1° approval/amendment of the general, financial and dividend policy of the company, including the strategic orientations or options for the company as well as the principles and problems of a general nature, in particular with regard to risk management and personnel management;

2° approval, follow-up and amendment of the business plan and budgets of the company;

3° without prejudice to other specific powers of the Board of Directors, entering into any commitment where the amount exceeds fifteen million euros (EUR 15,000,000), unless the amount as well as its main characteristics are explicitly provided for in the annual budget;

- 4° decisions on the corporate structure of the company and of the companies in which the company holds a participation, including the issue of securities;
- 5° decisions on the incorporation of companies and on the acquisition or transfer of shares (regardless of the manner in which these shares are acquired or transferred) in companies in which the company directly or indirectly holds a participating interest, insofar as the financial impact of this incorporation, acquisition or transfer exceeds two million five hundred thousand euros (EUR 2,500,000);
- 6° decisions on strategic acquisitions or alliances, significant divestments or transfers of core activities or assets of the company;
- 7° significant changes to accounting or tax policies;
- 8° significant changes in the activities;
- 9° decisions concerning the launch of or acquisition of participations in activities outside the management of electricity networks;

10° strategic decisions to manage and/or acquire new electricity networks outside Belgium;

11° In relation to

- (i) Elia Transmission Belgium NV and Elia Asset NV: monitoring their general policy as well as the decisions and matters referred to in 4°, 5°, 6°, 8°, 9° and 10° above;
- (ii) the key subsidiaries designated by the Board of Directors (other than Elia Transmission Belgium NV and Elia Asset NV): the approval and monitoring of their general policy as well as the decisions and matters referred to in 1° to 10° above;
- (iii) the subsidiaries other than the key subsidiaries: the approval and monitoring of their general policy as well as the decisions and matters referred to in the 4°, 5°, 6°, 8°, 9° and 10° above;

12° exercising general supervision on the Executive Board; in that context, the Board of Directors shall also supervise the way in which the business activity is conducted and developed in order inter alia to assess whether the company's business is being conducted in a due and proper way;

13° the powers granted to the Board of Directors by or by virtue of the Belgian Code of Companies and Associations or the Articles of Association.

In 2020, the Board of Directors of Elia Group met seven times.

Attendance rate	Elia Group
Bernard Gustin, Chairman	7/7
Geert Versnick, Vice-chairman	7/7
Claude Grégoire, Vice-chairman	6/7
Michel Allé	7/7
Luc De Temmerman	7/7
Frank Donck	7/7
Cécile Flandre	5/7
Luc Hujoel	7/7
Roberte Kesteman	7/7
Jane Murphy	7/7
Dominique Offergeld	6/7
Kris Peeters ¹⁴	5/5
Rudy Provoost	7/7
Saskia Van Uffelen	7/7

The Board of Directors primarily focused on strategic issues, the financial and regulatory situation of the company and its subsidiaries, the impact of Covid-19 and progress on major investment projects.

Members who are unable to attend usually grant a proxy to another member. In accordance with article 19.4 of the Articles of Association of the company, members who are absent or unable to attend may grant a written proxy to another member of the Board of Directors to represent them at a given meeting of the Board of Directors and vote on their behalf at that meeting. However, no director can hold more than two proxies.

Evaluation

The Board's evaluation procedure is conducted in accordance with principle 9 of the Belgian Corporate Governance Code 2020.

The evaluation of the directors is conducted by means of a transparent and regular procedure that sees directors complete an evaluation questionnaire, then possibly undergo an individual interview with the Chairman of the Board of Directors and the Chairman of the Nomination Committee. The results are discussed by the Board of Directors and, as the case may be, appropriate actions are taken.

Auditors

The Ordinary General Meeting of Elia Group held on 19 May 2020 reappointed Ernst & Young Réviseurs d'Entreprises SRL and appointed BDO Réviseurs d'Entreprises SRL as auditors of the company for a period of three years. Their term of office will end after the 2023 Ordinary General Meeting, relating to the financial year ending 31 December 2022.

Ernst & Young Réviseurs d'Entreprises SRL was represented for the exercise of this office by Patrick Rottiers until 19 May 2020 and is represented as from this date by Paul Eelen. BDO Réviseurs d'Entreprises SRL is represented for the exercise of this office by Félix Fank.

Significant events in 2020

COVID-19 PANDEMIC -ENSURING BUSINESS CONTINUITY

During the first and second wave of the pandemic, the companies of the Elia group consistently applied government measures to mitigate the impact of the COVID-19 crisis. Since the Belgian and German authorities consider the activities of the group to be crucial, the group maximised the continuation of its activities to ensure business continuity. In order to supervise this process optimally, an internal task force has been set up across various departments. Maintaining security of supply and the health and safety of the employees and contractors are main priorities.

ENTERING TWO NEW EQUITY INDICES

Elia Group entered the MSCI Belgium index at the end of May 2020 and entered the SE European Utilities Index at the end of June 2020.

BEL MID 2020 COMPANY OF THE YEAR

Elia Group received the BelMid Company of the Year 2020 award at the Euronext New Year's ceremony for the largest relative increase in market capitalisation over the past year.

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

The Extraordinary General Meeting of Elia Group of 19 May 2020 approved the proposed capital increase reserved for members of staff of the company and its Belgian subsidiaries.

This capital increase has been planned to take place in two stages, in December 2020 and March 2021, for a maximum amount of €6 million (maximum of €5,000,000 in 2020 and maximum of €1,000,000 in 2021) subject to the issuing of new Class B shares, with cancellation of the preferential subscription right of existing shareholders in favour of staff members of the company and its Belgian subsidiaries.

The issue price of the capital increase of 22 December 2020 was set at €73.74 per share, i.e. at a price equal to the average of the closing prices of the last thirty calendar days preceding 29 October 2020, reduced by 16.66%.

The total value of the December 2020 capital increase (including share premium) was €4,996,401.18 EUR and 67,757 Class B shares in Elia Group were issued. Accordingly, articles 4.1 and 4.2 of the Articles of Association of Elia Group relating to the share capital and the number of shares were amended on 22 December 2020.

The latest version of Elia Group's Articles of Association is available in full on the company's website (www.eliagroup.eu, under 'About Elia Group', 'Corporate Bodies').

OTHER SIGNIFICANT EVENTS

For the other significant events in 2020, see the pages 24 and 25 of the Elia Group Activity Report.

¹⁴ Appointed as non-executive director by the Ordinary General Meeting as of 19 May 2020. He tendered his resignation as a non-executive director of Elia Group with effect as from 1 January 2021. The Board of Directors of 9 February 2021 has coopted Pieter De Crem with immediate effect to replace Kris Peeters.

Remuneration Committee

In addition to its usual support role to the Board of Directors, the Remuneration Committee is responsible, pursuant to article 7:100 of the Code of Companies and Associations and the Articles of Association, for making recommendations to the Board of Directors regarding remuneration policy and the individual remuneration of members of the Executive Board and of the Board of Directors. The Remuneration Committee also draws up the remuneration report, for presentation (consultative vote) to the Ordinary General Meeting. The remuneration report is part of this Corporate Governance Statement (see below).

The Remuneration Committee of Elia Group met seven times in 2020.

Attendance rate	Elia Group
Luc De Temmerman, Chairman	7/7
Roberte Kesteman	7/7
Dominique Offergeld	7/7
Kris Peeters ¹⁵	4/4
Saskia Van Uffelen	7/7

The company evaluates its management staff on a yearly basis in accordance with its performance management policy. This policy also applies to members of the Executive Board. The Remuneration Committee approved the proposed collective and individual targets for the Executive Board for 2020. Accordingly, the Remuneration Committee evaluates the members of the Executive Board on the basis of a series of collective and individual targets, of a quantitative and qualitative nature, also taking into account the feedback from internal and external stakeholders.

It should be noted that the current remuneration policy concerning the variable portion of the Executive Board’s remuneration takes into account the implementation of multi-year tariffs. Consequently, the salary scheme for members of the Executive Board has included, among other things, an annual variable remuneration and long term incentive (LTI) spread out over the multi-year regulation period. The annual variable remuneration, which is connected with Elia Group’s strategy, has two components: the attainment of collective quantitative targets and the individual performances, including progress on net profit, opex efficiency, collective infrastructure projects, safety and AIT (‘Average Interruption Time’ – average time of interruption of electricity supply). In addition, the remuneration policy foresees also in the allocation of exceptional cash bonuses for specific projects in specific, non-recurring cases.

During the financial year 2020, the Remuneration Committee reviewed the group’s remuneration policy and the LTI. The granting of an LTI is intended to contribute to the retention of our management and is thus an important element that helps us to achieve our long-term strategy. The new remuneration policy will be presented to the Annual General Meeting on 18 May 2021 (see also the remuneration report for explanations as to recommendations 7.6 and 7.9 of the Corporate Governance Statement 2020).

In view of recommendation 7.6 of the Corporate Governance Code 2020, the Remuneration Committee further examined in 2020 whether a share-based compensation should be granted to the members of the Board of Directors as from 2021.

The Board of Directors has followed the recommendation of the Remuneration Committee and has decided that a share-based remuneration is not suitable within Elia Group as (i) Elia’s activities are by nature organized in such a way as to present a low risk profile and are focused on the long term and (ii) the shareholding structure is based on a reference shareholding that naturally pursues fixed long-term objectives and sustainability goals.

In addition (and in deviation from provision 7.9 of the 2020 Corporate Governance Code), the Board of Directors decided not to impose a minimum threshold of shares to be held by the members of the Executive Board. The Board of Directors is indeed of the opinion that the way in which the remuneration of the members of the Executive Board is structured, sufficiently contributes to the long-term interests and the sustainability of the company. Moreover, the fixed remuneration guarantees commitment in more difficult times whereas the variable remuneration and the LTI guarantee ambition in achieving the performance criteria that translate the company’s strategy.

Audit Committee

In addition to its usual support role to the Board of Directors, the Audit Committee is, pursuant to article 7:99 of the Code of Companies and Associations and the Articles of Association, responsible in particular for:

- examining the accounts and exercising control over the budget;
- monitoring the financial reporting process;
- monitoring the effectiveness of the company’s internal control and risk management systems;
- monitoring the internal audit and its effectiveness;
- monitoring the statutory audit of the annual accounts, including follow-up on questions raised and recommendations made by the statutory auditors and, as the case may be, by the auditor responsible for monitoring the consolidated accounts;
- reviewing and monitoring the independence of the statutory auditors and, as the case may be, of the auditor responsible for monitoring the consolidated accounts, in particular regarding the provision of additional services to the company;
- formulating a proposal to the Board of Directors for the (re) appointment of the statutory auditors, as well as making recommendations to the Board of Directors regarding the conditions of their appointment;
- as the case may be, investigating the issues giving rise to the resignation of the statutory auditors, and making recommendations regarding all appropriate actions in this respect;
- monitoring the nature and extent of the non-audit services provided by the statutory auditors;
- reviewing the effectiveness of the external audit process.

Pursuant to article 3:6, §1, 9° of the Code of Companies and Associations, this report must contain justification of the independence and accounting and auditing competence of at least one member of the Audit Committee. The internal rules of procedure of the Audit Committee require, in this respect, that all members of the Audit Committee have the sufficient experience and expertise required to exercise the role of the Audit Committee, particularly in terms of accounting, auditing and finance. The internal rules of procedure of the Audit Committee provide that the professional experience of at least two members of the Audit Committee must be detailed in this report.

The experience of Michel Allé, Chairman of the Audit Committee, and Dominique Offergeld, member of the Audit Committee, is described in detail below.

Michel Allé (non-executive independent director of Elia Group, Elia Transmission Belgium and Elia Asset since 17 May 2016 and Chairman of the Audit Committee) has degrees in physics civil engineering and economics (both from the Université Libre de Bruxelles (ULB)). Alongside his academic career as a professor

of economics and finance (Solvay Brussels School, ULB’s École Polytechnique), he worked for many years as a Chief Financial Officer. In 1979, he began his career in the service of the Prime Minister, as an advisor in the Science Policy Department. He was appointed director of the National Energy R&D Programme in 1982 and then director in charge of Innovative Companies. In 1987, he joined the Cobepa group, where he held many positions including Vice President of Mosane from 1992 to 1995. From 1995 to 2000 he was a member of the Cobepa group’s Executive Committee. He then served as Chief Financial Officer of BIAC between 2001 and 2005 and Chief Financial Officer of SNCB (Belgian Railways) between 2005 and 2015. He also has extensive experience as a director, including past and present roles at Telenet, Zetes, Eurvest (Nicols) and D’leteren. He has chaired the Zetes Audit Committee.

Dominique Offergeld (non-executive non-independent director of Elia Group, Elia Transmission Belgium and Elia Asset) has a degree in economics and social science (specialisation: public economics) from Université Notre Dame de la Paix in Namur. She has taken various extra-academic programmes, including the General Management Program at Cedef (INSEAD) in Fontainebleau (France). She started her career at Générale de Banque (now BNP Paribas Fortis) in the corporate finance department in 1988, and was subsequently appointed as specialist advisor to the vice-president and minister for economic affairs of the Walloon Region in 1999. In 2001 she became advisor to the Deputy Prime Minister and Minister for Foreign Affairs. Between 2004 and 2005, she was deputy director of the office of the minister for energy, subsequently becoming general advisor to the SNCB holding company in 2005. She was previously director of (among others) Publigas and government commissioner at Fluxys. She was also Chairwoman of the Board of Directors and the Audit Committee of SNCB. Between 2014 and 2016, she was director of the Minister for Mobility’s Strategy Unit, with responsibility for Belgocontrol and the SNCB. She has been CFO of ORES since August 2016, a position she also held between 2008 and 2014.

The Audit Committee may investigate any matter that falls within its remit.

For this purpose, it is given the resources it needs to perform this task, has access to all information, with the exception of confidential commercial data concerning grid users, and can call on internal and external experts for advice.

The Audit Committee met five times in 2020.

Attendance rate	Elia Group
Michel Allé, Chairman	5/5
Frank Donck	5/5
Roberte Kesteman	5/5
Dominique Offergeld	5/5
Rudy Provoost	5/5

¹⁵ Appointed as non-executive director by the Ordinary General Meeting as of 19 May 2020. He tendered his resignation as a non-executive director of Elia Group with effect as from 1 January 2020. The Board of Directors of 9 February 2021 has coopted Pieter De Crem with immediate effect to replace Kris Peeters.

The Committee examined the annual accounts for 2019, under both Belgian GAAP and IFRS. It also examined the half-yearly results as at 30 June 2020 and the 2020 quarterly results, in accordance with Belgian GAAP and IFRS rules. Furthermore, the Audit Committee was responsible for the selection procedure that has been organized with regard to the appointment of the new auditors as the term of office of the previous auditors ended after the 2020 Ordinary General Meeting of Elia Group relating to the financial year ending on 31 December 2019.

In addition, the Audit Committee followed up the risk management activity, where under the potential risks related to COVID-19 on the activities of the group.

The Audit Committee took note of the internal audits carried out and the recommendations made. The Audit Committee follows an action plan for each audit carried out, in order to improve the efficiency, traceability and awareness of the areas audited and thereby reduce the associated risks and provide assurance that the control environment and risk management are appropriate. The Audit Committee followed the various action plans from a number of perspectives (timetable, results, priorities) on the basis, among other things, of an activity report from the internal audit department. The Audit Committee noted the strategic risks and the ad-hoc risk analyses based on the environment in which the group operates. The Audit Committee regularly examined the compliance of the non-audit services with the legal requirements.

Nomination Committee

In addition to its usual support role to the Board of Directors, the Nomination Committee is responsible for providing advice and support to the Board of Directors regarding the appointment of the directors, the Chief Executive Officer and the members of the Executive Board.

The Nomination Committee met seven times in 2020.

Attendance rate	Elia Group
Luc Hujoel, Chairman	7/7
Luc De Temmerman	7/7
Frank Donck	7/7
Jane Murphy	7/7
Kris Peeters ¹⁶	5/5

In line with its competences under the Articles of Association, the Nomination Committee dealt in particular with the following matters: compliance with the requirements in the area of full ownership unbundling concerning the non-executive directors (article 13 of the Articles of Association of Elia Group),

proposal for the re-appointment of non-executive independent directors, follow up of future Board mandates to be renewed, advices regarding the composition of the Executive Board and in particular as to the appointment of Stefan Kapferer (TSO Head 50Hertz) and Michaël von Roeder (Chief Digital Officer), report of the Compliance Officer and preparation of the Corporate Governance Statement. Also the group governance structure was discussed.

The composition of the Nomination Committee respects the provision of 4.19 of the 2020 Corporate Governance Code but deviated from the Articles of Association of the company.

Strategic Committee

On 28 July 2020, further to the new role of Elia Group after the reorganization of the group, the Board of Directors decided that the Strategic Committee, in addition to its responsibilities provided by the Articles of Association, shall assist the Board of Directors by issuing recommendations and advices on business development activities as well as on international investment policy of the company in the broadest sense (including its financing).

Further to the broadening of the Strategic Committee's responsibilities, the Board of Directors decided to review the composition of this Committee, which is therefore, since 28 July 2020, composed of Geert Versnick (Chairman), Michel Allé, Bernard Gustin, Luc Hujoel and Rudy Provoost. In addition, Claude Grégoire and Dominique Offergeld were invited to attend all meetings of the Strategic Committee as "standing invitees".

The Board of Directors of 9 February 2021 decided to appoint Claude Grégoire as member of the Strategic Committee and to appoint Luc Hujoel as standing invitee of the Strategic Committee.

The Strategic Committee met two times in 2020.

Attendance rate	Elia Group
Geert Versnick, Chairman	2/2
Michel Allé	2/2
Bernard Gustin	2/2
Claude Grégoire	2/2
Luc Hujoel	2/2
Dominique Offergeld	2/2
Rudy Provoost	1/2

Executive Board



- 1

Chris Peeters
Chief Executive Officer
and TSO Head Elia
- 2

Catherine Vandenborre
Chief Financial Officer
- 3

Stefan Kapferer*
TSO Head 50 Hertz
- 4

Peter Michiels
Chief Human Resources,
Internal Communication
Officer, Chief Alignment
Officer
- 5

**Michael Freiherr Roeder
von Diersburg***
Chief Digital Officer

* Appointed as member of the Executive Board as from 28 July 2020.

16 Appointed as Director as of 19 May 2020.

As mentioned above, Elia Group has a one-tier structure as governance model. However, in accordance with the possibility provided for by article 7:121 of the Belgian Code of Companies and Associations, and pursuant to its Articles of Association, the Board of Directors delegated the day-to-day management to an Executive Board (*collège de gestion journalière/college van dagelijks bestuur*).

The Executive Board is responsible for, within the limits of the rules and principles of general policy and the decisions adopted by the Board of Directors of the company, all acts and decisions that do not exceed the needs of the daily management of the company, as well as those acts and decisions that do not justify the intervention of the Board of Directors for reasons of minor importance or urgency, including:

1° the day-to-day management of the company, including all commercial, technical, financial, regulatory and personnel matters related to this day-to-day management of the company, including, inter alia, all commitments (i) when the amount is less than or equal to 15 million euros (EUR 15,000,000) or (ii) when the amount as well as its main characteristics are explicitly provided for in the annual budget;

2° the regular reporting to the Board of Directors on its operational activities in the company in execution of the powers granted in accordance with article 17.3 of the Articles of Association, with due observance of the legal restrictions regarding access to commercial and other confidential data relating to net users and the processing thereof and the preparation of the decisions of the Board of Directors, including in particular:

- (a) timely and accurate preparation of the annual accounts and other financial information of the company in accordance with the applicable accounting standards and company policy, and the appropriate communication thereof;
- (b) preparation of the adequate publication of key non-financial information about the company;
- (c) preparation of the financial information in the half-yearly statements that will be submitted to the audit committee for advice to the Board of Directors as part of its general task of monitoring the financial reporting process;
- (d) implementation of internal controls and risk management based on the framework approved by the Board of Directors, without prejudice to the follow-up of the implementation within this framework by the Board of Directors and the investigation conducted by the Audit Committee for this purpose;
- (e) submitting to the Board of Directors the financial situation of the company;
- (f) making available the information necessary for the Board of Directors to carry out its duties, in particular by preparing proposals on the policy issues set out in article 17.2 of the Articles of Association (see the powers of the Board of Directors above);

3° the regular reporting to the Board of Directors on its policy in the key subsidiaries designated by the Board of Directors and the annual reporting to the Board of Directors on its policy in the other subsidiaries and on the policy in the companies in which the company directly or indirectly holds a participating interest;

4° all decisions relating to proceedings (both before the Supreme Administrative Court and other administrative courts, as well as before the ordinary courts of law and arbitration tribunals) and in particular for taking decisions in the name and for the account of the company to file, amend or withdraw an appeal and to engage one or more lawyers to represent the company;

5° all other powers delegated by the Board of Directors.

The Executive Board has all powers necessary, including the power of representation, and sufficient margin for manoeuvre to exercise the powers that have been delegated to it and to propose and implement a corporate strategy, without prejudice to the powers of the Board of Directors.

The Executive Board generally meets formally at least twice a month. Its members also attend informal weekly meetings. Executive Board Members who are unable to attend usually grant a proxy to another Executive Board Member. A written proxy, conveyed by any means (of which the authenticity of its source can be reasonably determined), can be given to another member of the Executive Board, in accordance with the internal rules of procedure of the Executive Board. However, no member may hold more than two proxies.

In 2020, the Executive Board met on 20 occasions.

Each quarter, the Executive Board reports to the Board of Directors on the company's financial situation (in particular on the balance between the budget and the results stated). It also reports on the management by the group of the transmission system activities in the main Belgian and German affiliates of the group (Elia Transmission Belgium/ Elia Asset and 50 Hertz Transmission GmbH) at each meeting of the Board of Directors. As part of its reporting in 2020, the Executive Board kept the Board of Directors informed of the company's/the group's financial situation, the follow-up of its investment programme, the evolution of the share price, the evolution of the market in the field of activities of the group, strategic issues, the main decisions taken by regulators and administrations, the monitoring and development of major investment projects, the follow up on the group's infrastructure, safety and security issues, maintenance and operations, customer satisfaction and human resources matters. The Executive Board also follows-up most important group risks and their mitigation measures.

GRI 102-20

Corporate social responsibility (CSR) at Elia Group is the responsibility of the Chief Community Relations Officer.

Changes in the composition of the Executive Board

On 28 July 2020, Markus Berger, Patrick De Leener, Frédéric Dunon, Pascale Fonck et Ilse Tant tendered their voluntary resignation and, on the same date, the Board of Directors appointed Stefan Kapferer and Michaël von Roeder as Executive Board Members.

In addition, the composition of the Executive Board is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge.

When searching for and appointing new members of the Executive Board, special attention is paid to diversity parameters in terms of age, gender and complementarity.

Diversity within the Executive Board		
Number of Executive Board Members as at 31 December 2020	Unit	2020
Men	Aged 35 < 54	4
	Aged ≥ 55	0
Women	Aged 35 < 54	1
	Aged ≥ 55	0

Code of Conduct

Following the entry into force of European Regulation (EU) No. 596/2014 on market abuse, Elia Group amended its Code of Conduct that aims to prevent staff and those with leadership responsibilities in the group from potentially breaking any laws on the use of privileged information and market manipulation. The Code of Conduct lays down a series of regulations and communication obligations for transactions by those individuals in relation to their Elia Group securities, in accordance with the provisions of the Market Abuse Regulation and the Act of 2 August 2002 on monitoring of the financial sector and other financial services. This Code of Conduct is available on the website www.elia.be (under 'Company', 'Corporate Governance', 'Document library').

Corporate governance charter and internal rules of procedure of the Board of Directors, the Board's advisory Committees and the Executive Board

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, the Board's advisory committees and the Executive Board can be found on the website www.elia.be (under 'Company', 'Corporate Governance', 'Document library'). The responsibilities of the Board of Directors and of the Executive Board are described in detail in the Articles of Association of the company and are therefore not reiterated in the internal rules of the Board of Directors and of the Executive Board.

Elia Group has finalized in March 2021 a new version of the Corporate Governance Charter in order to comply with the group's new structure and governance, the changes introduced by the new Belgian Code of Companies and Associations and the 2020 Code of Corporate Governance.

Transparency rules – notifications

DISCLOSURE OF MAJOR SHAREHOLDINGS BASED ON THE ACT ON MAJOR SHAREHOLDINGS OF 2 MAY 2007

Elia Group received no notifications in 2020 within the meaning of the Act of 2 May 2007 on disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions, and within the meaning of the Royal Decree of 14 February 2008 on disclosure of major shareholdings.

In accordance with article 15 of the Act of 2 May 2007, Elia Group published on 22 December 2020, as a result of Elia Group's capital increase reserved for its staff and for the staff of its Belgian subsidiaries and the issuance of 67,757 new shares, that it has issued a total of 68,720,695 shares. See the press release published on www.eliagroup.eu (under 'News', 'Press releases', 'Regulated information').

DISCLOSURE BASED ON THE ACT ON TAKEOVER BIDS OF 1 APRIL 2007

On 23 November 2007 Publi-T communicated to the company that it held on 1 September 2007 more than 30% of the securities with voting rights in the company. No update of this notification was notified as of 1st September 2020.

The shareholder structure as at 31 December 2020, based on the transparency notifications received by Elia Group up to that date, is the following:

Shareholder	Number of shares (= Denominator)	Type of shares***	% of shares	% of voting rights
Publi-T	30,806,445*	Class B & C*	44.82%	44.82%
Publipart	2,280,231	Class A & B **	3.32%	3.32%
Belfius Insurance	714,357	Class B	1.04%	1.04%
Katoen Natie Group	4,228,344	Class B	6.15%	6.15%
Interfin	2,598,143	Class B	3.78%	3.78%
Other free float	28,100,535	Class B	40.89%	40.89%
Total	68,728,055		100%	100%

* Publi-T holds a total of 30,806,445 shares, of which 30,722,070 class C shares (and 84,375 class B shares)

** Publipart holds a total of 2,280,231 shares, of which 1,717,600 class A shares (and 562,631 class B shares)

*** The Company's share capital amounts to € 1,714,205,819.64 represented by 68,728,055 ordinary shares. The shares are divided into three classes of shares: 1,717,600 class A shares; 36,288,385 class B shares; and 30,722,070 class C shares. All shares have identical voting, dividend and liquidation rights, but the class A and the class C shares carry certain special rights regarding the nomination of candidates for appointment to the Board of Directors and the voting of shareholders' resolution

According to the transparency notification dated October 30, 2014, Publi-T and FPIM (Belfius Insurance) are acting in concert within the meaning of article 3 §1, 13° b) of the Belgian law of May 2, 2007

Items to be disclosed pursuant to article 34 of the Royal Decree of 14 november 2007

In accordance with article 3:6, §2, 7° of the Belgian Code of Companies and Associations, Elia Group discloses hereafter the items referred to under article 34 of the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

CAPITAL STRUCTURE

As at 31 December 2020, the capital of the company amounted to € 1,714,022,247.52, represented by a total of 68,720,695 shares, among which 1,717,600 Class A Shares (2,50% of the total share capital and voting rights), 36,281,025 Class B Shares (52,80% of the total share capital and voting rights) and 30,722,070 Class C Shares (44,70% of the total share capital and voting rights). All shares have no par value and are fully paid-up.

Total capital			
€ 1,714,022,247.52			
Total number of securities conferring voting rights (by class)		% of the total share capital	
class A	1,717,600		2,50%
class B	36,281,025		52,80%
class C	30,722,070		44,70%
TOTAL	68,720,695		
Total number of securities conferring voting rights (by class)		% of the total share capital	
class A	1,717,600		2,50%
class B	36,281,025		52,80%
class C	30,722,070		44,70%
TOTAL (= denominator)	68,720,695		

Class A and class C shares are respectively held by Publipart SA and Publi-T SCRL.

Pursuant to article 4.3 of the Articles of Association, all shares have the same rights irrespective of the class to which they belong, unless otherwise provided in the Articles of Association.

In this context, the Articles of Association provide that certain specific rights are attached to class A and class C shares with respect to (i) the appointment of members of the Board of Directors (article 13.2 2) and (ii) the approval of decisions of the General Meeting (articles 28.2 and 33.1).

RESTRICTION ON THE TRANSFER OF SHARES

Articles 4.3 and 4.4 of the Articles of Association provide **restrictions as to shareholding** by electricity and/or natural gas companies within the meaning of the Belgian Act of 29 April 1999 on the organisation of the electricity market and the Belgian Act of 12 April 1965 on the transport of gaseous and other products through conduits or if otherwise performing any of the functions of production or supply of electricity and/or natural gas.

Besides, Class A and C shares are subject to a **preemptive right** to the benefit, respectively of class C and A shareholders, in accordance with article 9 of the company's Articles of Association.

HOLDERS OF SECURITIES WITH SPECIAL CONTROL RIGHTS

See above for class A and C shareholders rights.

CONTROL MECHANISM OF ANY EMPLOYEE SHARE SCHEME WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES

There is no employee share scheme with such a mechanism.

RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS

Article 4.3 of the Articles of Association provides that voting rights attached to shares held directly or indirectly by electric-ity and/or natural gas companies within the meaning of the Belgian Act of 29 April 1999 on the organisation of the electricity market and the Belgian Act of 12 April 1965 on the transport of gaseous and other products through conduits, respectively, are suspended.

In addition, article 11.2 of the Articles of Association stipulates that the company may suspend exercise of the rights attaching to securities that are subject to joint ownership, usufruct or pledge until such time as one person has been designated as the holder of these rights vis-à-vis the company.

SHAREHOLDERS' AGREEMENT

The company is not aware of provisions of a shareholders' agreement that would restrict the transfer of shares or the exercise of voting rights otherwise than as stipulated in the Articles of Association.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of Directors are governed by articles 12 and 13 of the Articles of Association. Their main provisions are described above.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

The rules governing the amendment to the company's Articles of Association are provided by the Belgian Code of Companies and Associations as well as by article 29 of the Articles of Association.

The Articles of Association may be amended by an Extraordinary General Meeting convened for that purpose. The object of the proposed amendments must be stated on the agenda.

The Extraordinary General Meeting shall only validly adopt such resolution if at least 50% of the share capital is present or represented and with a majority of 75% of the votes cast. If the attendance quorum is not met at a first General Meeting, a second General Meeting may be convened and will decide without any attendance quorum requirement.

If the amendments to the Articles of Association relate to the rights attached to a or several class(es) of shares, the quorum and majority requirements abovementioned apply within each category of shares.

For certain specific matters (e.g. amendment of the purpose of the company), higher voting majorities may apply.

Pursuant to article 28.2 of the Articles of Association, as long as the class C shares represent more than twenty-five per cent (25%) of the total number of shares, no decision can be adopted by the General Meeting, without prejudice to the majority provided for in the Articles of Association and the Belgian Code of Companies and Associations, unless such decision is approved by a majority of the class C shares that are present or represented. If, in the case of an increase in the capital of the company, the class C shares are diluted and no longer represent more than twenty-five per cent (25%) of the total number of shares, the class C shares will retain the aforementioned right as long as the class C shares represent more than fifteen per cent (15%) of the total number of shares.

POWERS OF THE BOARD OF DIRECTORS, IN PARTICULAR TO ISSUE AND BUY BACK SHARES

See page 5-6 for a description of the powers of the Board of Directors.

The General Meeting as at 31 December 2020 has not authorized the Board of Directors to acquire Elia Group's own shares.

SIGNIFICANT AGREEMENTS OR SECURITIES THAT MAY BE IMPACTED BY A CHANGE OF CONTROL OF THE COMPANY

There are no such agreements.

AGREEMENTS BETWEEN ELIA GROUP AND ITS DIRECTORS OR EMPLOYEES PROVIDING FOR COMPENSATION IF THE DIRECTORS RESIGN OR ARE MADE REDUNDANT WITHOUT VALID REASON OR IF THE EMPLOYMENT OF THE EMPLOYEES CEASES BECAUSE OF A TAKEOVER BID

No specific dismissal arrangements have been agreed outside the legal framework.

Remuneration of the members of the Board of Directors and of the Executive Board

Introduction

This remuneration report relates to the remuneration of the members of the Board of Directors and of the Executive Board of Elia Group during the financial year 2020. This remuneration report is based on the remuneration policy applicable in the company since 2016.

This policy was drawn up in 2016 by the Elia Group Remuneration Committee and was approved by the Board of Directors of Elia Group for the remuneration of the members of the Executive Board. The remuneration of the members of the Board of Directors was approved by the General Meeting of 17 May 2016, with an additional specification for the members of the Strategic Committee by the General Meeting of 15 May 2018.

The remuneration policy as approved in 2016 and slightly amended in 2018 can be consulted using the following hyper-link:

<https://www.eliagroup.eu/en/investor-relations/shareholders-meetings-overview/2018-shareholder-meeting-details>

The new remuneration policy will be submitted to the General Meeting of Elia Group on 18 May 2021, in accordance with Article 7:89/1 of the Belgian Code of Companies and Associations. Subject to approval by the said General Meeting, it will be applicable as from 1st January 2021.

1. Total remuneration of the members of the Board of Directors and of the Executive Board

1.1. TOTAL REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors of Elia Group is composed of 14 non executive board members.

During the financial year 2020, all members of the Board of Directors of Elia Group were also member of the Board of Directors of Elia Transmission Belgium and Elia Asset. The present report gives an overview of their remuneration for all these mandates.

1.1.1. Fixed remuneration

The remuneration of the directors consists of a base salary of €12,500 for Elia Group, €6,250 for Elia Transmission Belgium

Highlights Summary explaining the major changes of Elia Group as from January 1st, 2020 in view of Project Topco

In order to have a good understanding of this remuneration report, one should take into account that as from 1st January 2020 the internal reorganization of the Elia group that was approved by the General Meeting of 8 November 2019, was effectively implemented. As from 1st January 2020, Elia Group acted as parent company of, on the one hand, the companies performing regulated activities in Belgium (a.o. Elia Transmission Belgium / Elia Asset) and, on the other hand, the companies performing either regulated activities carried out outside Belgium (a.o. 50Hertz) or unregulated activities.

The composition of the Board of Directors of Elia Group did not change following this reorganization. However, in order to adequately develop the strategy of the Elia group, it was decided to amend the composition of the Executive Board of Elia Group. More precisely, five members of the Executive Board voluntarily resigned as members of the Executive Board of Elia Group, but continued their activities within Elia Transmission Belgium / Elia Asset¹. Additionally, two new members were appointed as member of the Executive Board of Elia Group.

and €6,250 for Elia Asset and an attendance fee per meeting of the Board of Directors of €750 for Elia Group, €375 for Elia Transmission Belgium and €375 for Elia Asset, starting with the first Board meeting attended by the director. The base salary and the attendance fee are increased by 100% for the Chairman of the Board of Directors and by 30% for each Vice-Chairman of the Board of Directors.

The base salary for each member of the Audit Committee, the Remuneration Committee and the Nomination Committee (Elia Group) respectively the Corporate Governance Committee (Elia Transmission Belgium / Elia Asset) is set at €3,000 per annum per committee of Elia Group and at €1,500 per annum per committee of Elia Transmission Belgium and of Elia Asset.

The attendance fee, starting with the first meeting attended by the member, for each member of a committee is set at €750 per committee meeting of Elia Group and at €375 per committee meeting of Elia Transmission Belgium and of Elia Asset. The base salary and the attendance fee are increased by 30% for each committee Chairman.

The members of the Strategic Committee (which only exists in Elia Group) are not remunerated, with the exception of the Chairman, who is remunerated in the same way as the Chairmen of the other advisory committees of the Board of Directors. The Board of Directors decided in July 2020 to modify the composition of the Strategic Committee. The first meeting of the newly composed Strategic Committee took place in September 2020. This meeting elected a new Chairman of the Strategic Committee. Due to the ongoing discussions within the Remuneration Committee regarding the remuneration policy, the newly appointed Chairman has proposed to suspend the payment of its remuneration until the Ordinary General Meeting in 2021 takes a position on the remuneration of the members of the Strategic Committee as part of the adoption of a new remuneration policy that meets the new legal requirements².

The base salaries and attendance fees are indexed each year in January according to the consumer price index for the month of January 2016.

The base salaries and attendance fees cover all expenses, with the exception of (a) expenses incurred by directors domiciled outside Belgium during the exercise of their mandate (such as transport and subsistence expenses), insofar these directors are domiciled outside Belgium at the time of their appointment or, if the directors in question change their domicile after their appointment, after approval of the Remuneration Committee, (b) of all expenses incurred by directors in the event a meeting of the Board of Directors is organized outside Belgium (e.g. in Germany) and (c) of all expenses incurred by directors during their travels abroad in the framework of their mandate, at the request of the Chairman or the Vice-Chairmen of the Board of Directors. All costs and fees are charged to the company's operating expenses. In 2020, no meetings of the Board of Directors have been organized outside Belgium and no expenses have been paid to the directors.

All remunerations were granted in proportion to the duration of the directorship.

At the end of each first, second and third quarter an advance on the annual fees is paid to the directors. A final settlement is made in December of the current year.

The table below reflects the total fixed remuneration (including indexation) paid out to each director for all mandates within the Elia group during the financial year 2020 in execution of the rules set out above.

Directors	Fixed remuneration		Total fixed remuneration
	Base salary	Attendance fees	
Michel ALLÉ	€35,415.70	€21,060.00	€56,475.70
Luc DE TEMMERMAN ³	€41,894.70	€35,802.00	€77,696.70
Frank DONCK ⁴	€39,951.00	€29,160.00	€69,111.00
Cécile FLANDRE ⁵	€26,993.00	€8,100.00	€35,093.00
Claude GRÉGOIRE	€35,090.90	€11,583.00	€46,673.90
Bernard GUSTIN ⁶	€53,986.00	€21,060.00	€75,046.00
Philip HEYLEN ⁷	€15,181.38	€11,340.00	€26,521.38
Luc HUJOEL ⁸	€35,415.70	€26,325.00	€61,740.70
Roberte KESTEMAN ⁹	€39,951.00	€29,970.00	€69,921.00
Jane MURPHY	€33,472.00	€21,060.00	€54,532.00
Dominique OFFERGELD	€39,951.00	€29,160.00	€69,111.00
Kris PEETERS ¹⁰	€24,769.62	€21,060.00	€45,829.62
Rudy PROVOOST	€33,472.00	€19,183.87	€52,655.87
Saskia VAN UFFELEN ¹¹	€33,472.00	€21,870.00	€55,342.00
Geert VERSNICK ¹²	€35,090.90	€13,689.00	€48,779.90
TOTAL	€542,106.90	€320,422.87	€844,529.77

The tables below give a detailed overview of the fixed remuneration (including indexation) paid out to each director for the mandates within Elia Group, Elia Transmission Belgium and Elia Asset respectively.

2 Cfr. article 7:89/1 of the Belgian Code of Companies and Associations.

3 Luc De Temmerman's fees are paid to the company InDeBom Strategies Comm.V.

4 Frank Donck's fees are paid to the company Ibervest NV.

5 Cécile Flandre's fees are paid to the company Publi-T SCRL.

6 Bernard Gustin's fees are paid to the company Bernard Gustin SRL.

7 Director until 19 May 2020.

8 Luc Hujol's fees are paid to the company Interfin SCRL.

9 Roberte Kesteman's fees are paid to the company Symvouli BV.

10 Director as from 19 May 2020 until 1 January 2021.

11 Saskia Van Uffelen's fees are paid to the company Quadrature Conseil SRL.

12 Geert Versnick's fees are paid to the company Fleming Corporation BV.

1 Up to 28 July 2020, Mr. Markus Berger, Mr. Patrick De Leener, Mr. Frédéric Dunon, Mrs. Pascale Fonck and Mrs. Ilse Tant also served as a member of the Executive Board of Elia Group. However, they voluntarily resigned from this function with effect on 28 July 2020 and did not receive any remuneration for their membership of the Executive Board of Elia Group in the financial year 2020.

Elia Group Directors	FIXED REMUNERATION OF THE DIRECTORS IN ELIA GROUP									
	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee		Strategic Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ										
Chairman of the Audit Committee	€13,497.00	€5,670.00	€4,210.70	€5,265.00	-	-	-	-	€0	€0
Luc DE TEMMERMAN										
Chairman of the Remuneration Committee	€13,497.00	€5,670.00	-	-	€3,239.00	€5,670.00	€4,210.70	€7,371.00	-	-
Frank DONCK	€13,497.00	€5,670.00	€3,239.00	€4,050.00	€3,239.00	€5,670.00	-	-	-	-
Cécile FLANDRE	€13,497.00	€4,050.00	-	-	-	-	-	-	-	-
Claude GRÉGOIRE										
Vice-Chairman of the Board of Directors	€17,546.10	€6,318.00	-	-	-	-	-	-	€0	€0
Bernard GUSTIN										
Chairman of the Board of Directors	€26,994.00	€11,340.00	-	-	-	-	-	-	€0	€0
Philip HEYLEN ¹³	€5,128.86	€1,620.00	-	-	€1,230.82	€1,620.00	€1,230.82	€2,430.00	-	-
Luc HUJOEL										
Chairman of the Nomination Committee	€13,497.00	€5,670.00	-	-	€4,210.70	€8,424.00	-	-	€0	€0
Roberte KESTEMAN	€13,497.00	€5,670.00	€3,239.00	€4,050.00	-	-	€3,239.00	€5,670.00	-	-
Jane MURPHY	€13,497.00	€5,670.00	-	-	€3,239.00	€5,670.00	-	-	-	-
Dominique OFFERGELD	€13,497.00	€4,860.00	€3,239.00	€4,050.00	-	-	€3,239.00	€5,670.00	€0	€0
Kris PEETERS ¹⁴	€8,368.14	€4,050.00	-	-	€2,008.18	€4,050.00	€2,008.18	€3,240.00	-	-
Rudy PROVOOST										
Chairman of the Strategic Committee ¹⁵	€13,497.00	€5,670.00	€3,239.00	€4,050.00	-	-	-	-	€0	€553.87
Saskia VAN UFFELEN	€13,497.00	€5,670.00	-	-	-	-	€3,239.00	€5,670.00	-	-
Geert VERSNICK										
Vice-Chairman of the Board of Directors and Chairman of the Strategic Committee	€17,546.10	€7,371.00	-	-	-	-	-	-	€0	€0

¹³ Director until 19 May 2020.

¹⁴ Director as from 19 May 2020 until 1 January 2021.

¹⁵ Chairman of the Strategic Committee until 23 September 2020

Elia Transmission Belgium Directors	FIXED REMUNERATION OF THE DIRECTORS OF ELIA TRANSMISSION BELGIUM							
	Board of Directors		Audit Committee		Corporate Governance Committee		Remuneration Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ								
Chairman of the Audit Committee	€6,748.00	€2,430.00	€2,106.00	€2,632.50	-	-	-	-
Luc DE TEMMERMAN								
Chairman of the Remuneration Committee	€6,748.00	€2,430.00	-	-	€1,620.00	€2,430.00	€2,106.00	€3,685.50
Frank DONCK	€6,748.00	€2,430.00	€1,620.00	€2,025.00	€1,620.00	€2,430.00	-	-
Cécile FLANDRE	€6,748.00	€2,025.00	-	-	-	-	-	-
Claude GRÉGOIRE								
Vice-Chairman of the Board of Directors	€8,772.40	€2,632.50	-	-	-	-	-	-
Bernard GUSTIN								
Chairman of the Board of Directors	€13,496.00	€4,860.00	-	-	-	-	-	-
Philip HEYLEN ¹⁶	€2,564.24	€810.00	-	-	€615.60	€810.00	€615.60	€1,215.00
Luc HUJOEL								
Chairman of the Corporate Governance Committee	€6,748.00	€2,430.00	-	-	€2,106.00	€3,685.50	-	-
Roberte KESTEMAN	€6,748.00	€2,430.00	€1,620.00	€2,025.00	-	-	€1,620.00	€2,835.00
Jane MURPHY	€6,748.00	€2,430.00	-	-	€1,620.00	€2,430.00	-	-
Dominique OFFERGELD	€6,748.00	€2,430.00	€1,620.00	€2,025.00	-	-	€1,620.00	€2,835.00
Kris PEETERS ¹⁷	€4,183.76	€1,620.00	-	-	€1,004.40	€1,620.00	€1,004.40	€1,620.00
Rudy PROVOOST	€6,748.00	€2,430.00	€1,620.00	€2,025.00	-	-	-	-
Saskia VAN UFFELEN	€6,748.00	€2,430.00	-	-	-	-	€1,620.00	€2,835.00
Geert VERSNICK								
Vice-Chairman of the Board of Directors	€8,772.40	€3,159.00	-	-	-	-	-	-

¹⁶ Director until 19 May 2020.

¹⁷ Director as from 19 May 2020 until 1 January 2021.

Elia Asset Directors	FIXED REMUNERATION OF THE DIRECTORS OF ELIA ASSET							
	Board of Directors		Audit Committee		Corporate Governance Committee		Remuneration Committee	
	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees	Base salary	Attendance fees
Michel ALLÉ Chairman of the Audit Committee	€6,748.00	€2,430.00	€2,106.00	€2,632.50	-	-	-	-
Luc DE TEMMERMAN Chairman of the Remuneration Committee	€6,748.00	€2,430.00	-	-	€1,620.00	€2,430.00	€2,106.00	€3,685.50
Frank DONCK	€6,748.00	€2,430.00	€1,620.00	€2,025.00	€1,620.00	€2,430.00	-	-
Cécile FLANDRE	€6,748.00	€2,025.00	-	-	-	-	-	-
Claude GRÉGOIRE Vice-Chairman of the Board of Directors	€8,772.40	€2,632.50	-	-	-	-	-	-
Bernard GUSTIN Chairman of the Board of Directors	€13,496.00	€4,860.00	-	-	-	-	-	-
Philip HEYLEN ¹⁸	€2,564,24	€810.00	-	-	€615.60	€810.00	€615.60	€1,215.00
Luc HUJOEL Chairman of the Corporate Governance Committee	€6,748.00	€2,430.00	-	-	€2,106.00	€3,685.50	-	-
Roberte KESTEMAN	€6,748.00	€2,430.00	€1,620.00	€2,025.00	-	-	€1,620.00	€2,835.00
Jane MURPHY	€6,748.00	€2,430.00	-	-	€1,620.00	€2,430.00	-	-
Dominique OFFERGELD	€6,748.00	€2,430.00	€1,620.00	€2,025.00	-	-	€1,620.00	€2,835.00
Kris PEETERS ¹⁹	€4,183,76	€1,620.00	-	-	€1,004.40	€1,620.00	€1,004.40	€1,620.00
Rudy PROVOOST	€6,748.00	€2,430.00	€1,620.00	€2,025.00	-	-	-	-
Saskia VAN UFFELEN	€6,748.00	€2,430.00	-	-	-	-	€1,620.00	€2,835.00
Geert VERSNICK Vice-Chairman of the Board of Directors	€8,772.40	€3,159.00	-	-	-	-	-	-

1.1.2. Variable remuneration

The members of the Board of Directors do not receive any variable remuneration.

1.1.3. Pension

The members of the Board of Directors do not receive any additional remuneration or contribution to finance any pension costs.

1.1.4. Other components of the remuneration

The members of the Board of Directors do not receive any remuneration other than the fixed remuneration.

1.1.5. Extraordinary items

The members of the Board of Directors have not received any non-recurring remuneration in the financial year 2020.

1.1.6. Total remuneration of the members of the Board of Directors in 2019 and in 2020

The total remuneration of the members of the Board of Directors in 2020 amounted to 844,529.77 EUR and is reflected in the table under heading 1.1.1., as no other remuneration than fixed remuneration has been paid to the members of the Board of Directors during the financial year 2020.

The total remuneration of the members of the Board of Directors in 2019 amounted to 861,045.20 EUR. No other remuneration than fixed remuneration has been paid to the members of the Board of Directors during the financial year 2019.

1.2. TOTAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD

The Executive Board of Elia Group is composed of 5 members²⁰.

Three of them (being Chris Peeters – the Chief Executive Officer, Catherine Vandenborre – Chief Financial Officer and Peter Michiels – Chief Human Resources & Internal Communications Officer, Chief Alignment Officer) also serve as member of the Executive Board of Elia Transmission Belgium and of Elia Asset, one member (being Stefan Kapferer) also serve as CEO of 50Hertz and one member (being Michael von Roeder) exclusively acts as member of the Executive Board of Elia Group.

All the members of the Executive Board of Elia Group have employee status²¹.

1.2.1. Fixed remuneration

The table below gives an overview of the total fixed remuneration, which only consists of a base salary paid in cash, in 2020 of the members of the Executive Board of Elia Group for the services rendered by them to any company of the Elia group during the financial year 2020.

Member of the Executive Board	Total fixed remuneration paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	409,585
Catherine VANDENBORRE Chief Financial Officer	304,473
Stefan KAPFERER Chief Executive Officer 50Hertz	400,000
Michael VON ROEDER Chief Digital Officer	250,000
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	214,351
TOTAL	1,578,409

1.2.2. Variable remuneration

The table below gives an overview of the total variable remuneration in 2020 of the members of the Executive Board of Elia Group for the services rendered by them to any company of the Elia group during the financial year 2020.

Member of the Executive Board	Total variable remuneration paid by the Elia group	
	One-year variable ²²	Multi-year variable ²³
Chris PEETERS Chief Executive Officer - Chairman	263,233	112,729 ²⁴
Catherine VANDENBORRE Chief Financial Officer	110,489	83,843 ²⁵
Stefan KAPFERER Chief Executive Officer 50Hertz	206,717	120,000 ²⁶
Michael VON ROEDER Chief Digital Officer	83,333	NA ²⁷
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	75,767	62,769 ²⁸
TOTAL	739,539	379,341

acting as member of the Executive Board on 31 December 2021. Note that Mr. Chris Peeters also received 243,418.54 EUR during the financial year 2020 as part of his multi-year variable remuneration which was assigned to him during the financial year 2018-2019.

25 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2020 and will be paid in 2022, on condition that the member concerned is still acting as member of the Executive Board on 31 December 2021. Note that Mrs. Catherine Vandenborre also received 245,595.07 EUR during the financial year 2020 as part of her multi-year variable remuneration which was assigned to her during the financial year 2018-2019.

26 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2020 and will be paid in 2022, on condition that the member concerned is still acting as member of the Executive Board on 31 December 2021.

27 Mr. Michael von Roeder did not receive a multi-year variable remuneration for the year 2020.

28 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2020 and will be paid in 2022, on condition that the member concerned is still acting as member of the Executive Board on 31 December 2021. Note that Mr. Peter Michiels also received 124,167.37 EUR during the financial year 2020 as part of his multi-year variable remuneration which was assigned to him during the financial year 2018-2019.

18 Director until 19 May 2020.

19 Director as from 19 May 2020 until 1 January 2021.

20 Please note that up to 28 July 2020, Mr. Markus Berger, Mr. Patrick De Leener, Mr. Frédéric Dunon, Mrs. Pascale Fonck and Mrs. Ilse Tant also served as a member of the Executive Board of Elia Group. However, they voluntarily resigned from this function with effect on 28 July 2020 and did not receive any remuneration for their membership of the Executive Board of Elia Group in the financial year 2020.

21 Mr. Chris Peeters, Mrs. Catherine Vandenborre and Mr. Peter Michiels' employment contracts are subject to Belgian law and Mr. Stefan Kapferer and Mr. Michael von Roeder's employment contracts are subject to German law.

22 The amount of the variable short-term remuneration for the members of the Executive Board that also serve as members of the Executive Board of Elia Transmission Belgium and Elia Asset, includes (i) a Bonus Pension Plan and (ii) an amount in cash in execution of the Collective Labour Agreement 90.

23 The amounts mentioned in this column relate to the multi-year variable remuneration that was assigned during the financial year 2020 and will be paid in 2022, on condition that the member concerned is still acting as member of the Executive Board on 31 December 2021.

24 This amount relates to the multi-year variable remuneration that was assigned during the financial year 2020 and will be paid in 2022, on condition that the member concerned is still

The amount of the variable remuneration reported is paid in cash or as part of an option plan.

The remuneration policy deals with the determination of an appropriate balance between fixed and variable remuneration, and between cash and deferred remuneration.

In view of recommendation 7.10 of the Corporate Governance Code 2020, the variable remuneration in the short term has been capped at 75% for the Chief Executive Officer and between 45% and 60% for the other members of the Executive Board of the total annual remuneration as defined by article 3:6, §3, third Alinea, 1°, a) of the Belgian Code of Companies and Associations.

In accordance with article 17.9 of the articles of association the Board of Directors has deviated from the requirements of section 7:91, second paragraph of the Belgian Code of Companies and Associations.

1.2.3. Pension

The table below gives an overview of the total pension contributions paid for the members of the Executive Board of Elia Group for the services rendered by them to any company of the Elia group during the financial year 2020.

All pension plans for members of the Executive Board of Elia Group for their services within the Elia group during the financial year 2020 were of the defined contribution type, with the amount paid before tax being calculated on the basis of the annual remuneration.

All pension contributions are fixed.

Member of the Executive Board	Total pension expense paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	116,123
Catherine VANDENBORRE Chief Financial Officer	73,471
Stefan KAPFERER Chief Executive Officer 50Hertz	120,000
Michael VON ROEDER Chief Digital Officer	NA
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	48,871
TOTAL	358,465

1.2.4. Other components of the remuneration

The other benefits granted to the members of the Executive Board of Elia Group for their services within the Elia group during the financial year 2020 including guaranteed income in the event of longterm illness or an accident, healthcare and hospitalisation insurance, invalidity insurance, life insurance, reduced energy prices, other allowances, assistance with public transport costs, provision of a company car, employer-borne costs and other minor benefits, are in line with the regulations applying to all company executives and local market standard.

1.2.5. Extraordinary items

No non-recurring remuneration (e.g. a specific bonus in view of a certain project) been awarded in 2020.

1.2.6. The relative share of fixed and variable remuneration

The table below gives an overview of the relative share of fixed and variable remuneration in 2020 of the members of the Executive Board of Elia Group for their services within the Elia group in the financial year 2020.

To determine the relative share of fixed and variable remuneration, the relative share of the fixed remuneration was obtained by dividing the sum of the fixed components (in particular: the fixed remuneration (including the other benefits) and the pension contributions) by the amount of the total remuneration, multiplied by 100. The relative share of the variable remuneration was calculated by dividing the sum of the variable components (i.e. the variable remuneration and the extraordinary items of the remuneration) by the amount of the total remuneration, multiplied by 100.

Member Executive Board	Relative share of fixed and variable remuneration paid by the Elia group
Chris PEETERS Chief Executive Officer - Chairman	60.39%-39.61%
Catherine VANDENBORRE Chief Financial Officer	68.02%-31.98%
Stefan KAPFERER Chief Executive Officer 50Hertz	62.04%-37.96%
Michael VON ROEDER Chief Digital Officer	75.76%-24.24%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	68.35%-31.62%
AVERAGE	65.02%-34.98%

1.2.7. Total remuneration of the members of the Executive Board in 2020

Member of the Elia Group Executive Board	Fixed Remuneration		Variable Remuneration		Extraordinary items	Pension expense	Total remuneration	Relative share of fixed and variable remuneration
	Base salary	Other benefits	One-year variable	Multi-year variable				
Chris PEETERS Chief Executive Officer - Chairman	409,585	47,536	263,233	112,729	0	116,123	949,206	60.39%-39.61%
Catherine VANDENBORRE Chief Financial Officer	304,473	35,332	110,489	83,843	0	73,471	607,608	68.02%-31.98%
Stefan KAPFERER Chief Executive Officer 50Hertz	400,000	14,019	206,717	120,000	0	120,000	860,736	62.04%-37.96%
Michael VON ROEDER Chief Digital Officer	250,000	10,451	83,333	NA	0	NA	343,784	75.76%-24.24%
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	214,351	35,966	75,767	62,769	0	48,871	437,724	68.35%-31.65%
TOTAL	1,578,409	143,303	739,539	379,341	0	358,465	3,199,058	65.02%-34.98%

2. Share-based remuneration

BOARD OF DIRECTORS

The members of the Board of Directors do not receive any share-based remuneration.

In view of recommendation 7.6 of the Corporate Governance Code 2020, the Remuneration Committee has examined in 2020 whether a share-based compensation should be granted to the members of the Board of Directors as from 2021.

The Board of Directors of November 2020 has followed the recommendation of the Remuneration Committee and has decided that today such share-based remuneration is not suitable within Elia Group as (i) Elia's activities are by nature organized in such a way as to present a low risk profile and are focused on the long term and (ii) the shareholding structure is based on a reference shareholding that naturally pursues fixed long-term objectives and sustainability goals.

EXECUTIVE BOARD

The members of the Executive Board did not receive any share-based remuneration.

The members of the Executive Board, however, have the possibility to acquire shares either via the capital increases reserved for the staff of Elia Group and its Belgian subsidiaries or via an offer to acquire shares for the staff of 50Hertz.

In addition, the members of the Executive Board are free to buy Elia shares on the market.

In deviation of recommendation 7.9 of the Corporate Governance Code 2020, the Board of Directors has decided that there is no minimum number of shares to be held by the members of the Executive Board.

As at 31 December 2020, the members of the Executive Board held the following number of shares of Elia Group:

Elia Group Member of the Executive Board	On	Number of shares
Chris PEETERS Chief Executive Officer - Chairman	31.12.2020	4,639
Catherine VANDENBORRE Chief Financial Officer	31.12.2020	1,433
Stefan KAPFERER Chief Executive Officer 50Hertz	31.12.2020	0
Michael VON ROEDER Chief Digital Officer	31.12.2020	24
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	31.12.2020	1,321
TOTAL	31.12.2020	7,393

3. Severance pay

No severance payments were made in 2020.

4. Any use of the right to reclaim

Premiums paid for the previous period may be recovered in cases of proven fraud or financial statements containing significant errors.

During the financial year 2020 there was no reason to exercise this right to reclaim.

5. Information on how the remuneration complies with the remuneration policy and how performance criteria were applied

5.1. INFORMATION ON HOW THE REMUNERATION COMPLIES WITH THE REMUNERATION POLICY

The objective of Elia Group's remuneration policy is to attract, retain and reward the best talent so that Elia Group can achieve its short- and long-term goals within a coherent framework. The Elia Group Strategic Ambitions aim to (i) design and deliver the future transmission grid infrastructure supporting RES integration and ensuring a high security of supply, (ii) include sustainability in the way to operate business, (iii) finance the future, (iv) increase efficiency, realize synergies and optimize resource allocation, (v) be a leader in health and safety and continuously evolve its culture and talent, (vi) further shape the (European) markets, (vii) transform to a digital Transmission System Operator, and (viii) strengthen the position of the group and expansion into new business areas.

The total amount of remuneration paid out to the members of the Executive Board in the financial year 2020 has contributed to the long-term objectives and the sustainability of Elia Group as the structure of the Executive Board's remuneration is designed to promote sustainable value creation by the company. The level of the fixed remuneration ensured, on the one hand, that the Elia group could rely on a professional and experienced management, even in more difficult times, such as the Covid-19 crisis. The payment of the short-term bonus, on the other hand, ensured the realization of the performance criteria that translate the Elia group's strategy. The long-term success of the company was further stimulated by the long-term incentive plan, through which the members of the Executive Board were also rewarded in case of a.o. the realization of the energy transition.

5.2. INFORMATION ON HOW PERFORMANCE CRITERIA WERE APPLIED

5.2.1. Short-term variable remuneration

The first pillar of variable remuneration is based on the achievement of a number of targets set by the Remuneration Committee at the beginning of 2020, with a maximum of 50% of variable remuneration relating to **individual targets** and a minimum 50% to the achievement of Elia Group's **collective targets** ('short-term incentive plan').

With regard to **individual short-term targets**, the table below gives an overview of the individual targets, their relative weight and the performance achieved by the members of the Executive Board for each of these targets.

Member Executive Board	Individual targets	Relative weighting of the performance criteria	Performance achieved
Chris PEETERS Chief Executive Officer - Chairman	Group Leadership	25%	Exceptional
	Ditigal & Innovation	25%	Accomplished
	Market thought leadership	25%	Very good
	Growth	25%	Very good
Catherine VANDENBORRE Chief Financial Officer	Invest in new sources of growth (inorganic, Poland, Germany or other)	25%	Exceptional
	Finance the future of the group	30%	Exceptional
	Find new sources of efficiencies driven by efficient resources allocation and process optimisation	25%	Fair
	Digitalising the finance function	20%	Fair
Stefan KAPFERER Chief Executive Officer 50Hertz	TSO leadership / stakeholder and reputation management	25%	Good
	Integration of 50Hertz in Elia Group while maintaining strong local brand image	25%	Exceptional
	Realize investment portfolio in interest of society	25%	Fair
	Realize Group strategy	25%	Accomplished
Michael VON ROEDER Chief Digital Officer	Build strong Elia Group IT organization, vision and infrastructure	40%	Accomplished
	Becoming a digital TSO	30%	Sufficient
	Drive digital innovation & create a digital innovation culture	30%	Very good
Peter MICHIELS Chief Human Resources & Internal Communications Officer Chief Alignment Officer	Talent: build strong talent and competence in Elia Group through common processes and clear action plans on development, competence building and succession	40%	Sufficient
	Culture: build strong alignment in all group entities, reinforce feedback culture and simplification of business processes	30%	Sufficient
	HR: build integrated cloud platform as foundation for further digital services Develop blueprint for Digital TSO and run POC's to test organisation and learning models	20%	Very good
	Group Safety : Onboard group Safety leader, create an integrated safety culture within the Elia group and drive strong Group Safety action plan	10%	Very good

In view of the performance achieved, the individual short-term remuneration awarded during the financial year 2020 amounts to €91,825 for Mr. Chris Peeters, to €36,477 for Mrs. Catherine Vandenborre, to €55,900 for Mr. Stefan Kapferer, to €37,962 for Mr. Michael von Roeder and to €23,359 for Mr. Peter Michiels.

With regard to the **collective short-term targets**, the table below gives an overview of the overall collective short-term targets of the Executive Board members as defined for the financial year 2020.

	Belgium	Germany
Financial	Net Profit (after tax)	Net Profit (after tax)
Efficiency	Opex Efficiency	Opex Efficiency
Quality	Safety	Safety & Culture
Capex delivery	Capex Projects (quantitative and qualitative goals)	Capex Projects (quantitative and qualitative goals)
Security of supply	Security of Supply	Security of Supply

For Chris Peeters, Catherine Vandendorre and Peter Michiels the performance achieved for the financial year 2020 was as follows:

Collective targets	Relative weighting of the performance criteria	Performance achieved
(A) Net profit (after tax)	20%	Very good
(B) Opex Efficiency	20%	Good
(C) Safety	20%	Exceptional
(D) Capex Projects	20%	Good
(E) Security of Supply	20%	Not sufficient

In view of the performance achieved, the collective short-term remuneration awarded during the financial year 2020 amounts to €171,408 for Mr. Chris Peeters, to €74,012 for Mrs. Catherine Vandendorre, and to €52,408 for Mr. Peter Michiels.

For Stefan Kapferer and Michael von Roeder, the performance achieved for the financial year 2020 was as follows:

Collective targets	Relative weighting of the performance criteria	Performance achieved
(A) Net Profit	20%	Very good
(B) Opex Efficiency	20%	Very good
(C) Safety & Culture	20%	Very good
(D) Capex Projects	20%	Good
(E) Security of Supply	20%	Very good

In view of the performance achieved, the collective short-term remuneration awarded during the financial year 2020 amounts to €150,817 for Mr. Stefan Kapferer and to €45,371 for Mr. Michael von Roeder.

5.2.2. Long-term variable remuneration

The second pillar of the variable remuneration is based on multi-year criteria set for four years ('long-term incentive plan'). These amounts are reviewed at the end of each year depending on the realization of the long-term criteria.

The table below gives an overview of the overall collective long-term targets of the Executive Board members for the financial year 2020, of their relative weight and of the performance achieved by the Executive Board for each of these targets.

Collective targets	Relative weighting of the performance criteria	Performance achieved
Elia Group realization of critical investment portfolio	50%	Good
Elia Group efficiency savings	50%	Very good

In view of the performance achieved, the collective long-term remuneration awarded during the financial year 2020 amounts to €112,729 for Mr. Chris Peeters, to €83,843 for Mrs. Catherine Vandendorre, to €120,000 for Mr. Stefan Kapferer, and to €62,769 for Mr. Peter Michiels. Mr. Michael von Roeder did not receive a multi-year variable remuneration for the year 2020.

These amounts will be paid in 2022, on condition that the member concerned is still acting as member of the Executive Board on 31 December 2021.

6. Derogations and deviations from the remuneration policy and from the procedure for its implementation

Except for the suspension of the remuneration of the newly appointed Chairman of the Strategic Committee during the financial year 2020, there have been no derogations nor deviations from the remuneration policy as this policy was approved in 2016 and slightly amended in 2018.

7. Comparative information on the change of remuneration and the Elia group performance

The table below first gives an overview of the evolution in time over the last five years of respectively the total remuneration of the members of the Board of Directors for all mandates within the Elia group and of the total remuneration of the members of the Executive Board for all mandates within the Elia group. In this regard, one should bear in mind that, following the founding of Elia Transmission Belgium NV/SA and the conversion of Elia System Operator NV/SA into Elia Group NV/SA, the composition of the Executive Board has changed in 2020.

The table below further gives an overview of the evolution of the performance of the Elia group.

The average remuneration (on a full-time equivalent basis) of the employees of the Elia group in 2020 amounts to 94,478 EUR. The average remuneration of all employees is calculated as the total (IFRS-based) labor costs (exclusive social security contributions of the employer) divided by the number of employees on an FTE basis.

Total remuneration of the members of the Board of Directors									
Annual Change	2016	2017 vs. 2016	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020
Board of directors	€ 806,300.00	8%	€ 872,583.54	1%	€ 885,128.26	-3%	€ 861,045.20	-2%	€ 844,529.77

Total remuneration of the members of the Executive Board									
Annual Change	2016	2017 vs. 2016	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020
Total	€ 3,360,861.00	11%	€ 3,715,740.35	11%	€ 4,115,752.83	12%	€ 4,623,753.44	-31%	€ 3,199,058.00
CEO	€ 878,160.00	-1%	€ 873,254.95	15%	€ 1,007,986.54	17%	€ 1,181,809.42	-20%	€ 949,206.00
Other members	€ 2,482,701.00	6%	€ 2,632,766.45	18%	€ 3,107,766.29	11%	€ 3,441,944.02	-35%	€ 2,249,852.00

Performance of the Elia group									
Annual Change (in millions)	2016	2017 vs. 2016	2017	2018 vs. 2017	2018	2019 vs. 2018	2019	2020 vs. 2019	2020
Turnover	€ 868.10	0%	€ 867.10	123%	€ 1,931.80	20%	€ 2,319.00	7%	€ 2,473.60
EBIT	€ 295.00	10%	€ 324.60	55%	€ 502.60	13%	€ 569.70	2%	€ 578.50
Normalized net income	€ 168.00	21%	€ 203.40	38%	€ 280.80	9%	€ 306.80	0%	€ 308.10

The ratio between the highest remuneration of a member of the Executive Board and the lowest remuneration of an employee of Elia Group, expressed on a full-time equivalent basis, in 2020 was [X/Y].

8. Information on shareholder vote

The general meeting of shareholders of Elia Group of 19 May 2020 approved the 2019 Remuneration Report of Elia Group with a majority of 90.57%.

Risk management and uncertainties facing the company

GRI 102-15, GRI 102-30

What for?

The Elia group's ambition to deliver the infrastructure of the future and enable a successful energy transition to the benefit of the consumer is formulated in a highly challenging context.

The changing European energy market, large-scale deployment of renewable-based generation technologies with intermittent and harder to predict production patterns, steadily increasing energy consumption, ageing infrastructure, resource bottlenecks, to name but a few, increase the complexity of the transmission system operator's mission. There is a need to anticipate (unwanted) events and understand their causes, consequences and likelihood. All this with the aim of making informed decisions. That is exactly what risk management is about: it allows us to manage the effect of uncertainties on the achievement of objectives .

As put in a mildly provocative way by risk management expert James Lam : *"The only alternative to risk management is crisis management and crisis management is much more expensive, time consuming and embarrassing."*

How does it work?

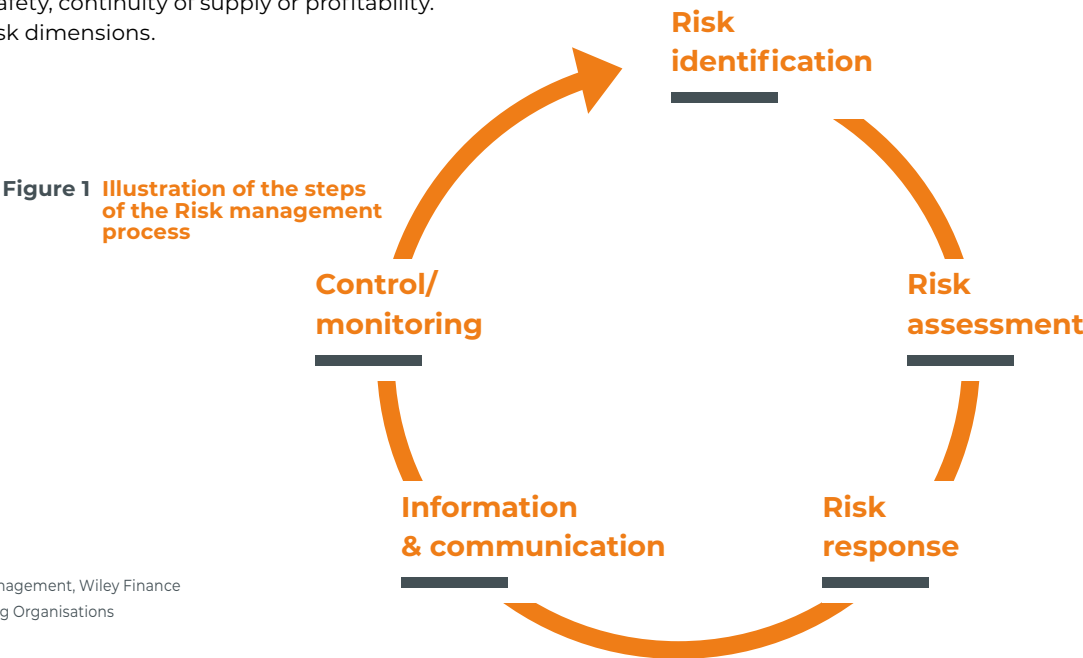
Uncertainties may generate desirable events - the opportunities - and unwanted events - the risks. Both are in the scope of risk management.

Different types of objective aspects might be impacted by risks, like health and safety, continuity of supply or profitability. These are called the risk dimensions.

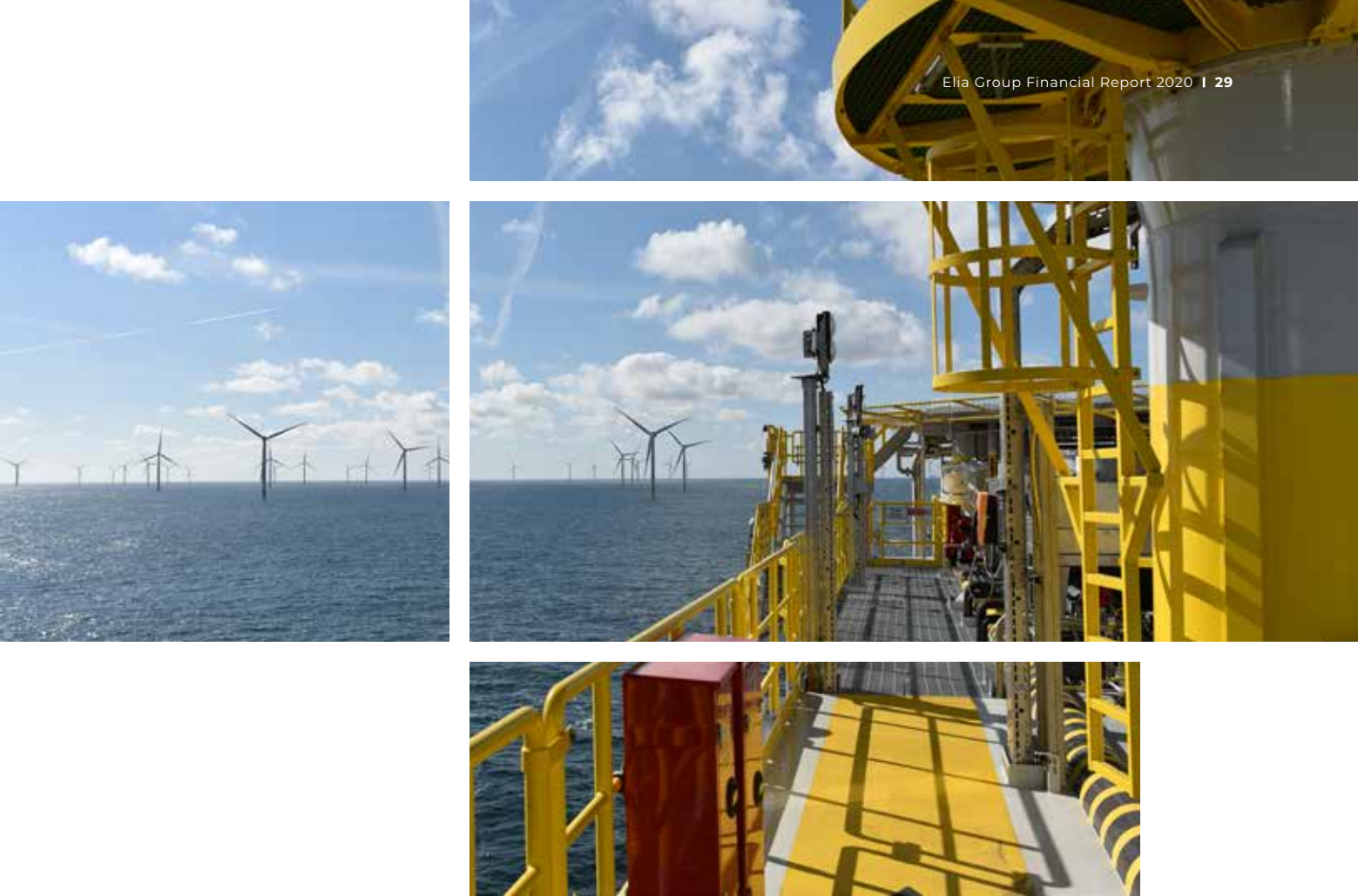
The Risk Management framework of Elia Group is strongly linked to COSO's framework , which gathers best practices for assessing business risks.

In line with these guidelines, risk management takes place at different levels in the organisation (strategic, business/ operational, project...) and relies on Elia Group's strategy and risk appetite, the level of risk our organisation is prepared to accept in pursuit of its objectives. An action plan is automatically established for (aggregated) risks above the critical level defined by the risk appetite. If the (aggregated) risk is below this critical level a cost-benefit analysis determines the use of control measures to reduce risks. For a few cases where it facilitates decision-making, the risk appetite has been translated into more operational criteria, which are used by the operational entities.

There are processes in place which aim at identifying key risks, assessing them, defining appropriate responses, communicating them to the Board of Directors and monitoring the effectiveness of mitigation actions. All the information collected by these processes is recorded in risk registers. Regular exchanges between risk managers and risk owners allow these registers to be kept up-to-date. The most important elements are summarised in risk reports, which are presented to the Board of Directors and Audit Committee three times a year.



1 ISO 31000
2 James Lam, Enterprise Risk Management, Wiley Finance
3 COSO: Committee of Sponsoring Organisations



Link between opportunities, main risks, materiality topics & strategic priorities

Opportunity		Materiality topics	Strategic priorities		
Category	Topic		Provide the needed infrastructure & a sustainable power system	Develop services for evolving customer needs	Grow to deliver societal value
Strategic	Offshore evolution	Further increase the group relevance in the European offshore evolution	x		x
Strategic	Digital transformation	Enable customer empowerment, manage an increasing complexity in a decentral and renewables-based energy system, meet the changing needs and expectations of consumers, realise the digital transformation in a timely manner	x	x	
Strategic	Relevance for the energy transition leading to a sustainable future	Further reinforce the group position of trusted advisor/ relevant partner for a successful energy transition in Germany, Belgium and EU, support sustainability objectives of society (especially concerning decarbonisation) in TSO roles	x	x	x
Strategic	Capex realisation	Execute the project portfolio in a timely and effective manner, to maintain a high reputation of high professionalism in the delivery of infrastructure & have a positive impact on a key feature of the remuneration	x		x

Risk			Strategic priorities		
Category	Topic	Materiality topics	Provide the needed infrastructure & a sustainable power system	develop services for evolving customer needs	Grow to deliver societal value
Strategic	Changing HR needs	Culture change to deliver our vision & strategy, succession planning, training & development, new skills, new homeworking policy	x	x	x
Regulatory	Changing/new regulatory conditions	Regulation misinterpretations, conflicts with envisioned strategy, clean energy package, European green deal,new obligations in terms of reporting, evolution of TSO role	x		x
Regulatory/ strategic	Pandemic risk (COVID type)	Minimise the impact of the pandemic, ensure business continuity, HR policies in line with today's world, adequate tariff structure, follow-up of invoicing	x		
Regulatory	Early termination of TSO licence	TSO appointment, licence renewal, image, real/perceived failure of governance or compliance	x		
Regulatory	Sustainability of incomes	Maintain & grow asset base, timely project execution, increase overall efficiency, appropriate tariff methodology/parameters, supplier's risk (material)	x	x	x
Operational	Balancing	Integration of RES, harder to predict energy flows	x	x	x
Operational	Adequacy	Evolution of generation units' fleet, capacity remuneration mechanism (CRM), nuclear phase-out	x	x	x
Operational	Contingency events & Business continuity disruption	Cyberattacks (IT/OT), failure of IT systems, supplier's risk (design), unavailability of critical software, protection against malicious attacks, unfavorable weather events, offshore/new technologies, ageing infrastructure	x	x	x
Operational	Climate risks	Physical risks for outdoor infrastructure, transition risks, participation in the Carbon Disclosure Project benchmark	x	x	
Operational	Failure of Information & communication technology (ICT), data security & protection	Compliance, GDPR, network codes, data security, privacy & cybersecurity, reputation, communication issues, less performant fault elimination	x	x	
Operational	Permitting	Changing European energy market, integration of RES, community acceptance of projects, delay in execution of key projects	x		x
Operational	Supplier's risk	Limited number of key suppliers, increasing demand for works & supplies, pressure on supplier's business models, ability to deliver the required capacity on time & with quality, availability of skilled technical profiles, safety on works, internal expertise on critical technologies & tools	x		x
Operational	Health & Safety accidents	Safety for contractors, error producing conditions	x	x	
Financial	Negative changes in financial markets	Financial rating, access to debt & capital market, unstable interest rates, macro-economic context,	x		x
Financial	Cashflow	Cost/revenue forecast/actuals, covid-19 impact on electricity consumption, tariff structure & financing of levies	x		x
Financial	New business developments	Capped liabilities, ring-fencing structure		x	x
Financial	Legal disputes, liabilities	Capped liabilities, appropriate provisions	x	x	x

Opportunities & responses provided

OFFSHORE EVOLUTION

The EU estimates that in the future roughly 18% of the total required generation capacity amounting to 400 – 450 GW could be provided by offshore wind. To supply Europe's load centers with offshore wind from the North Seas, the transmission infrastructure will have to undergo an immense transformation, for which a future-proof system planning will be critical. Over the last years, the Elia group has taken a leading role in offshore developments (platform MOG, HVDC cable NemoLink, hybrid connection CGS,...) in Belgium and Germany and will continue to do so in the coming decennia in order to integrate this renewable potential as much as possible in the system. As the Elia group, we have to support the uptake in offshore capacity by coming up with smart solutions for planning and operation, as well as timely delivery of onshore and offshore infrastructure.

Failure to do so may delay EU and Member State decarbonisation targets, as well as deprive industrial and household consumers from using green energy.

Response

Elia Group has defined an offshore strategy at group level with a subsequent high priority project to play an active role in the further development of offshore to reach the European ambitions in terms of renewable energy sources (RES).

This strategy, based on the knowledge acquired, foresees the screening of project options (for the classical offshore projects in front of the coast and for non-captive projects) as well as strategic partnerships.

DIGITAL TRANSFORMATION

Several trends are changing fundamentally the landscape in which we operate. The world of tomorrow will be dominated by variable renewable production:

- The place of large international power flows between countries and large center of RES production

- As well as the place of decentralized and numerous energy exchanges among consumers and energy actors.

In order to manage increasing complexity in a decentral and renewables-based energy system, to meet the changing needs and expectations of consumers, it is key for success to realise the digital transformation. In front of this massive transformation of how energy is produced, exchanged and consumed, the group must use digitalisation in all its activities in order to drive its transformation, better understand how the world will evolve and develop our activities to operate at the interest of society in tomorrow's energy landscape.

Response

The Elia group has recognised the importance of digitalisation and how it will transform the power system in the future. Therefore digitalisation is integral part of the strategy. The organisation of the group has been adapted in consequence with the hiring of a group Chief Digital Officer at the end of 2019 and the launch of an important digital transformation program.

Technical initiatives like “Internet of Energy” as well as cultural and HR-related ones enable the group also to better understand and match the needs of the consumers of tomorrow.

RELEVANCE FOR THE ENERGY TRANSITION LEADING TO A SUSTAINABLE FUTURE

With the Green Deal, the European Union has set the objective to be carbon neutral by 2050. It is obvious that TSO's have a major role to play in this transition, both to help the integration of RES into the system and to provide the means to the consumers to decarbonize and take advantage of the energy transition (correct market rules, access to price signals, ...)

The energy transition lies at the heart of Elia Group's vision and the transmission system operators of our group aim at playing an exemplary role to integrate sustainability in their activities as well as to be a trusted advisor for the authorities both at national (Belgium and Germany) and EU level. In that respect the TSO's of our group provide support in files linked to the future of the energy system (like nuclear phase-out or development of hydrogen) in a comprehensive, well thought out and impartial manner.

Response

All the teams of the group are dedicated to deliver the best of themselves. The interest of society drives every decision made. Arguments brought to a debate are always built from internal or external studies and critically analyzed.

As trusted advisors, the transmission system operators of the group strive to provide the best possible recommendations on the future energy system and for the decarbonisation of the society to authorities, resulting from careful and well thought analyses using the best expertise, data and information available.

The Elia group has set ambitious internal sustainability targets through its “Act Now” program. The Elia group is committed to become a role model in the group's own activities and to influence positively the outside world through actively shaping the energy transition for a sustainable world (in line with our purpose).

Sustainability will become a stronger compass to guide business plan decisions (and consequently resource allocations, prioritization) in order to reach the proper ambition level of projects and activities.

Strategic/regulatory risks & responses provided

CAPEX REALISATION

The execution of its project portfolio in a timely and effective manner is key to the Elia group strategy. Not only is it a prerequisite to the integration of further renewable energy sources and a safeguard of a reliable power system, but also an important element of the remuneration of the group, as well as an opportunity to further reinforce reputation of high professionalism in the delivery of infrastructure. This would in turn facilitate further growth potential (e.g.: offshore). The group is aware though that this opportunity is closely linked to its ability to manage a larger portfolio than ever, under other operational constraints described in the permitting & supplier's risks.

Responses:

In a response to the above, the Elia group has launched a project with initiatives along several dimensions:

- Performance & delivery culture
- Roles & responsibilities
- Methods & tools
- Levers to reduce the CAPEX plan: how to reduce our capex spend by 10-20% without reducing the number of CAPEX projects?

For each of these dimensions, we look for measures to reach the next level maturity.

The R&D section provides further insights on Opportunities.

CHANGING HR NEEDS

The energy transition drives us to a consumer centric model on which our strategy and ambition is based. To enable this consumer-centric model the group culture and planned changes must be fully aligned with the group strategy.

Additionally, with regard to talent management we are aware that specific technical expertise (offshore, digitalisation, IP...) will be required in the future to support the achievement of the group strategy.

Responses

Within the Elia group, HR initiatives, policies and processes are designed to support the implementation of our strategy and objectives.

A specific task force continuously monitors the measures taken by the public authorities in the covid-19 context. Targeted action is taken in a timely manner to ensure compulsory homeworking requirements are met or alternatively that working conditions on premises are compliant. Supported by an adequate set of tools & technologies employees can efficiently collaborate from home.

The Covid context also provides a momentum for driving a home working policy change in the frame of the New Way of Working initiative. In the future, it is expected that for some functions, homeworking will represent about half working time and work at premises the other half. This will ensure a healthy balance between virtual & physical interactions, between work life and private life while also supporting our sustainability ambitions by limiting transport-related CO₂ emissions.

A reinforced focus on talent and culture led to several anticipating actions like the Talent@ Elia Group initiative to develop a talent management framework. Its streams include amongst other things, the further improvement of the process for identification and sustainment of critical competencies, the implementation of risk management for critical functions and a career and development framework. Another strong focus is on leadership skills, with a group-wide culture change project, which is currently being rolled-out to achieve the alignment between culture and strategy.

CHANGING/NEW REGULATORY CONDITIONS

Given the specificities of its activities, the group is subject to extensive European, federal and regional legislation and regulation. Unplanned and/or inconvenient changes or misinterpretations in regulatory or policy mechanisms in Belgium or Germany could conflict with the group's existing and envisioned strategy causing severe financial and organisational impacts.

Responses

In order to minimise uncertainties, the two transmission system operators in the group strive to proactively anticipate European

legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian and German law, notably as part of the "Clean Energy Package" and the possible evolution of the Transmission System Operator (TSO) role to a Regional Operational Centre (ROC) one.

Elia Group and 50Hertz Transmission GmbH are also founding members of the European Network of Transmission System Operators for Electricity (ENTSO-E). Through participating in this network, the transmission system operators provide advocacy for evolutions in line with their strategy.

Further information

In Belgium, the regulatory and legal framework entails risks with regard to the division of powers between federal and regional entities (for instance, contradictions between the various regulations, including the grid codes, could hinder the ability to perform the group's activities). Political sensitivities are also emerging on the impact of public policies on households and company energy bills, that could materialise in the form of legislation affecting the adequate coverage of these costs. The further development of and changes to these regulations may also impact the group's liability in the event of a power outage on the grid or – in the context of a reform of the State – the division of powers between federal and regional authorities, potentially including the power to approve transmission tariffs. In order to minimize those risks, the group also strives to anticipate proactively evolution brought to national or local legislations.

PANDEMIC RISK (COVID TYPE)

The group is affected by the COVID pandemic. This has an impact both on its ability to carry out its activities and on its revenues. However the group manages to minimise the impact of this crisis.

Responses

Business continuity plans are up to date. These include a resilience planning for critical functions. As explained in the HR risk description, the group has developed HR policies which allow an effective homeworking for the administrative functions. The group has also integrated health-related actions for its personal working on the field, to assure the maintenance and the development of its infrastructure.

The pandemic affects the volume of energy consumed by its consumers (resulting from the current economic crisis). However, the impact of this is limited because most of its tariffs are not based on the volume of energy but on the peak of power taken from the network, which remains steady. For the tariffs that are related to the volume of energy (e.a., mainly the public service obligations), the regulatory framework foresees the possibility to adapt the tariffs to the new expectations in term of volume of energy.

The group has also undertaken a careful monitoring to ensure that its invoices are paid on time.

EARLY TERMINATION OF TSO LICENCE

To execute its activities, Elia Transmission Belgium and 50Hertz Transmission GmbH have a licence, which can be revoked earlier if they do not have, inter alia, the human, technical and/or financial resources to guarantee the continuous and reliable operation of the grid in accordance with the applicable legislation, as well as the unbundling obligations as described in Article 9 of the EU Electricity Directive. Such a revocation would have an adverse material impact on Elia Transmission Belgium and/or 50Hertz Transmission GmbH.

Responses

The Elia group has performed a reorganisation by the end of 2019, which enables the ring-fencing of the Belgian regulated activities of the group from its other activities (German regulated activities or non regulated activities). This in turn limits the risk of cross-subsidy between regulated activities or with non-regulated activities. It thereby provides the group (regulated in Belgium and Germany, as non-regulated activities) with a suitable framework for the further development of all activities.

Further information

Elia Transmission Belgium (ETB) was confirmed as a Belgian transmission system operator with effect from December 31, 2019 by different public entities (the Federal Government for a period of 20 years, the Brussel's Government for a period of 20 years, and the Flemish regulator for a period of 4 years). The risks of early termination of the TSO licences are therefore limited in the short term. It is noted, however, that some discussions around the interpretation to give to Corporate Governance rules shall be conducted prior to the next renewal of the Flemish licence.

SUSTAINABILITY OF INCOMES

The remuneration of the group is almost entirely driven by the regulatory framework applicable to Elia Transmission Belgium, 50Hertz Transmission GmbH and NemoLink. Changes to the regulatory parameters could impact the profitability of the group. In addition, the realisation of certain parameters defined in the tariff methodologies are subject to specific uncertainties that could affect the group's financial position.

In particular, the remuneration of the group depends in part on its ability to realise the needed projects and maintain the realised assets, as the current remuneration in both Belgium and Germany is subject to the Regulatory Asset Base. This depends on its ability to obtain the necessary permits and to manage potential environmental and public health risks and accommodate city planning constraints without incurring significant

costs. If the group would not be able to realise or not timely/ economically realise its investment programme, this could have a negative impact on the group's future profits.

Responses

In the context of the Energy transition, the development needs of transmission infrastructure in Belgium and Germany require the implementation of ambitious investment programs, which indirectly contributes to increasing their regulatory asset base.

The group also strives to develop tariff methodologies that take into account the changes brought about by the energy transition and the decentralization of energy generation.

Lastly, the group seeks to act as efficiently as possible in its investment and asset maintenance policies. This allows consumers to benefit from the scale effect of centralised grid management.

Further information

End 2019, CREG approved Elia's Tariff proposal for the 2020-2023 regulatory period. Recently CREG also approved the actualization of Surcharges' level covering the costs of its Public service obligations, taking into account the expected effect of the pandemic on the volume of energy (see above).

Operational risks & responses provided

BALANCING

The production of electrical energy should be equal to the demand at any time. The two transmission system operators of the group (Elia Transmission Belgium and 50Hertz Transmission GmbH) use balancing energy to balance unplanned fluctuations in the production of electricity or the energy load.

The growth in the number of renewable energy units connected to distribution systems across Europe and, the connection of large offshore wind farms, also creates new challenges for operational grid management, particularly through increased volatility of energy flows on our network.

Responses

Maintaining security of the grid with respect to balancing at reasonable costs for the society relies on a mix of measures. These involve improving the cooperation for grid control at both national and international levels, enhancing the quality of forecasts (consumption, offshore, etc.), as well as ensuring a market design that incentivises the Balancing Responsible Parties to manage their portfolio balance, whilst at the same time offering them the market arrangements which allow them to trade their imbalances as close as possible to real-time (e.g. intraday markets). In addition, market reforms have to be implemented that unlock as much flexibility as possible and

that can be called upon in real-time to keep the grid balanced at the least cost. The latter market reforms are aiming to open the balancing markets to all technologies and all players, irrespective of the voltage level they are connected to.

As an illustration of the aforementioned measure, in the course of 2020 in Belgium, Elia moved from monthly procurement of mFRR (manual frequency restoration reserve) and weekly procurement of aFRR (automatic frequency restoration reserve) to a daily procurement of both reserves which, together with a shortening of the capacity contracting time unit to four hours, lowers the entry barrier for the reserve market and allows the effective participation of more technologies. 2021 will be mainly dedicated to the further implementation of the European platforms for the activation of balancing energy and to the preparation of the connection of the Belgian market to these platforms in 2022.

ADEQUACY

The federal governments in place have a key role to play in ensuring that enough capacity is available in their countries to avoid the risk of an electricity shortage and problems of supply. The transmission system operators of the group (Elia Transmission Belgium and 50Hertz Transmission GmbH), for their part, provide them with useful information. As an example, Elia Transmission Belgium performs, in accordance with the law, regular assessments of Belgium's security of supply situation in the short and longer term.

For the Belgium's adequacy situation in the short-term, Elia Transmission Belgium mainly assesses the adequacy between load projections and available generation (incl. Demand Side Response, denoted DSR, load shifting...) in Belgium and the surrounding countries against security of supply criteria defined by law. If the study reveals that the latter criteria may not be met, the Minister in charge of Energy can ask Elia Transmission Belgium to constitute a Strategic Reserve. A Strategic Reserve is composed of assets sitting out of the market that can be called upon in the event that the market cannot ensure security of supply.

On November 30, Elia Transmission Belgium has published its probabilistic analysis of Belgium's adequacy situation for the winter 2021-22. The results of this study are available here:

https://www.elia.be/-/media/project/elia/elia-site/public-consultations/2020/20201130_strategic-reserve-2021-22-v_final-1_en.pdf

Elia Transmission Belgium also looks bi-annually at Belgium's adequacy situation in the longer term. These studies assess the adequacy between load projections and anticipated available capacity (incl. DSR, load shifting, batteries...) in Belgium and the surrounding countries. The anticipated available capacity includes politically set objectives in terms of renewable genera-

tion as well as an economic viability gap to assess if sufficiently robust signals are available to trigger investments in the market to close any potential adequacy gap as defined by the legal security of supply criteria.

The latest study in this respect "Adequacy & Flexibility Study 2020-2030", dates from June 28, 2019. It is available here:

<https://www.elia.be/en/publications/studies-and-reports>

This study concluded that as a result of the nuclear phase-out, Belgium would face an adequacy gap by 2025 and that there are insufficient robust investment signals to expect this gap to be filled up by the market without additional intervention. In 2020, Elia Transmission Belgium has launched together with the relevant authorities and CREG and involving market parties the process for the next study (i.e. covering the period 2022-2032) that should become available no later than June 30, 2021.

Following the aforementioned 2019 study, in order to guarantee Belgium's security of supply in the longer term, the Belgian Parliament adopted in April 2019 a modification of the Electricity Law in order to introduce a capacity remuneration mechanism (CRM). Elia Transmission Belgium is assisting the government in designing and implementing this CRM mechanism. In 2020, Elia Transmission Belgium has delivered on all of its legal requirements for the rollout of this new mechanism, including formal proposals for several methodological aspects, for calibration of several parameter and for detailed functioning rules. The group has also started the necessary implementation actions (e.g. IT developments).

The aforementioned study also indicated that Belgium might already face an adequacy issue between 2022 and 2025 (period during which some nuclear units will leave the market). While the study of November 30, 2020 on the perspectives for next winter provides indications confirming the trend, particularly the study to be delivered by June 30, 2021 will provide further insights in this matter. Also on this aspect, Elia Transmission Belgium continues to inform the relevant authorities and assists them in their works when called upon.

CONTINGENCY EVENTS & BUSINESS CONTINUITY DISRUPTION

The transmission systems operated by the group are very reliable. Nonetheless, unforeseen events, such as unfavourable weather conditions, may occur and alter the smooth operation of one or more infrastructure components. In most cases, these will lead to a so-called single contingency event, and have no impact on the end customers' power supply because of the meshed structure of the grids operated by the group. Indeed, electricity can often reach end customers via a number of different connections in the system. However, in other cases, an incident in the electricity system may lead to a multiple contingencies event that could result in a local or widespread electric-

ity outage provoking liability claims and litigation which could negatively impact the financial position of the group.

There are causes other than unfavourable weather conditions for contingency events & business continuity disruption. Examples include human errors, malicious attacks, terrorism, equipment failures, etc.

Offshore equipment particularly has our full attention, in a context where there is less of a track record with these technologies and a higher complexity for curative actions.

The probability of the occurrence of one or more of the above-mentioned events may increase if the competent authorities do not approve the necessary operational procedures, investments or full time equivalent (FTE) resources proposed by Elia Transmission Belgium/Elia Asset and 50Hertz Transmission GmbH.

Responses

There are several procedures in place to manage these risks, going from crisis management plans to operational procedures such as defence plans and restoration plans. All of them are regularly trained for and tested with large-scale exercises and simulator trainings so that our staff and transmission system operators, as the case may be, are ready to deal with the most unexpected and extreme situations. In the event of an error attributable to Elia Transmission Belgium/Elia Asset or 50Hertz Transmission GmbH, the respective general terms and conditions of its contracts provide for appropriate liability caps for the group and the relevant affiliate, as the case may be, to a reasonable level. Each relevant insurance policy is designed to limit some of the financial repercussions if these risks were to occur.

Should unfavourable circumstances occur, the transmission system operator may take any emergency measures it deems appropriate, such as disconnecting some or all electricity exports, requesting electricity-generating companies to increase or decrease their electricity production or requesting a reduction in the electricity consumption from the competent Minister in the relevant area to reduce the impact of the event.

Additionally, the design and operation of offshore as well as onshore technologies takes constraints related to repair time, monitoring opportunities and grid resilience into account.

A framework for crisis management on local/group level for managing all corporate crisis situations such as community relations issues is under development.

Further information

As a regulated entity, Elia Transmission Belgium acts in accordance with the "network codes" applicable at European, federal and regional level, while network access contracts are approved by the regulator.

Elia Transmission Belgium’s exposure under the regulatory framework and these contracts is limited to an acceptable amount.

These risks are generally covered by a “liability” insurance contract for the appropriate amounts.

In Belgium, due to resource bottlenecks, asset replacements and capital expenditures are generally subject to arbitration, which contributes to the ageing of some asset fleets, complicates the asset management and may eventually affect the availability of some network components and the performance of protection devices. In terms of security, the screening of relevant profiles is applied and projects to improve the security of critical infrastructure are ongoing.

CLIMATE RISKS

The risks associated with climate change are especially important for the group given our ambition to deliver the infrastructure of the energy transition, which helps achieve climate targets at the same time. Climate change & energy transition bring uncertainties & challenges to transmission system operators of the group missions related to markets, system & infrastructure. These include, notably, changes in regulation, selection of technologies or informed infrastructure management in light of physical risks. Indeed, the possibility of having temperature patterns, sea levels, the contours of flood prone areas, or even the frequency and severity of extreme weather events modified may in turn lead to less favourable operating conditions for the group’s assets or even damage them. Such circumstances may trigger risk factors for contingency events & business continuity disruption. Currently, the most important physical risk sources are extreme weather events causing damage to our outdoor infrastructure & flooding of substations.

Responses

The assessment of climate risks is integrated into a multi-disciplinary group-wide risk management process, where risks are identified, assessed, & high priority risks closely followed-up.

For several years now, the group responds the Carbon Disclosure Project (CDP) questionnaire. In 2020, the group received a B rating, which reflects continuous improvement in the management of environmental impact, climate risks & opportunities.

In addition to its efforts to implement the infrastructure of the energy transition, the Elia group launched in September 2020 the initiative “Act Now for a Sustainable World”. The 5 sustainability lighthouses defined are a concrete expression of the group’s determination to be among the best European TSOs in terms of sustainability performance. The ambition is to be transparent about what will be done in the coming years in terms of sustainability.

Further information on the group action for sustainability is available in its sustainability reports & on its website:

<https://www.eliagroup.eu/en/sustainability>

FAILURE OF INFORMATION AND COMMUNICATION TECHNOLOGY (ICT), DATA SECURITY & PROTECTION.

A failure of the ICT systems and processes used by the group or a breach of their security measures may result in losses for customers and reduced revenues for the group and its affiliates.

The group and its relevant affiliates also collect and store sensitive data, their own business data and that of their suppliers and business partners. The group and its relevant affiliates are subject to several privacy and data protection rules and regulations, including, as of May 25, 2018, the General Data Protection Regulation (EU Regulation 2016/679 of April 27, 2016) as well as the NIS directive. Despite all of the precautions taken, important system hardware and software failures, failure of compliance processes, computer viruses, malware, cyber-attacks, accidents or security breaches could still occur.

Any such events could impair the ability of the group and/or the ability of any of the group’s relevant affiliates to provide all or part of their services and generally may result in a breach of their legal and/or contractual obligations. This could, in turn, result in legal claims or proceedings, contractual liability, liability under any other data protection laws, criminal, civil and/or administrative sanctions, a disruption of the operations of the group or the operations of the relevant affiliates of the group, or damage the reputation of the group or its relevant affiliates, and in general could adversely affect the business of the group and its relevant affiliates.

Responses

The group and each of its relevant affiliates take appropriate measures to revise, update and back up its ICT processes and hardware software and network protection (for example, failover mechanisms) on an ongoing basis to the maximum extent permitted by technical and financial considerations.

Furthermore, data governance and classification, as well as data protection and information security (ISO 27001) are applied and monitoring has started.

The two transmission system operators of the group (Elia Transmission Belgium and 50Hertz Transmission GmbH) also continuously adapt their processes and are putting in place new processes to ensure compliance.

PERMITTING RISK

The changing European energy market and largescale deployment of renewable-based generation technologies also requires the further development of the infrastructure of Elia

Asset (and Elia Transmission Belgium) and 50Hertz Transmission GmbH. Electricity grids are recognized as enabling the energy transition. The development of such infrastructure and interconnectors with other neighbouring countries are dependent on securing permits and approvals from local, regional, national and international authorities. The need to obtain such approvals and permits within certain timeframes represents an important challenge to timely implementation. Moreover, these approvals and permits can be contested in the relevant courts.

Responses

In order to manage uncertainties related to permitting, concrete and upfront stakeholder management takes place, as well as transparent communication to the community.

Working hands in hands with authorities on a common goal (i.e. the integration of renewables while ensuring the security of supply with affordable energy prices) helps to build sustainable relations and achieve grid projects within the timeframe of climate ambitions.

For instance, in spite of COVID circumstances, the group worked together with governments and local municipalities to develop and be able to go further with digital participation strategies. By having this proactive and agile approach, the group did not suffer from significant delays to progress and obtain the decisions we were waiting for in 2020.

Further information

In Belgium, some projects are particularly important to facilitating the energy transition: the interconnection projects, the reinforcement of the backbone (HTLS projects), the construction of new projects to reinforce the backbone, such as Ventilus and Boucle du Hainaut and finally the development of the second wave of offshore windfarms. Despite the common interest for the society, they also require a great deal of effort to gain community acceptance due to local impact.

Further information on these projects is available in our Federal Development Plan 2020-2030:

<https://www.elia.be/fr/infrastructure-et-projets/plans-investissements/plan-de-developpement-federal-2020-2030>

SUPPLIER’S RISK

The two transmission system operators of the group (Elia Transmission Belgium and 50Hertz Transmission GmbH) rely on a limited number of key suppliers to provide them with material and realise their investment projects. Given the complexity of the infrastructure works, the increasing demand in the market, and the factories’ full order books, the group may not be able to find sufficient suppliers or supply capacity for their projects. These key suppliers also face the challenge of having enough skilled HR profiles, so that the design of their products is ade-

quate, their production capacity is sufficient, the quality of their supplies is good and their work teams demonstrate a deeply embedded safety culture. Should they fail to have enough skilled profiles, this might adversely impact the group’s business, including the safety of our works. In addition, the group and the relevant affiliates of the group are also exposed to the risk of public procurement claims and that their respective suppliers, when facing financial difficulties, may not be able to comply with their contractual obligations. Covid-19 may place some suppliers in a tight financial & supply chain situation (limited stock of supplies). Any cancellation of or delay in the completion of its infrastructure works could have an adverse effect on the business and reputation of the group and its affiliates.

Responses

The two transmission system operators of the group (Elia Transmission Belgium and 50Hertz Transmission GmbH) maintain ongoing dialogue with their suppliers and regularly perform predictive capacity analysis at market level in order to minimise supplier’s risk. Targeted measures are taken to mitigate specific risks. They also develop more resilient purchasing strategies and diversify their supplier portfolio. The HR initiatives aiming to increase the internal technology knowhow and skillset with respect to critical technologies and tools also contribute to limit the risk of dependencies with respect to EU & non-EU suppliers.

HEALTH & SAFETY ACCIDENTS

Elia Transmission Belgium and 50Hertz Transmission GmbH operate facilities where accidents, asset failure or external attacks may cause harm to people. As a result, the group and its relevant affiliates may be exposed to potential liabilities that may have a material, negative impact on their financial position, require significant financial and managerial resources, or possibly damage their respective reputations.

Responses

The safety and well-being of individuals (both the group’s staff, the staff of the relevant affiliates and third parties) is a key priority and a daily concern for the group and the relevant affiliates. The group and its relevant affiliates have put a Health and Safety policy in place and they undertake safety analyses and promote a safety culture. Action taken towards a Just Culture and a strong system based H&S strategy enables the group to pursue these priorities in a sustainable manner.

Financial risks & responses provided

NEGATIVE CHANGES IN FINANCIAL MARKETS

The ability of the group to access global sources of financing to cover its financing needs or repayment of its debt could be impacted by the deterioration of financial markets.

Fluctuations of interest rates may negatively influence the financial situation of the group. Indeed, in order to finance its investments and to achieve its short and long-term strategic goals, the group and its affiliates need to access capital markets. In the current bank and capital market environment characterised by low interest rates, the group has no constraints on the availability of funding. The allowed return on equity defined in the regulatory schemes can also be adversely affected by the decrease of interest rates.

To finance its investments, the group is dependent on its ability to access the debt and capital markets in order to raise the necessary funds to repay its existing indebtedness and meet its financial needs for its future investments. Geopolitical issues linked to the execution of the BREXIT as well as the roll-out of the Biden administration in the US and the evolution of the pandemic Covid-19 could further impact the financial markets. All of these macroeconomic factors are reflected at market level by severe volatility, which could have a negative impact on the growth of the group and on the pursuit of its objectives.

Elia Group and Eurogrid GmbH are rated by S&P. There is no assurance that the rating will remain the same for any given period or that the rating will not be lowered by the rating agency if, in its judgment, circumstances in the future so warrant. A decision by a rating agency to downgrade or withdraw the company's credit rating could reduce the group's funding options and increase its cost of borrowing.

Responses

The risks the group faces are identified and analysed in order to establish appropriate limits. The group controls and monitors risks and compliance with such limits. To this end, the group has defined responsibilities and procedures specifically for the financial instruments to be used and the operating limits for managing them. These procedures and related systems are revised on a regular basis to reflect any changes in market conditions and the activities of the group. The financial impact of these risks is limited, as Elia Transmission Belgium and 50Hertz Transmission GmbH operate under the Belgian or German regulatory framework.

As part of the group's efforts to mitigate the funding risk, the group aims to diversify its financing sources in debt instruments and balances the maturity of its funding to the long-term lifetime of its assets. Additionally, as a listed company, Elia Group also has access to the equity market. The refinancing risk is managed through developing strong relationships with

a group of financial institutions, through maintaining a robust and prudent financial position over time and through diversification of funding sources. The short-term liquidity risk is managed on a daily basis with funding needs being fully covered through the availability of credit lines (sustainability linked credit lines for ETB) and the Commercial Paper Programme.

Further information

In Belgium, the funding costs linked to the financing of the regulated activities are qualified as "Noncontrollable elements" and potential deviations from budgeted figures can be passed on in a subsequent regulatory tariff period (or in the same period in the event of an exceptional change in charges). The regulated tariffs are set pursuant to forecasts of the interest rate.

CASHFLOW

The fluctuation in interest rates of the group's debt mentioned in the previous section can also have an impact on the actual financial charges by causing a time differential (positive or negative) between the financial costs effectively incurred by the group and the forecast financial costs. This could cause transitory effects on the cash position of the group.

Deviations between actual and budgeted volumes of electricity transmitted and between effectively incurred and budgeted costs/revenues may have a negative short-term effect on the cash position of the group. Covid-19 measures were leading in 2020 to a drop in electricity consumption. This downturn in electricity consumption had a substantial impact on the actual cash income to finance the different mechanism to support the development of renewable energy and public service obligations. However, thanks to the current tariff structure, the impact on our core business cash incomes was more limited. In function of the evolution of the economic activities, a wider negative mid-term impact may be expected. Further information on the impact of support mechanisms is provided hereunder. The existing legal rules foresee that transmission system operator public service obligations' costs are covered by tariffs (& tariff evolutions) which are approved by the regulators on a regular basis.

In the framework of their respective competences, national and regional governments have taken measures to support the further development of renewable energy by introducing different support mechanisms. The two transmission system operators of the group (Elia Transmission Belgium and 50Hertz Transmission GmbH) are entitled to several of these public service obligations mechanisms. This may have an indirect impact on the group's cashflow: deviations from the expected market price (GE) or number of sales of green certificates at a guaranteed minimum price (BE) or deviations from the expected volumes of infeed of renewable energy and lower end user consumption could generate short-term & mid-term significant cash expenses.

Responses

The short-term liquidity risk is managed on a daily basis with the funding needs being fully covered through the availability of credit lines and a commercial paper program.

Other risk mitigation measures include being involved in the design of public service obligation mechanisms aiming to support the development of renewable energy. Once these mechanisms are in place, performing good forecasts on end-user consumption, RES-infeed, market prices, the expected number of sales of green certificates at a guaranteed minimum price, as well as reporting and communicating issues to governments and regulators can contribute to keeping a good balance.

Further information

With the advent of Belgian laws and regulations governing decentralised or renewable energy generation, notably via photovoltaic solar panels and wind turbines, the federal and regional governments organised the issuance of so-called 'green certificates' (GC), which are used as a financial support mechanism for renewable energy.

The first vague of offshore wind turbine connections have been finalized in the North Sea in the course of 2020 and hint towards a potential growth once MOGII has been approved, generating green certificates to be sold to Elia Transmission Belgium. This offshore green certificate public service obligation generates an increasingly large cash outflow, compensated by an equivalent cash inflow resulting from an increasing tariff to be approved by the government in the coming years.

In terms of the regional public service obligations, a historical imbalance exists since a few years but a gradual decline of this imbalance is expected to happen in the future.

The high tariff for public service obligations for financing the support measures for renewable energy in Wallonia, which is established to cover the cost of selling green certificates to Elia Transmission Belgium, was completed in late 2017 by a new green certificate temporisation mechanism. In this context, the Walloon Region is entitled to buy appropriate quantities of GC from Elia Transmission Belgium and to resell these GC to the market in a few years.

In the perspective to finance the further negative balance between the actual tariff of 13.8159 €/MWh and the cost of GC sales to Elia Transmission Belgium in 2021, a new temporization operation is probably still necessary in 2021. As from 2022, the GC sales to Elia Transmission Belgium should start declining and so limiting the risk on further financial imbalance on the Walloon GC public service Obligation. In the same time, the reservation mechanism by Solar Chest will stop by end of June 2022.

For what concerns the offshore green certificates public service obligation (BE), the existing legal rules foresee that this lack

of funding is addressed by an evolution in tariffs, with a delay of about 2 years. The tariff for 2021 has been approved by the Minister of Energy.

As a logical result of the response defined to adequacy risks described in the regulatory & risk sections, the financing mechanism of CRM remains to be finalized, as balanced as possible.

The EEG mechanism is prescribed by law (AusglMechV) and is linked to the support of the production of the renewable energy sources (RES). The TSO pays the RES producers the difference between market price and the price prescribed by law for their generated energy and recharges the difference to the end user applying a surcharge amount per kWh. If the RES-infeed is higher than expected, or market prices are lower than estimated or end user consumption is lower than expected, the liquidity of 50Hertz can be heavily affected.

During the pandemic because of low market prices and low end user consumption the EEG surcharge resulted in a deficit of approximately 900 m€. 50Hertz had sufficient back up facilities to cover this exceptional situation. However, the situation has since then relaxed as the deficit has been settled in early 2021 through a German federal subsidy mechanism.

NEW BUSINESS DEVELOPMENTS

Any negative results from new business developments are entirely born by the group and represent an additional financial risk.

Responses

The new ring-fencing structure explained in the "Risk of early termination of TSO licence" section is one of the responses provided.

Concerning the group affiliate EGI, the services provided so far are mainly owner's engineering ones, characterised by lower risks of claims and liabilities.

LEGAL DISPUTES & LIABILITIES

The outcome of legal disputes and lawsuits may negatively affect the business operations and/or the financial results.

Responses

The group and its relevant affiliates carry out their activities in such a way as to reduce (as much as possible) the risk of legal disputes and, if necessary, the appropriate provisions are identified and implemented on a quarterly basis.

R&D activities

In line with its strategic priorities to provide the needed infrastructure & a sustainable power system, to meet evolving customer needs and to increase relevance through growth beyond current parameter, the group explores, with partners, ideas that could help reshape the future of energy and pave the way for the creation of a group of digital transmission system operatorss.

These innovation activities relate to three pillars : asset, market and system operation.

Extensive information on the group innovation projects can be found on this website

<https://innovation.eliagroup.eu/>

To accelerate the realization of its ambitions and promote the innovative initiatives of its employees, the group has decided to create a new dedicated risk-free working environment called The Nest for fast prototyping of promising projects.

Contextual factors

COVID 19

The covid 19 pandemic and restrictions imposed to contain it have led to a slowdown in economic activities worldwide. Uncertainty remains on the longer term impact of covid-19. The resurgence of the virus in many European countries in the autumn 2020 combined with the need to reintroduce contain-ment measures are playing an adverse role on the economic momentum. The emergence of vaccines is expected to play a leading counterbalancing role. However, it can still take time until the threshold vaccination rate is reached and herd immunity is achieved. The way in which this contextual factor influences our business is outlined in the previous sections on risks & responses provided. Efforts are deployed towards a minimization of possible impacts, notably on security of supply, health & safety & projects.

BREXIT

On 24 December 2020, the European Union and the United Kingdom reached an agreement in principle on the EU-UK Trade and Cooperation Agreement that will provisionally apply from 1/1/2021 on. The negotiations could only be finalised at a very late stage before the expiry of the transition period.

Until this deal was agreed in December, the prospect of a no-deal Brexit created a prolonged macroeconomic uncer-tainty. The deal must now be the basis of a smart and sustain-able cooperation between Europe and the UK. Many of the general arrangements for electricity markets in the EU-UK trade and cooperation agreement maintain the status quo and

offshore cooperation in the North Sea is reinforced. However, the UK leaving the internal energy market will make energy trading less efficient. The deal includes a requirement to develop a new market coupling mechanism (Multi-region loose volume coupling).

The group has carried out an analysis and concluded that Nemo Link Ltd is prepared for the new situation. The overall conclusion is that Nemo Link remains operational as before. The profitability of the investment is not expected to be sig-nificantly affected by the “cap and floor” mechanism, which provides certainty of the company’s cash flows over a 25 year period.

MACROECONOMIC CONTEXT

2020 was characterized by a rather uncertain macroeconomic climate, in particular due to the covid-19, the prospect of a no-deal Brexit (see subsections above), to a sharp increase in government debt combined with contraction episodes in gross domestic product. The organization of the elections in the United States of America, and the possible contestation of its results, was also an element likely to increase market volatility.

As well as this, interest rates remained very low in 2020, follow-ing the ECB’s highly accommodative monetary policy stance, but this situation may change in the future.

Evolutions in long-term interest rates may affect the expected return for transmission system operators.

PREPARING THE ENERGY TRANSITION

As outlined in the risk description, in the context of nuclear phase-out, preparing the energy transition requires additional generation units being available for ensuring both the network balancing and adequacy. This in turns requires a framework in which investors will feel confident enough to invest in those generation units. This framework is not yet available.

Additionally, preparing for the energy transition has a cost. Finding ways to finance them in a manner that is responsible for the future generations and in a context of indebtedness is a challenge in itself.

ENERGY DEMAND & ENERGY EFFICIENCY

While global energy demand had steadily increased over the past decades until the COVID pandemic, energy efficiency is also one of the key measures outlined by the EU in respect of Union-wide CO₂ footprint reduction. Significant energy efficiency measures in Belgium and Germany can potentially affect power consumption and thus reduce the volumes of electricity transmitted via the group’s networks. The same applies for a slowing down of the economic activities of indus-trial clients and a reduction of their consumption.

Features of the internal control and risk management systems

GRI 102-17, GRI 102-30

The reference framework for internal control and risk management, established by the Executive Board and approved by the Elia Group Board of Directors, is based on the COSO II framework. The framework has five closely linked basic components, providing an integrated procedure for internal control and risk management systems: control environment, risk management, control activities, information and communication, and monitoring. The use and inclusion of these concepts in Elia Group’s various procedures and activities enables the company to control its activities, improve the effectiveness of its operations, optimally deploy its resources, and ultimately achieve its objectives. The implementation of COSO II at Elia Group is described below.

1. Control environment

ORGANISATION OF INTERNAL CONTROL

Pursuant to the Elia Group articles of association, the Board of Directors has established an Executive Board as well as various committees to help it fulfil its duties: the Audit Committee, the Strategic Committee, the Remuneration Committee and the Nomination Committee. The Audit Committee is, pursuant to Article 7:99 of the Code of Companies and Associations and the articles of association, responsible in particular for (ii); (iii); (iv); (v).

The Board has charged the Audit Committee with the main fol-lowing tasks: (i) examining the accounts and exercising control over the budget; (ii) monitoring the financial reporting process; (iii) monitoring the effectiveness of the company’s internal con-trol and risk management systems; (iv) monitoring the internal audit and its effectiveness; (v) monitoring the statutory audit of annual and consolidated accounts, including the follow-up of any issues raised or recommendations made by external auditors; (vi) reviewing and monitoring the independence of external auditors, (vii) formulating a proposal to the board of directors for the (re)appointment of the statutory auditors, as well as making recommendations to the board of directors regarding the conditions of their appointment; (viii) monitoring the nature and extent of the non-audit services provided by the statutory auditors; (ix) reviewing the effectiveness of the external audit process.

The Audit Committee generally meets quarterly.

The Finance Department helps the Executive Board by provid-ing, in a timely manner, correct and reliable financial informa-tion to aid not only decision-making with a view to monitoring the profitability of activities, but also effective management of corporate financial services. External financial reporting – one of Elia Group’s duties – includes (i) statutory financial and

tax reporting; (ii) consolidated financial reporting; (iii) specific reporting obligations applicable to listed companies. The structured approach developed by Elia Group helps to ensure that financial data is both exhaustive and precise, taking into account the deadlines for activity reviews and the actions of key players so as to ensure adequate control and accounting.

INTEGRITY AND ETHICS

Elia Group’s integrity and ethics are a crucial aspect of its inter-nal control environment. The Executive Board and manage-ment regularly communicate about these principles in order to clarify the mutual rights and obligations of the company and its employees. These rules are disseminated to all new employees, and compliance with them is formally included in employment contracts.

Elia Group’s Code of Conduct (the “Code of Conduct”) also helps to prevent employees from breaching any Belgian legislation on the use of privileged information or market manipulation and suspicious activities. Management consistently ensures that employees comply with internal values and procedures and – where applicable – take any actions deemed necessary, as laid down in the company regulations and employment contracts. Elia Group’s Ethical Code (the “Ethical Code”) defines what Elia Group regards as correct ethical conduct and sets out the policy and a number of principles on the avoidance of conflicts of interests. Acting honestly and independently with respect to all stakeholders is a key guiding principle for all of our employees. Elia Group’s Ethical Code expressly states that bribery in any form, misuse of privileged information and market manipulation is prohibited. This is confirmed by the Code of Conduct. Elia Group and its employees do not use gifts or entertainment to gain competitive advantage. Facilitation payments are not permitted by Elia Group. Disguising gifts or

entertainment as charitable donations is also a violation of the Ethical Code. Moreover, the Ethical Code prohibits all forms of racism and discrimination, promotes equal opportunities for all employees, and ensures the protection and confidential use of IT systems. All parties involved in procurement must abide by Elia Group's Purchasing Code of Ethics and all associated regulations. Elia Group's Purchasing Code of Ethics is published internally and externally and is based on four pillars: confidentiality, non-discriminatory treatment of suppliers, transparency, and avoidance of conflicts of interest. The management of the employees involved in the procurement and payment processes regularly provides opportunities for training and awareness-raising on these topics.

Elia Group offers its employees the opportunity to express their concern about an (alleged) breach of the ethical code without fear of sanctions and/or unfair treatment. In addition to the existing reporting channels, an external system for reporting breaches of professional integrity has been implemented. Internal employees can report via this platform their suspicions about possible breaches of the Code of Ethics which may harm Elia Group's reputation and/or interests in a protected manner.

Any violations of these codes can be reported to the Compliance Officer, who handles them objectively and confidentially. The Compliance Officer declares that no such violations were reported by internal employees or external stakeholders in 2020.

Internal Audit's annual programme includes a number of actions and verification audits designed to act as specific safeguards against fraud. Any findings are systematically reported to the Audit Committee. In 2020, no relevant findings relating to financial fraud were reported in the audits making up the annual audit plan of 2020.

ROLES AND RESPONSIBILITIES

Elia Group's internal control system relies on clearly defined roles and responsibilities at all levels of the organisation. The roles and responsibilities of the various committees established within Elia Group are primarily identified in the legal framework applicable to Elia Group, the Articles of Association and the Corporate Governance Charter. Under the supervision of the Chief Financial Officer, the Accounting Department is responsible for statutory financial and tax reporting and the consolidation of the Elia Group's various subsidiaries. The Controlling Department monitors analytical accounting and reporting and assumes responsibility for all financial reporting in a regulatory context. As regards the financial reporting process, the tasks and responsibilities of all employees in the Accounting Department have been clearly defined with a view to producing financial results that accurately and honestly reflect Elia Group's financial transactions. A detailed framework of tasks and responsibilities has been drawn up to identify the main control duties and the frequency with which tasks and control

duties are performed. An IFRS Accounting Manual is used by all entities within the scope of consolidation as a reference for accounting principles and procedures, thus ensuring consistency, comparability and accurate accounting and reporting within the group. The Finance Department has the appropriate means (including IT tools) to perform its tasks; all entities within the scope of consolidation use the same ERP software, which has a range of integrated controls and supports task separation as appropriate. The roles and responsibilities of all employees are clarified by providing a description of each job in line with the Business Process Excellence methodology.

COMPETENCIES

With a view to ensuring its various activities are performed reliably and effectively, Elia Group clearly spells out the vital importance of its employees' competencies and expertise in its recruitment, training and retention procedures. The Human Resources Department has drawn up the appropriate policies and defined all jobs in order to identify the relevant roles and responsibilities as well as the qualifications needed to fulfil them. Elia Group has drawn up a policy for the management of generic and specific competencies in line with the company's values, and promotes training so as to enable all its employees to effectively perform the tasks allocated to them. Requirements with regard to competency levels are continually analysed by means of formal and informal self-assessments at various stages of an employee's career. Training programmes on financial reporting are offered to all employees involved directly or indirectly with that task. The training emphasises the existing regulatory framework, accounting obligations and actual activities, with a high level of understanding enabling participants to address the appropriate issues.

2. Risk management

Risk management is another internal control system that is crucial in helping Elia Group to achieve its strategic objectives as defined in its mission. The Board of Directors, the Audit Committee and the Risk Manager jointly and regularly identify, analyse and assess key risks encountered by the company. The risks are identified and assessed qualitatively and/or quantitatively depending on their nature and potential effect. The Risk Manager then makes recommendations on how best to manage each risk considering the close interaction of Elia Group's entire risk universe. Based on this assessment, preventive, remedial and/or corrective actions are implemented, including the strengthening of existing internal control activities where applicable. As part of its responsibilities, Elia Group's Executive Board establishes an effective internal control system to ensure, among other objectives, accurate financial reporting. It emphasises the importance of risk management in financial reporting by taking into account, with the Audit Committee, a whole range of associated activities and risks. It ensures that risks are truly reflected in financial results and reports. In addition, Risk Management goes beyond those risks known to Elia Group and tries to anticipate the nature and characteristics of emerging risks, which may impact Elia Group's objectives. Financial risk assessments primarily involve the identification of:

- 1. significant financial reporting data and its purpose;
- 2. major risks involved in the attainment of objectives;
- 3. risk control mechanisms, where possible.

Financial reporting objectives include (i) ensuring financial statements comply with widely accepted accounting principles; (ii) ensuring that the information presented in financial results is both transparent and accurate; (iii) using accounting principles appropriate to the sector and the company's transactions; (iv) ensuring the accuracy and reliability of financial results. The activities undertaken by Elia Transmission Belgium, as an electricity transmission system operator in relation to its physical installations, contribute significantly to the group's financial results. Therefore, appropriate procedures and control systems have been established to ensure an exhaustive and realistic inventory of physical installations. Risk management is a company-wide activity, actively supported by the delegation of relevant responsibilities to all employees as part of their specific activities, as defined in the Policy.

CONTINUOUS ASSESSMENT

Employing a simultaneously top-down and bottom-up approach enables Elia Group to identify and, where possible, anticipate forthcoming events and react to any incidents occurring inside or outside the organisation which might affect the attainment of objectives.

TOP-DOWN APPROACH BASED ON STRATEGIC RISKS

Elia Group's strategic risk assessments are reviewed on a quarterly basis in the Audit Committee. Action plans or specific, theme-based risk assessments are carried out whenever there is a perception of potential threats or opportunities.

BOTTOM-UP APPROACH WITH REGARD TO BUSINESS

With a view to identifying new risks or evaluating changes in existing risks, the Risk Manager and the Executive Board remain in contact and look out for any changes that may call for the relevant risk assessment and associated action plans to be amended. Various criteria are used to determine the need to re-evaluate financial reporting procedures and associated risks. Emphasis is put on risks associated with changes in the financial and regulatory context, industrial practices, accounting standards and corporate developments such as mergers and acquisitions. Operational management assesses the relevant risks and puts forward action plans. The Board of Directors, upon the advice of the Audit Committee, must approve any significant changes to assessment rules. Risk Management is instrumental for Elia Group to maintain its value for stakeholders and the community, works with all departments with a view to optimising Elia Group's ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

3. Control activities

MAIN CONTROL ACTIVITIES

Elia Group has established internal control mechanisms at its various structural levels so as to ensure compliance with standards and internal procedures geared to the proper management of identified risks. These include:

- (i) clear task separation as part of procedures, preventing the same person from initiating, authorising and recording a transaction – policies have been drawn up regarding access to information systems and the delegation of powers;
- (ii) integrated audit approach as part of internal procedures so as to link end results with the transactions supporting them;
- (iii) data security and integrity through the appropriate allocation of rights;
- (iv) appropriate documentation of procedures through the use of the Business Process Excellence Intranet, which centralises policies and procedures. Departmental managers are responsible for establishing activities to control the risks inherent to their department.

FINANCIAL REPORTING PROCEDURE

For all significant financial reporting risks, Elia Group sets out appropriate control mechanisms to minimise the probability of error. Roles and responsibilities have been defined in connection with the closing procedure for financial results. Measures have been established for the continuous follow-up of each stage, with a detailed agenda of all activities undertaken by group subsidiaries; control activities are performed to ensure quality and compliance with internal and external requirements and recommendations. During the financial closing period, a specific test is performed to ensure control over significantly unusual transactions, accounting checks and adjustments at the end of the relevant financial period, company transactions and critical estimates. The combination of all these controls ensures the reliability of financial results. Regular internal and external audits also contribute to financial reporting quality. In identifying those risks that may affect the achievement of financial reporting objectives, the Executive Board takes into account the possibility of misreporting associated with fraud and takes appropriate action where internal control needs to be strengthened. Internal Audit performs specific audits based on the risk assessment for potential fraud, with a view to avoiding and preventing any instances of fraud.

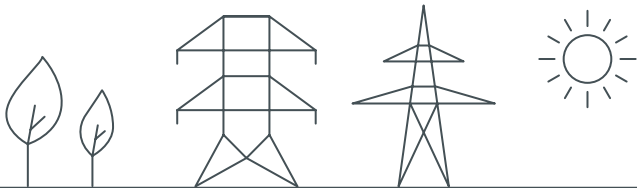
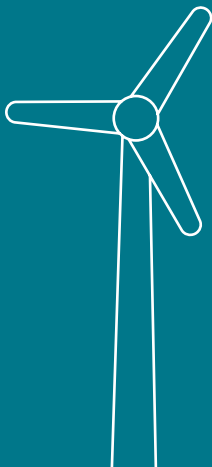
4. Information and communication

Elia Group communicates relevant information to its employees to enable them to fulfil their responsibilities and achieve their objectives. Financial information is needed for budgeting, forecasts and ensuring compliance with the regulatory framework. Operational information is also vital for the production of various reports, essential for the well-functioning of the company. As such, Elia Group records recent and historical data needed for corporate risk assessments. Multiple communication channels are used: manuals, memos, emails, bulletin boards and intranet applications. Financial results are reported internally and validated at different levels. The management responsible for financial reporting regularly meets other internal departments (operational and control departments) to identify financial reporting data. It validates and documents the critical assumptions underpinning booked reserves and the company's accounts. At group level, consolidated results are broken down into segments and validated by means of a comparison with historical figures and a comparative analysis between forecasts and actual data. This financial information is reported monthly to the Executive Board and is discussed quarterly with the Audit Committee. The Chairman of the Audit Committee then reports to the Board of Directors.

5. Monitoring

Elia Group continually re-evaluates the adequacy of its risk management approach. Monitoring procedures include a combination of monitoring activities carried out as part of normal business operations, in addition to specific ad hoc assessments on selected topics. Monitoring activities include (i) monthly reporting of strategic indicators to the Executive Board and the management; (ii) follow-up on key operational indicators at departmental level; (iii) a monthly financial report including an assessment of variations as compared with the budget, comparisons with preceding periods and events liable to affect cost controlling. Consideration is also given to third-party feedback from a range of sources, such as (i) stock market indices and reports by ratings agencies; (ii) share value; (iii) reports by federal and regional regulators on compliance with the legal and regulatory framework; (iv) reports by security and insurance companies. Comparing information from external sources with internally generated data and ensuing analyses allows Elia to keep on making improvements. Internal Audit also plays a key role in monitoring activities by conducting independent reviews of key financial and operational procedures in view of the various regulations applicable to Elia Group. The findings of those reviews are reported to the Audit gCommittee to help it monitor internal control and risk management systems and corporate financial reporting procedures. The Group's legal entities are also subject to external audits, which generally entail an evaluation of internal control and remarks on (annual and quarterly) statutory and consolidated financial results. External auditors make recommendations for improving internal control systems. In entities that have an Audit Committee, the recommendations, action plans and their implementation are reported annually to that Committee, which in turn reports to the Board of Directors on the independence of the auditor or statutory audit firm and drafts a motion for a resolution on the appointment of external auditors.

INVESTOR RELATIONS

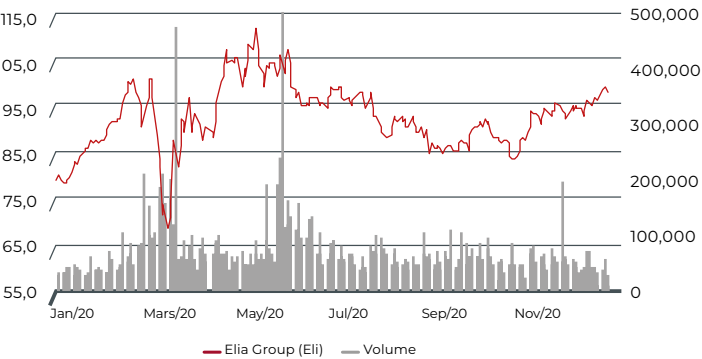


ELIA GROUP ON THE STOCK EXCHANGE	48
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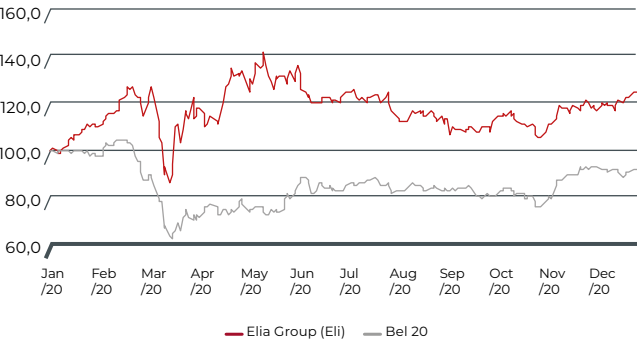
Elia Group on the stock exchange

Solid performance of the Elia Group share in volatile markets, hitting a new record high in 2020.

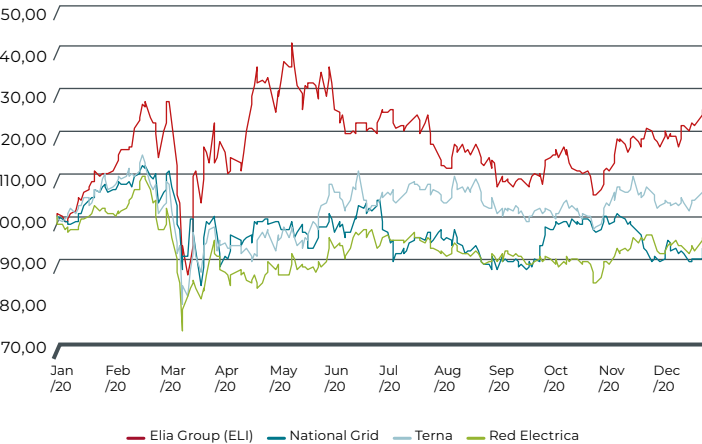
Evolution in price and traded volumes



Evolution of the Elia Group share against the Bel20 Index



Evolution of the Elia share against its european counterparts



Following the completion by the Elia Group of its internal reorganisation on 31st of December 2019, the listed company Elia System Operator SA/NV was renamed Elia Group SA/NV.

2020 was marked by the global health pandemic caused by the widespread outbreak of Covid-19. This has had a major impact on financial markets and on Belgian and global economies. Despite this unprecedented public health crisis, most of Elia group's operational activities continued supported by their socio-economic importance and the group's vigorous efforts to ensure business continuity.

Driven by the highly regulated nature of our activities, Elia group delivered strong financial results over the year thanks to the realisation of investments and strong operational performance.

The Elia Group share price, closed the year at a price of €97.50, up 23.3% from €79.10 at the end of 2019. On the 16th of March 2020 the share price hit a low of €68.30 and recorded a high of €111.40 on 13th of May 2020. The approved dividend of €1.69 for 2019 was paid despite the Covid-19 outbreak, leading to a total yearly return of 25.61% and hereby largely outperforming peers and the BEL 20 Index.

Liquidity of the Elia Group share increased significantly together with its value from an average of 39.559 shares traded per day in 2019 to 76.542 in 2020. This increase in liquidity was also supported by the entrance of Elia Group in the MSCI Belgium and the SE European Utility Index in the course of 2020.

With 68,720,695 shares outstanding, the company's market capitalisation stood at €6,700,269,762 at the end of December. Driven by the strong performance of the share, Elia Group received the BelMid Company of the Year 2020 award representing the highest relative increase in market capitalisation for 2020.

€ 1.71

Gross Dividend per share

57.20 %

Contribution of Germany to the net profit attributable to the Elia Group.

APPOINTMENT OF THREE LIQUIDITY PROVIDERS FOR THE ELIA GROUP SHARE

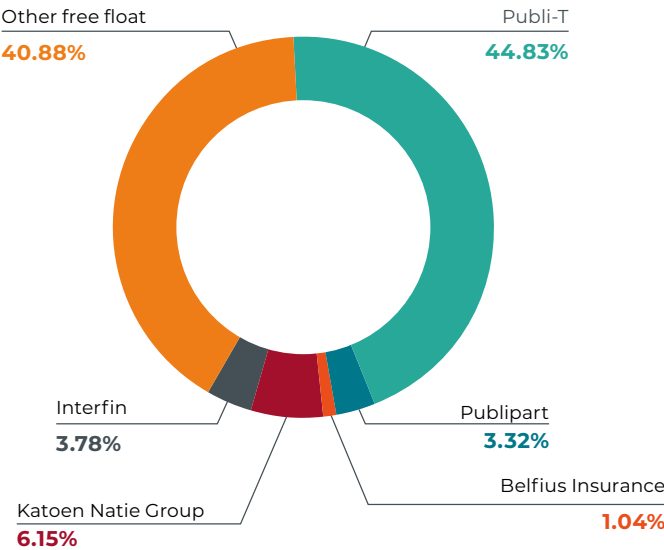
Elia Group concluded liquidity provider contracts with KBC Securities, Bank Degroof and Belfius Bank. These three financial institutions have been continually present in the order book for the Elia Group share and are involved in both sales and purchases.

DIVIDEND

On 2 March 2021, the Elia Group Board of Directors decided to propose a nominal dividend of €117.5 million, or €1.71 per share (gross) to the General Meeting of shareholders of 18 May 2021, in accordance with the dividend policy and subject to approval of the profit appropriation by the Ordinary General Meeting of shareholders. This represents an increase in dividend for the sixth consecutive year and an increase of 1.18% compared to 2019. This gives a net dividend of €1.197 per share.

The following paying agents will pay out dividends to shareholders: BNP Paribas Fortis, ING Belgium, KBC and Belfius. Dividend pay-outs for shares held in a stock account will be settled automatically by the bank or stockbroker. Elia Group will pay out dividends on registered shares directly to shareholders.

Shareholder structure



DIVIDEND POLICY

On March 21, 2019 the Board of Directors formally approved the policy it intends to apply when proposing dividends to the General Shareholder's Meeting. Under this policy, the full-year dividend growth is intended not to be lower than the increase of the Consumer Price Index ("inflation") in Belgium. The completed reorganisation of the group has no impact on this dividend policy. The policy supports the group's long-term ambition to offer a secure dividend in real terms to the shareholders while at the same time enabling the group to sustain a strong balance sheet that is needed to fund the group's investment program.

Nevertheless, future dividends will remain dependent upon the results of the group (which are affected by a number of factors, outside the company's control) as well as the company's financial situation, financing needs (in particular, capital expenditures and investment plan) and business perspectives.

The proposed dividend represents a pay-out ratio of 46.9% of the IFRS reported profit attributable to owners of ordinary shares.

Financial calendar

16 April 2021	Publication Annual Report 2020
27 April 2021	Elia Group capital markets day
18 May 2021	General meeting of shareholders
19 May 2021	Quarterly statement for Q1 2021
01 June 2021	Payment of 2020 dividend
28 July 2021	Publication of 2021 half-year results
26 November 2021	Quarterly statement for Q3 2021

Investors

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

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

Key figures

(in million EUR)	2020	2019	2018	2017 ⁽¹⁾	2016	2015
Consolidated results						
Total revenue and other operating income	2,473.6	2,319.0	1,931.8	867.1	868.1	851.4
EBITDA ^(*)	1,005.6	930.2	750.5	455.4	425.0	442.8
Results from operating activities (EBIT) ^(*)	578.5	569.7	502.6	324.6	295.0	336.4
Net finance costs	(141.5)	(139.6)	(93.2)	(76.5)	(82.9)	(92.8)
Income tax	(129.1)	(121.0)	(102.2)	(39.6)	(32.0)	(32.9)
Adjusted net result ^(*) (²)	308.1	306.2	280.8	203.4	168.0	175.8
Reported net result	307.9	309.1	307.1	208.5	179.9	210.6
Non-controlling interest	38.5	35.5	25.7	0.0	0.0	0.0
Hybrid securities	19.3	19.3	6.2	0.0	0.0	0.0
Profit attributable to owners of ordinary shares	250.1	254.3	275.2	208.5	179.9	210.6
(in million EUR)	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Consolidated balance						
Total assets	15,165.6	13,893.4	13,754.3	6,582.3	6,241.5	6,435.6
Equity attributable to owners of the company	4,173.2	4,022.3	3,447.5	2,563.3	2,511.4	2,413.6
Equity attributable to owners of the parent – ordinary shareholders	3,471.8	3,320.9	2,741.3	2,563.3	2,511.4	2,413.6
Equity attributable to owners of the parent – Hybrid securities holders	701.4	701.4	706.2	0.0	0.0	0.0
Net financial debt	7,465.0	5,523.1	4,605.6	2,689.1	2,557.3	2,583.4
	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Other key figures						
Regulatory Asset Base (RAB) (bn EUR) ⁽³⁾	9.7	9.1	9.2	7.4	7.1	6.7
Dividend per share (EUR)	1.71	1.69	1.66	1.62	1.58	1.55
Return on Equity (%)	6.46%	6.80%	8.16%	8.14%	7.16%	8.73%
Return on Equity (adj.) ⁽¹⁾	7.20%	7.66%	10.04%	8.14%	7.16%	8.73%
Earnings per share (adj.) (EUR) ⁽¹⁾	3.64	3.91	4.52	3.42	2.95	3.47
Equity per share (EUR)	50.5	48.4	44.9	42.1	41.2	39.7
Number of shares (period-end)	68,720,695	68,652,938	61,015,058	60,901,019	60,753,714	60,750,239

(*) Detailed glossary of definitions is included in Appendix.

1 The Group applies IFRS 15 under the full retrospective method under which comparative figures for financial year 2017 have been restated

2 The adjusted net result has been introduced in 2019 as an Alternative Performance Measure. This represents the Normalised net result in prior years

3 The Regulatory Asset Base includes 60% of the RAB of 50Hertz until 2017 and 80% of the RAB as from 2018. In 2019, the composition of the RAB is no longer including EEG and similar surcharges due to change in regulation

Management report and analysis of the 2020 results

Elia Group makes crucial investments for energy transition while delivering strong financial results

- Grid investments of €337.4 million in Belgium and €715.9 million in Germany while maintaining an excellent safety record and ensuring a reliable and sustainable energy system, resulting in asset growth of 6.1%
- Resilient organisation delivering on investments and ensuring continuity of supply during this challenging period
- Adjusted net profit up 0.6% to €308.1 million¹ driven by the realisation of investments, a solid operational performance in Belgium, Germany and Nemo Link and regulatory settlements in Germany.
- Elia Transmission Belgium and Eurogrid GmbH successfully accessed the debt capital market with green financing, lowering the average cost of debt to the benefit of society
- A dividend of €1.71 per share will be proposed at the General Meeting on 18 May 2021

COVID-19

In a year marked by the COVID-19 pandemic, Elia Group proved to be a resilient organisation and capable of immediately responding to the crisis. Maintaining security of supply and the health and safety of our employees and contractors were our main priorities. Driven by the socio-economic importance of our activities, the Group's vigorous efforts to ensure business continuity and the largely regulated nature of our business, COVID-19 did not have a material impact on the financial results for 2020.

Elia Group

Key figures (in € million)	2020	2019	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	2,473.6	2,319.0	6.7%
Equity accounted investees	9.2	8.3	10.8%
EBITDA	1,005.6	930.2	8.1%
EBIT	578.5	569.7	1.5%
Adjusted items	(0.3)	6.0	n.r.
Adjusted EBIT	578.8	563.7	2.7%
Net finance costs	(141.5)	(139.6)	1.4%
Adjusted net profit	308.1	306.2	0.6%
Net profit	307.9	309.1	(0.4%)
Non-controlling interests	38.5	35.5	n.r.
Net profit attributable to the Group	269.4	273.6	(1.5%)
Hybrid securities	19.3	19.3	n.r.
Net profit attributable to owners of ordinary shares	250.1	254.3	(1.7%)
Key figures of the financial position (in € million)	2020	2019	Difference (%)
Total assets	15,165.6	13,893.4	9.2%
Equity attributable to owners of the company	4,173.2	4,022.3	3.8%
Net financial debt	7,465.0	5,523.1	35.2%
Key figures per share	2020	2019	Difference (%)
Reported earnings per share (EUR) (Elia share)	3.64	3.91	(6.9%)
Return on Equity (adj.) (%) (Elia share)	7.20	7.66	(5.9%)
Equity attributable to owners of the company per share (EUR)	50.5	48.4	4.3%

1 Adjusted net profit Elia Group includes adjusted items linked to the corporate reorganisation implemented at the end of 2019

RESULTS

Elia Group's adjusted net profit was up 0.6% to €308.1 million, driven by the realisation of investments, a solid operational performance off all segments and regulatory settlements in Germany.

Looking at the various segments, **Elia Transmission Belgium** achieved solid results with an adjusted net profit of €124.8 million (+€2.5 million). The higher result is mainly due to higher equity remuneration, higher performance on incentives and the positive impact of employee benefits, offsetting the one-off positive impact of last year's capital increase and the depreciation of intangible assets acquired prior to 2020.

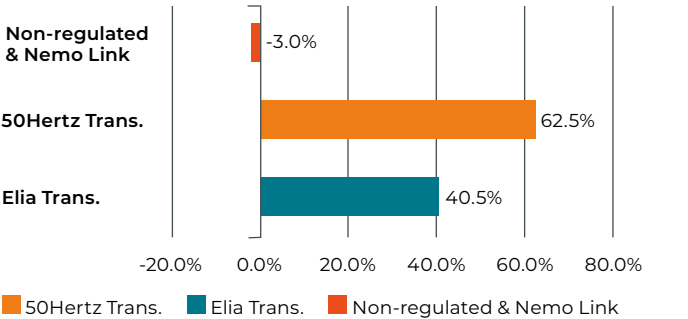
In Germany, **50Hertz Transmission** recorded an adjusted net profit of €192.6 million (+€15.1 million) driven by higher investment remuneration following asset growth, one-off regulatory settlements and higher financial result, partially offset by higher OPEX and depreciation costs mainly linked to the commissioning of CWA in 2019.

The non-regulated segment and Nemo Link posted an adjusted net loss of €9.3 million (-€15.7 million), mainly due to the holding costs (first year of operations) and the development of re.alto, which was partially offset by a higher contribution from Nemo Link driven by its strong operational performance.

Taking into account the adjusted items related to final cost settlements for the corporate reorganisation carried out at the end of 2019, **Elia Group's net profit** fell by 0.4% to €307.9 million.

The **net profit of the Elia Group attributable to the owners of ordinary shares** (after deducting the €38.5 million in non-controlling interest and €19.3 million attributable to hybrid securities holders) was down by 1.7% to €250.1 million. This decrease is driven by the loss on non-regulated activities and offset largely by the realisation of investments and the strong operational performance of the regulated activities of Elia Group and Nemo Link.

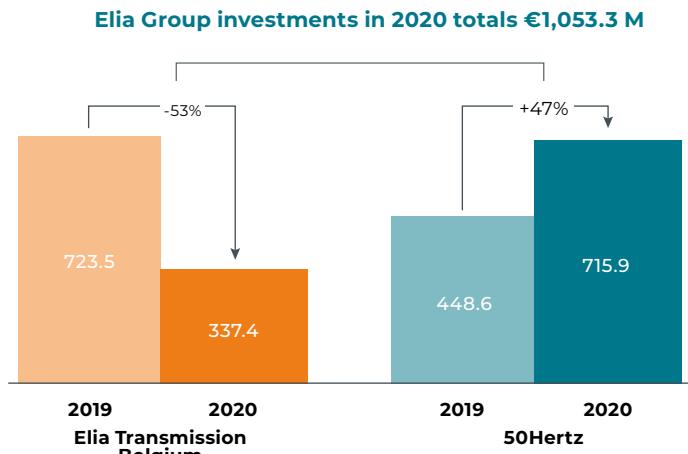
Components of Elia Group's Adjusted Net Profit



CAPITAL EXPENDITURES

While the lock down has impacted Belgium and Germany differently, Elia Group succeeded in delivering on its investment programme. Good progress was made in major infrastructure works in Belgium and Germany while maintaining an excellent safety record and ensuring a reliable and sustainable energy system and accommodate the growing inflow of renewable energy.

In 2020, the Elia group invested €337.4 million in Belgium and €715.9 million in Germany to ensure a reliable and sustainable energy system leading to a growth of the Regulatory Asset Base (RAB) of 6.1%.



Good progress in some major infrastructure projects despite COVID

BELGIUM

ALEGrO, a vital link in the construction of the integrated European electricity system

On the 9th of November, Elia (Belgium) and Amprion (Germany) inaugurated the first electrical interconnector between Belgium and Germany. ALEGrO, which will enable Belgium and Germany to exchange an additional 1,000 MW of electricity, started operating commercially on 18 November 2020 (day-ahead market) and 8 December (intraday market). The interconnector will enhance both countries' security of supply and contribute to price convergence, as well as facilitating the energy transition by enabling better integration of renewable energy.

MOG fully operational - MOG II in preparation

The connection of the Seastar project marked the completion of the Modular Offshore Grid (MOG), Elia's power hub in the North Sea. Located 40 km off the Belgian coast, the switching platform bundles the export cables from four offshore wind farms and transports the generated energy to the mainland via a shared transmission system.

Offshore wind power is crucial to achieving Belgium's climate targets. In the meantime, the federal government has begun developing a second area for offshore wind. To ensure that the new concessions are connected to the Belgian electricity system, Elia is developing the MOG II project.

Brabo-II: 380-kV loop around the port of Antwerp enters service

In November 2020, Elia commissioned the second phase of the Brabo project. Along the A12 road between Zandvliet and Lillo an existing overhead line was upgraded from 150 kV to 380 kV, with 46 pylons and conductors being replaced over 16 kilometres. In the meantime, the permit procedure has started for the third phase. Elia's Brabo project will increase the grid's supply capacity, enabling it to cope with growing electricity consumption in the Port of Antwerp. At national and international level, the project will upgrade Belgium's north-south axis and bolster Europe's network of international interconnections.

Horta-Avelgem project completed

Another upgrade was completed on the high-voltage line between Zomergem and Avelgem. Over the past two years, 97 pylons and foundations have been reinforced to support the new conductors. This has doubled transmission capacity to 6 gigawatts. This will enable Elia to exchange more electricity with France and distribute energy from offshore wind farms further inland.

GERMANY

World's first hybrid interconnector in operation

In October 2020, 50Hertz (Germany) and Energinet (Denmark) inaugurated the Combined Grid Solution (CGS) project, the world's first offshore hybrid interconnector and commissioned it officially in December. CGS is a hybrid interconnector, meaning it brings wind energy from German and Danish offshore wind farms in the Baltic Sea to onshore power grids and can also be used as an interconnector between the German and Danish electricity grids.

50Hertz opens new line to integrate additional wind energy

50Hertz commissioned the 380-kV overhead line between Stendal West and Wolmirstedt, boosting transmission capacity in order to integrate wind energy into its grid. This is the first step in replacing a 220-kV line dating back to the 1950s. Five additional sections between Stendal West and Güstrow in the Rostock area near the Baltic sea will follow.

Ostwind 2 on track to meet EU offshore targets

Work on the Ostwind 2 project in the Baltic Sea is on schedule. The Ostwind 2 submarine power cables will connect the Arcadis Ost 1 and Baltic Eagle offshore wind farms to 50Hertz's onshore grid. Specialist firms have started excavation works for the land cable. The wind farms will go online in 2023 and will have a capacity of 725 MW.

NET DEBT & CREDIT METRICS

(in € million)	2019	2020
Net debt	5,523.1	7,465.0
Leverage (D/E) (incl. NCI & hybrid)	1.5x	1.8x
Net debt / EBITDA	5.9	7.4
EBITDA / Gross interest	6.4	6.8
Average cost of debt	2.13%	1.89%
% fixed of gross debt	96.8%	100%

Net financial debt increased to €7,465.0 million (+€1,941.9 million). In 2020, Elia Group invested more than €1 billion to create and deliver the infrastructure of the future with the aim of increasingly integrating renewable energy and improving system security and reliability.

In **Belgium**, net debt was up (+€292.2 million) with organic growth financed by cash flow from operating activities and the bond issue. For **Germany**, the financing of the investment program and the higher EEG cash out (-€1,239.4 million) resulting from electricity prices remaining at a low level due to lower consumption and high renewable electricity infeed led to a rise in net debt (+€1,648.5 million).

In 2020, Elia Group had access to highly diversified sources of finance and tapped into the debt capital market to strengthen and secure its liquidity position for the further expansion of the grid.

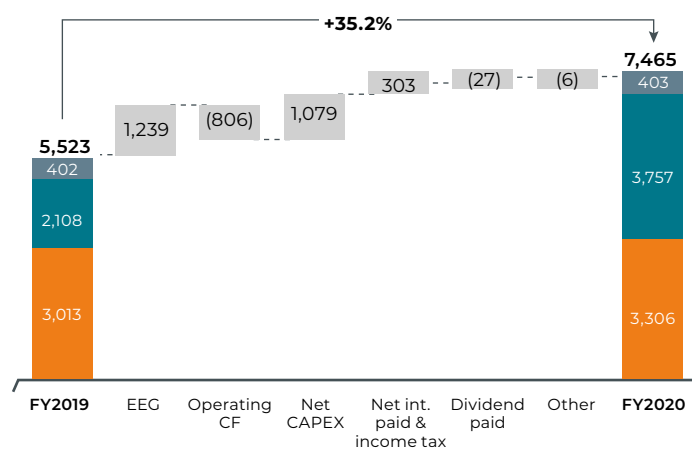
Elia Transmission Belgium accessed the debt capital markets twice with an €800 million Eurobond and a dual tranche €200 million private placement. Elia Transmission Belgium benefited from favourable market conditions to manage its liquidity position and lowered its average debt cost to 1.93% (down 23 bps), to the benefit of society. Elia Transmission Belgium signed a new €650 million sustainable RCF demonstrating its commitment to a sustainable financing strategy.

Eurogrid GmbH launched its first green bond – €750 million at fixed rate of 1.113% – and further strengthened its liquidity position by contracting three RCFs, one €400 million facility and two other facilities of €150 million each to finance its EEG deficit. In this connection, a federal grant was received in early 2021 to settle the EEG deficit. In November, Eurogrid GmbH took advantage of favourable market conditions – in terms of both tenor and interest rates – to raise a €200 million private placement, thus securing part of the liquidity for its upcoming investment programme.

Elia Group's rating by S&P remained unchanged at BBB+ with stable outlook. Eurogrid GmbH also carries a BBB+ rating with stable outlook, while the bonds of Elia Transmission Belgium are rated BBB+ aswell.

2020 NET DEBT EVOLUTION

Net debt (in € million)



Elia Transmission Belgium

REGULATORY FRAMEWORK

2020 marked the beginning of a new regulatory period and methodology. This methodology is again applicable for a period of four years (2020-2023) and largely represents a continuation of the main principles already applied during the previous tariff period. The regulatory framework remains a cost-plus model,

with cost coverage of all reasonable costs and remuneration. For further details, we refer to the Remuneration of the members of the Board of Directors and of the Executive Board on page 16 of this report

Elia Transmission Belgium key figures (in € million)	2020	2019	Difference (%)
Revenues, other income and net income (expense) from settlement mechanism	1,004.7	948.8	5.9%
Revenues	858.1	914.2	(6.1%)
Other income	57.5	60.7	(5.3%)
Net income (expense) from settlement mechanism	89.1	(26.1)	(441.4%)
Equity accounted investees	1.9	1.8	5.6%
EBITDA	425.8	394.8	7.9%
EBIT	237.5	243.9	(2.6%)
Adjusted items	0.0	4.7	n.r.
Adjusted EBIT	237.5	239.2	(0.7%)
Net finance costs	(66.4)	(64.4)	3.1%
Income tax expenses	(46.3)	(54.4)	(14.9%)
Net profit	124.8	125.0	(0.2%)
Adjusted items	0.0	2.7	n.r.
Adjusted net profit	124.8	122.3	2.0%

Elia Transmission key figures (in € million)	2020	2019	Difference (%)
Total assets	7,008.4	6,452.1	8.46%
Total equity	2,265.2	2,157.5	5.0%
Net financial debt	3,305.6	3,013.4	9.7%
Free cash flow	(260.8)	(444.9)	(41.4%)

Elia Transmission Belgium's revenue was up 5.9% compared with 2019, from €948.8 million to €1,004.7 million. Revenue was impacted by a higher regulated net profit, higher depreciations linked to the growing asset base and higher costs for ancillary services, partially offset by lower financial costs driven in 2019 by the capital increase and the bond consent process for the corporate reorganisation, which are all passed through into revenue.

EBITDA rose to €425.8 million (+7.9%) due to a higher regulated net profit and higher depreciations linked to the growing asset base and offset by lower financial costs (excluding the effect from capitalised borrowing costs) that are all passed through

into revenue. The decrease in EBIT (-2.6%) was driven by depreciations of intangible assets (+€9.2 million) acquired in the past and activated under IFRS while directly expensed and covered through the tariffs during the previous regulatory period. Under the new tariff methodology, intangible assets are activated in the regulated asset base. The contribution of equity-accounted investments (HGRT and Coreso) remained flat at €1.9 million.

Net finance cost increased by €2.0 million (+3.1%) compared to the previous year. In April, Elia Transmission Belgium took advantage of supportive market conditions to manage its liquidity position and tapped the debt capital market with an €800 million Eurobond. The proceeds of the new issue were

used to finance the ongoing investment programme and to refinance a €496 million shareholder loan that was repaid early June. This new issue reduced the average cost of debt significantly – to consumers' benefit from 2.16% at the end of 2019 to 1.93% at the end of 2020. However, the total net finance costs increased due to the one-off unwinding of an interest rate swap linked to the repayment of the shareholder loan (-€4.5 million) and a lower capitalised borrowing cost (-€3.4 million) since the major commissionings in 2019, partially offset by the sale of Elia's stake in Ampacimon (+€1.0 million). Elia Transmission Belgium has a well-balanced debt maturity profile with no upcoming near-term material maturities.

Elia Transmission Belgium achieved solid results, with an **Adjusted net profit** of €124.8 million (up by 2.0%), mainly driven by higher fair remuneration (+€59.7 million) due to the higher return on equity, a higher gearing ratio and the full rem²uneration of last year's capital increase (€327 million) and the increase in incentives (+€4.6 million) more than offsetting

the termination of the mark-up compensation (-€48.4 million). The result was negatively impacted by depreciation of software acquired prior to 2020 (-€12.0 million) and lower capitalised borrowing cost (-€3.9 million) and offset to some extent by a positive contribution from employee benefits and the reversal of tax provisions (+€8.0 million). Finally prior year result strongly benefitted from a one-off tariff compensation for the capital increase (€6.1 million).

Total assets rose by €556.3 million to €7,008.4 million, mainly due to the investment programme and a higher liquidity. The **Equity** increased to €2,265.2 million (+€107.7 million) mainly due to the reservation of the 2020 profits and the capital increase reserved for personnel including share-based payment expenses (€6.4 million), minus the dividend paid for 2019 (€18.9 million) and the allocation of equity towards Nemo Link to align financing in accordance with the regulatory framework (40% equity/ 60% debt).

50Hertz Transmission in Germany

50Hertz Transmission key figures (in € million)	2020	2019	Difference (%)
Total revenue and other income	1,454.9	1,360.1	7.0%
Revenue	1,353.6	1,323.6	2.3%
Other income	90.7	84.7	7.1%
Net income (expense) from settlement mechanism	11.2	(47.6)	n.r.
Equity accounted investees	0.0	0.0	
EBITDA	578.6	530.5	9.1%
EBIT	340.1	321.3	5.9%
Adjusted items	0.0	0.0	n.r.
Adjusted EBIT	340.1	321.3	5.9%
Net finance costs	(62.5)	(65.3)	(4.3%)
Income tax expenses	(84.9)	(78.6)	8.0%
Net profit	192.6	177.5	8.5%
Of which attributable to Elia Group	154.1	142.0	8.5%
Adjusted items	0.0	0.0	n.r.
Adjusted net profit	192.6	177.5	8.5%
Key figures of the financial position (in € million)	2020	2019	Difference (%)
Total assets	7,028.4	6,279.6	11.9%
Total equity	1,631.4	1,546.5	5.5%
Net financial debt	3,756.6	2,108.1	78.2%
Free cash flow	(1,526.4)	(656.8)	132.4%



50Hertz Transmission's total revenues and other income was up compared to the previous year (+7.0%), growing from €1,360.1 million to €1,454.9 million The main driver of this increase is the Energy revenues, in particular the higher costs for reserve power plants in the 50Hertz charged on to other German TSOs.

EBITDA rose by €48.1 million (+9.1%). Driven by the ongoing investment programme and the growing asset base, investment remuneration totals €291.6 million (+€22.9 million). Of this, onshore contributed €77.7 million (+€18.7 million) driven by the continuous investments to strengthen the onshore grid while offshore remuneration amounted to €213.9 million (+€4.2 million), primarily due to the ongoing investment in the Ostwind 2 cable and platform. Furthermore, due to inflation adjustments the base year revenues rose (+€3.4 million). With the expansion of the business, operating expenses increased slightly, driven by higher personnel costs (-€14.6 million) but mostly offset by own work capitalised revenues rising (+€7.6 million) and an improved regulatory coverage of non-influenceable personnel costs (+€9.1 million). Increased digitalisation efforts also resulted in higher IT and telecommunication expenses (-€6.1 million), while onshore maintenance costs (-€5.6 million) and consulting costs (-€3.1 million) increased as well. Finally, EBITDA benefitted strongly from one-off regulatory settlements for the years 2013-2017 and the release of a regulatory provision related to acceptance of historic person-

nel costs (+€28.1 million). The regulator's ongoing review of the adoption of the new offshore regulation in 2019 resulted in a positive adjustment (+€10.3 million).

There was a less pronounced increase in **EBIT** (+€18.8 million) due to higher depreciations (-€30.2 million), following the commissioning of the last cables and platform for Ostwind 1 in 2019. No adjusted items occurred in 2020.

The **adjusted net profit** rose by 8.5% to €192.6 million as a result of one-off regulatory settlements with the regulator for the years 2013-2017 and 2019, including the release of a regulatory provision following acceptance of costs by the regulator (+€27.0 million), higher investment remuneration following asset growth (+€16.1 million) and higher capitalised borrowing costs (+€2.0 million) which improved the financial result. Those impacts were mitigated by higher onshore OPEX (-€11.1 million) driven by the digitalisation strategy and the expansion of the business and an increased depreciation (-€21.2 million) following the commissioning of Ostwind 1.

Total assets were up €748.8 million compared to 2019, mainly due to the execution of the investment programme. The **free cash flow** in 2020, which totalled -€1,526.4 million, was heavily affected by a high EEG cash out (-€1,239.4 million). Three Revolving Credit Facilities were contracted, one for €400 million and two additional facilities for €150 million each to finance EEG payments.

Non-regulated activities & Nemo Link

Non-regulated activities & Nemo Link			
key figures (in € million)	2020	2019	Difference (%)
Total revenue and other income	34.7	20.7	67.6%
Equity accounted investees	7.4	6.5	13.8%
EBITDA	1.1	4.8	(77.1%)
EBIT	0.9	4.5	(80.0%)
Adjusted items	(0.3)	1.3	(122.1%)
Adjusted EBIT	1.2	3.2	(62.9%)
Net finance income	(12.6)	(9.9)	27.3%
Income tax expenses	2.2	12.0	n.r.
Net profit	(9.5)	6.6	(243.9%)
Of which attributable to Elia Group	(9.5)	6.5	(246.2%)
Adjusted items	(0.2)	0.2	(207.7%)
Adjusted net profit	(9.3)	6.4	(245.1%)
Key figures of the financial position (in € million)			
	2020	2019	Difference (%)
Total assets	1,766.7	1,733.5	1.9%
Total equity	1,187.7	1,207.5	(1.6%)
Net financial debt (without hybrid)	402.9	401.6	0.3%

Non-regulated revenue increased by 67.6% to €34.7million compared to 2019. This is the result of higher revenues generated by EGI (+€10.2 million) driven by owner engineering services, while the international consulting business was affected by the COVID-19 lockdown measures and intersegment transactions (+€3.8 million) mainly between Elia Group SA and Elia Transmission Belgium at the moment of the push-down of regulated activities to ETB at year end 2019.

Equity-accounted investments contributed €7.4 million to the group's result, which is almost entirely attributable to **Nemo Link**. Nemo Link ended 2020 with an availability rate of 99.17% continuing to be one of the highest performing assets of its kind in the world. In view of Great Britain’s departure from the EU’s Internal Energy Market, operational systems and procedures were upgraded and on 31 December 2020, Nemo Link successfully ran its first explicit day ahead auction, ensuring power continued to flow between Great Britain and Belgium without any interruption in the new trading arrangement. The first half of the year saw higher price spreads between the UK and Belgium from mid-March to the end of May and a narrowing of the spread in June following a gradual recovery in power

demand, lower wind output and outages at Belgian and French nuclear reactors, which drove up Belgian power prices. In the second half, due to the return of nuclear availability in Belgium and France and rising gas prices in the third quarter and certainly the last quarter, Nemo Link performed strongly, leading to a total net profit of €15.1 million for 2020 and including one-off tax adjustments related to prior years amounting to €6.6 million. The total contribution of Nemo Link to the Elia Group net profit amounts to €7.4 million .

Adjusted EBIT fell by €2.0 million. The decrease in adjusted EBIT compared to last year is mainly due to the higher operating costs linked to the holding activity (-€4.5 million) and the development of re.alto (-€1.0 million), partially offset by a higher contribution from Nemo Link (+€0.9 million), a higher operational result for EGI (+€0.3 million) and lower other non-regulated costs. EBIT saw a more pronounced drop (-€3.6 million) as last year’s operating result benefitted from regulatory compensation, partly offsetting the costs linked to the reorganisation. In early 2020, the new corporate structure was completed with a final cost settlement of €0.3 million.

Net finance cost rose to €12.6 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), regulatory settlements for 2019 (€3.4 million) and the cost linked to the Nemo Link private placement (€3.7 million). The 2019 financial result still benefited from interest income on cash advances to Nemo Link during the construction phase (€3.2 million), which were reimbursed in late June 2019. Nemo Link is financed according to the regulatory framework (40% equity /60% debt).

Adjusted net loss increased by €15.7 million to €9.3 million, mainly as a result of higher holding cost (-€13.1 million) since the first year of operations and the non-tax-deductibility of interest-cost for the senior and hybrid bond, the development of re.alto (-€0.6 million) and a regulatory settlements for 2019 (-€2.4 million),offsetting the strong operational contribution from Nemo Link (+€0.9 million).

Total assets dropped slightly (+1.9%) to €1,766.7 million and net financial debt remained stable at €402.9 million (+0.3%).

Adjusting items - reconciliation table

(in € million) – Period ended 31 December 2020	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Corporate reorganisation	0.0	0.0	(0.3)	0.0	(0.3)
Adjusted EBIT	0.0	0.0	(0.3)	0.0	(0.3)
Tax impact	0.0	0.0	0.1	0.0	0.1
Net profit – Adjusted items	0.0	0.0	(0.2)	0.0	(0.2)

(in € million) – Period ended 31 December 2019	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Regulatory compensation for acquisition	0.0	0.0	3.8	0.0	3.8
Corporate reorganisation	4.7	0.0	(2.5)	0.0	2.2
Adjusted items EBIT	4.7	0.0	1.3	0.0	6.0
Corporate reorganisation fin. cost	(0.9)	0.0	(4.5)	0.0	(5.4)
Adjusted EBIT	3.8	0.0	(3.2)	0.0	0.6
Tax impact	(1.1)	0.0	3.4	0.0	2.3
Net profit – adjusted items	2.7	0.0	0.2	0.0	2.9

2 Compared to the first half of 2020, the preferential dividend paid to National Grid (€9.1 million) was requalified as a liability to be released over the lifetime of the asset.



CONSOLIDATED FINANCIAL STATEMENTS

DECLARATION BY RESPONSIBLE PERSONS

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

- a. the financial statements, which have been prepared in accordance with applicable accounting policies for financial statements, give a true and fair view of the assets, the financial position and results of Elia and of its subsidiaries included in the consolidation;
- b. the annual report gives a true and fair view of the evolution and the results of the Company and of the situation of Elia and of its subsidiaries included in the consolidation, as well as a description of the most significant risks and uncertainties they are facing.

Brussels, 26 March 2020

Catherine Vandendorpe
Chief Financial Officer

Chris Peeters
Chief Executive Officer

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in € million) – Year ended 31 December	Notes	2020	2019
Revenue	(5.1)	2,209.6	2,242.3
Raw materials, consumables and goods for resale	(5.2)	(86.2)	(76.9)
Other income	(5.1)	163.6	150.3
Net income (expense) from settlement mechanism	(5.1)	100.3	(73.7)
Services and other goods	(5.2)	(1,051.7)	(1,007.1)
Personnel expenses	(5.2)	(307.2)	(282.9)
Depreciations, amortisations and impairments	(5.2)	(432.5)	(374.6)
Changes in provisions	(5.2)	5.5	14.1
Other expenses	(5.2)	(32.1)	(30.1)
Results from operating activities		569.3	561.4
Share of profit of equity accounted investees (net of tax)	(6.5)	9.2	8.3
Earnings before interest and tax (EBIT)		578.5	569.7
Net finance costs	(5.3)	(141.5)	(139.6)
Finance income		6.6	5.6
Finance costs		(148.1)	(145.2)
Profit before income tax		437.0	430.1
Income tax expense	(5.4)	(129.1)	(121.0)
Profit for the period		307.9	309.1
Profit attributable to:			
Equity holders of the parent - equity holders of ordinary shares		250.1	254.3
Equity holders of the parent - hybrid securities holders		19.3	19.3
Non-controlling interest		38.5	35.5
Profit for the period		307.9	309.1
Earnings per share (in €)			
Basic earnings per share		3.64	3.91
Diluted earnings per share		3.64	3.91

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of profit or loss and comprehensive income

(in € million) – Year ended 31 December	Notes	2020	2019
Profit for the period		307.9	309.1
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of cash flow hedges	(5.6)	5.0	(1.0)
Foreign currency translation differences of foreign operations		0.0	(0.1)
Related tax		(1.3)	0.2
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.14)	(8.1)	(5.4)
Net changes in fair value of investments	(5.6)	15.0	0.0
Related tax		2.2	1.5
Other comprehensive income for the period, net of tax		12.8	(4.8)
Total comprehensive income for the period		320.7	304.3
Total comprehensive income attributable to:			
Equity holders of the parent - ordinary shareholders		260.4	250.1
Equity holders of the parent - hybrid securities holders		19.3	19.3
Non-controlling interest		41.0	34.9
Total comprehensive income for the period		320.7	304.3

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of financial position

(in € million) – Year ended 31 December	Notes	2020	2019
ASSETS			
NON-CURRENT ASSETS		13,044.0	12,390.8
Property, plant and equipment	(6.1)	10,094.4	9,445.6
Goodwill	(6.3)	2,411.1	2,411.1
Intangible assets	(6.2)	105.4	96.4
Trade and other receivables	(6.4)	0.5	2.3
Equity-accounted investees	(6.5)	323.1	342.8
Other financial assets (including derivatives)	(6.6)	104.5	88.9
Deferred tax assets	(6.7)	5.0	3.7
CURRENT ASSETS		2,121.6	1,502.6
Inventories	(6.8)	39.0	24.3
Trade and other receivables	(6.9)	1,475.4	488.0
Current tax assets	(6.10)	3.4	5.5
Cash and cash equivalents	(6.11)	590.1	975.0
Deferred charges and accrued revenues	(6.9)	13.7	9.8
Total assets		15,165.6	13,893.4
EQUITY AND LIABILITIES			
EQUITY		4,500.0	4,332.1
Equity attributable to owners of the Company	(6.12)	4,173.1	4,022.3
Equity attributable to ordinary shares:		3,471.7	3,320.8
Share capital		1,709.1	1,705.9
Share premium		262.4	259.1
Reserves		173.0	173.0
Hedging reserve		(3.3)	(7.0)
Retained earnings		1,330.5	1,189.8
Equity attributable to hybrid securities holders	(6.12)	701.4	701.4
Non-controlling interest		326.9	309.9
NON-CURRENT LIABILITIES		7,823.6	5,924.9
Loans and borrowings	(6.13)	7,249.6	5,378.9
Employee benefits	(6.14)	130.1	118.2
Derivatives	(8.1)	0.0	4.4
Provisions	(6.15)	133.3	122.3
Deferred tax liabilities	(6.7)	89.5	87.0
Other liabilities	(6.16)	221.1	214.1
CURRENT LIABILITIES		2,842.0	3,636.4
Loans and borrowings	(6.13)	805.5	1,119.2
Provisions	(6.15)	7.4	15.6
Trade and other payables	(6.17)	1,009.1	1,356.9
Current tax liabilities	(6.10)	13.6	54.8
Accruals and deferred income	(6.20)	1,006.4	1,089.9
Total equity and liabilities		15,165.6	13,893.4

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of changes in equity

(in € million)	Share capital	Share premium	Hedging reserve	Reserves	Retained earnings	Equity attributable to ordinary shares	Equity attributable to hybrid securities	Equity attributable to the owners of the company	Non-controlling interests	Total equity
Balance at 1 January 2019	1,521.4	14.4	(6.2)	173.0	1,038.7	2,741.4	706.2	3,447.6	301.3	3,748.9
Profit for the period					273.6	273.6		273.6	35.5	309.1
Other comprehensive income			(0.8)		(3.3)	(4.2)		(4.2)	(0.6)	(4.8)
Total comprehensive income for the period			(0.8)		270.2	269.4		269.4	34.9	304.3
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	190.5	244.8				435.3		435.3		435.3
Issuance costs	(6.2)					(6.2)		(6.2)		(6.2)
Share-based payment expenses	0.1					0.1		0.1		0.1
Hybrid: dividend accrual					4.8	4.8	(4.8)			
Hybrid: tax effect on dividend accrual					1.5	1.5		1.5		1.5
Dividends to non-controlling interests									(26.4)	(26.4)
Dividends					(101.3)	(101.3)		(101.3)		(101.3)
Hybrid: coupon paid					(24.0)	(24.0)		(24.0)		(24.0)
Total contributions and distributions	184.4	244.8			(119.1)	310.1	(4.8)	305.4	(26.4)	279.0
Total transactions with owners	184.4	244.8			(119.1)	310.1	(4.8)	305.4	(26.4)	279.0
Balance at 31 December 2019	1,705.8	259.2	(7.0)	173.0	1,189.8	3,320.8	701.4	4,022.2	309.9	4,332.1
Balance at 1 January 2020	1,705.8	259.2	(7.0)	173.0	1,189.8	3,320.8	701.4	4,022.2	309.9	4,332.1
Profit for the period					269.4	269.4		269.4	38.5	307.9
Other comprehensive income			3.8		6.6	10.3		10.3	2.5	12.8
Total comprehensive income for the period			3.8		276.0	279.7		279.7	41.0	320.7
Transactions with owners, recorded directly in equity										
Contributions by and distributions to Owners										
Shares issued	1.8	3.2				5.0		5.0		5.0
Share-based payment expenses	1.4					1.4		1.4		1.4
Hybrid: coupon paid					(19.3)	(19.3)		(19.3)		(19.3)
Dividends to non-controlling interests									(24.0)	(24.0)
Dividends					(116.0)	(116.0)		(116.0)		(116.0)
Total contributions and distributions	3.2	3.2			(135.3)	(128.8)		(128.8)	(24.0)	(152.8)
Total transactions with owners	3.2	3.2			(135.3)	(128.8)		(128.8)	(24.0)	(152.8)
Balance at 31 December 2020	1,709.1	262.4	(3.3)	173.0	1,330.5	3,471.7	701.4	4,173.1	326.9	4,500.0

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

Consolidated statement of cash flows

(in € million) – Year ended 31 December	Notes	2020	2019
Cash flows from operating activities			
Profit for the period		307.9	309.1
Adjustments for:			
Net finance costs	(5.3)	141.6	139.6
Other non-cash items		2.0	(2.2)
Current income tax expense	(5.4)	127.3	124.7
Profit or loss of equity accounted investees, net of tax		(9.2)	(8.3)
Depreciation of property, plant and equipment and amortisation of intangible assets	(5.2)	432.4	365.8
Loss on sale of property, plant and equipment and intangible assets		8.6	10.0
Impairment losses of current assets		1.4	0.3
Change in provisions		(4.8)	(9.4)
Change in loans and borrowings		0.0	1.1
Change in deferred taxes	(6.7)	0.8	(3.7)
Cash flow from operating activities		1,008.0	927.1
Change in inventories		(14.9)	(5.6)
Change in trade and other receivables		(1,060.8)	66.2
Change in other current assets		(0.5)	14.9
Change in trade and other payables		(258.6)	(640.4)
Change in other current liabilities		(106.3)	28.2
Changes in working capital		(1,441.3)	(536.7)
Interest paid	(6.13)	(143.2)	(158.4)
Interest received		4.5	5.8
Income tax paid		(164.4)	(166.5)
Net cash from operating activities		(736.4)	71.2
Cash flows from investing activities			
Acquisition of intangible assets		(32.4)	(26.9)
Acquisition of property, plant and equipment		(1,049.9)	(1,130.8)
Acquisition of equity-accounted investees	(6.5)	(0.4)	(201.8)
Proceeds from sale of property, plant and equipment		2.8	(1.1)
Proceeds from sales of associate		1.6	0.0
Proceeds from capital decrease from equity accounted investees		15.3	1.6
Dividend received		13.8	2.6
Loans and long-term receivables to joint ventures		0.0	174.4
Net cash used in investing activities		(1,049.2)	(1,182.0)
Cash flow from financing activities			
Proceeds from the issue of share capital	(6.12)	5.0	435.3
Expenses related to the issue of share capital	(6.12)	0.0	(6.1)
Dividend paid	(6.12)	(116.0)	(101.3)
Hybrid coupon paid		(19.3)	(24.0)
Dividends to non-controlling parties		(24.0)	(24.0)
Repayment of borrowings	(6.13)	(1,319.5)	(757.6)
Proceeds from withdrawal of borrowings	(6.13)	2,874.5	774.2
Net cash flow from (used in) financing activities		1,400.7	296.4
Net increase (decrease) in cash and cash equivalents		(384.9)	(814.3)
Cash & Cash equivalents at 1 January		975.0	1,789.3
Cash & Cash equivalents at 31 December		590.1	975.0
Net variations in cash & cash equivalents		(384.9)	(814.3)

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Rounding – In general, all figures are rounded. Variances are calculated from the source data before rounding, implying that some variances may not add up.

NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Established in Belgium, Elia Group SA (the 'Company' or 'Elia') has its registered office at Boulevard de l'Empereur 20, B-1000 Brussels. The Company's consolidated financial statements for the financial year 2020 include those of the Company and its subsidiaries (together referred to as the 'Group' or 'Elia Group') and the Group's interest in joint ventures and associates.

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

The Elia Group is organised around two electricity transmission system operators (TSOs): Elia Transmission in Belgium and 50Hertz Transmission, one of Germany's four transmission system operators, which is active in the north and east of Germany and in which the Elia Group holds an 80% stake.

The Group also has a 50% stake in Nemo Link Ltd, which has constructed an electrical interconnector between the UK and Belgium known as the Nemo Link interconnector. Nemo Link is a joint venture with National Grid Ventures (UK) and began commercial operations on 30 January 2019, with a transfer capacity of 1000 MW.

With around 2,750 employees and a transmission system comprising some 18,990 km of high-voltage connections serving 30 million consumers, the Elia Group is one of Europe's top five TSOs. It efficiently, reliably and securely transmits electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The Group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources. In addition to its system-operator activities in Belgium and Germany, the Elia Group offers businesses a range of consultancy and engineering services. The Group operates under the legal entity Elia Group, a listed company whose reference shareholder is municipal holding company Publi-T.

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Group has applied all new and revised standards and interpretations published by IASB and effective for financial years starting on 1 January 2020, which are applicable to the Group's activities.

New and amended standards and interpretations

The following standards, amendments and interpretations came into effect in 2020, having with only limited or no impact for on the Group:

- **Amendments to IAS 1 and IAS 8 regarding the definition of materiality.** The amendment is intended to clarify the definition of materiality, making it easier to understand. The concept of materiality has not been altered.
- **Amendments to IFRS 3: Definition of a Business.** The amendment clarifies the definition of a business to make it easier to understand.
- **Amendments to References to Conceptual Framework in IFRS.** The revised conceptual framework is more comprehensive in order to cover all aspects of standard setting with regard to financial reporting, presentation and disclosure.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 regarding the interest rate benchmark reform.** This amendment has been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR).
- **Amendment to IFRS 16, COVID-19-Related Rent Concessions (effective from 1 June 2020 onwards).** This amendment has been drafted to allow lessees to not account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions.

The following **standards, amendments and interpretations** had not yet taken effect in by 2020. The changes in the below standards, amendments and interpretations listed below are not expected to have a material impact on the annual accounts and are therefore not set out in more detail:

- IFRS 17: Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1: regarding the classification of liabilities as current or non-current;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: interest rate benchmark reform (phase 2);
- Amendments to IAS 37: Onerous contracts, cost of fulfilling a contract;
- Annual improvements to IFRS standards 2018-2020;
- Amendment to IAS 16: property, plant and equipment: proceeds before intended use;
- Amendments to IFRS 3: reference to the conceptual framework.

2.2. Functional and presentation currency

The consolidated financial statements are presented in millions of euro (the functional currency of the Company), rounded to the nearest hundred thousand, unless stated otherwise.

2.3. Basis of measurement

In general, the consolidated financial statements have been prepared on a historical-cost basis. However, the following categories deviate from this general rule:

- Equity accounted investees: equity method is applied to determine the value of a shareholding in which the Group has a significant influence.
- Other shareholdings: entities in which the Group has a shareholding without having a significant influence are valued at fair value through OCI.
- Current and non-current receivables are valued at the lowest of the carrying amount and the recoverable amount.
- Employee benefits are valued at the present value of the defined benefit obligations, minus the fair value of the plan assets (see also Note 6.14).
- Derivative financial instruments are measured at fair value through OCI or P&L, depending on whether the derivative can be designated as a hedging instrument (see also Note 8.1).
- Decommissioning provisions are valued at present value.

2.4. Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that could affect the reported amounts of assets and liabilities and revenue and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements regarding the carrying amounts of assets and liabilities. Actual results could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects this period, or in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

The following notes include information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

- The total allowed remuneration for the Group's role as TSO in the Belgian segment and in the German segment is mainly determined by calculation methods set by the Belgian federal regulator (the Commission for Electricity and Gas Regulation ('CREG')) and the German federal regulator (the Federal Network Agency ('BNetzA')) respectively. The recognition of deferral regulatory accounts is also based on the different regulatory schemes. For certain calculations, a level of judgement is needed. More disclosures are provided in Notes 6.20, 9.1.4 and 9.2.3.
- Entities in which the Group holds less than 20% of the voting rights but has significant influence are accounted for under the equity method. Following the guidance in IAS 28, the Group assesses whether it has significant influence over its associates and therefore needs to account for them under the equity method (rather than applying IFRS 9) and reassesses this in each reporting period (see also Note 6.5).
- Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits in so far as it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In making its judgement, management takes into account elements such as long-term business strategy and tax planning opportunities (see Note 6.7).
- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (see Note 8.1).
- Employee benefits including reimbursement rights – see Note 6.14:
 - The Group has defined-benefit plans and defined-contribution plans which are disclosed in Note 6.14. The calculation of the liabilities or assets related to these plans is based on actuarial and statistical assumptions. For example, this is the case for the present value of future pension liabilities. The present value is, among other factors, impacted by changes in discount rates, and financial assumptions such as future increases in salary. In addition, demographic assumptions, such as average assumed retirement age, also affect the present value of future pension liabilities.
 - In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with currencies of the post-employment benefit obligation, i.e. euro, with at least an AA rating or above, as set by at least one dominant rating agency and extrapolated along the yield curve to correspond with the expected term of the defined benefit obligation. Higher and lower yielding bonds are excluded in developing the appropriate yield curve.

- Each plan's projected cash flow is matched to the spot rates of the yield curve to calculate an associated present value. A single equivalent discount rate is then determined that produces that same present value. Hence, the resulting discount rate reflects both the current interest rate environment and the plan's distinct liability characteristics.

- Provisions for environmental remediation costs: at each year-end, an estimate is made of future expenses in respect of soil remediation, based on the advice of an expert. The extent of remediation costs is dependent on a limited number of uncertainties, including newly identified cases of soil contamination (see Note 6.15).

- Other provisions are based on the value of the claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated process/procedures (see Note 6.15).

- In determining the appropriate discount rate to discount the future dismantling obligation, management considers the interest rates of corporate bonds in euro with at least an AA rating or above as set by at least one dominant rating agency and extrapolated along the yield curve to correspond with the expected term of the dismantling obligation. A sensitivity analysis is performed to measure the impact of a differing discount rate.

- Goodwill impairment testing: the Group performs impairment tests on goodwill and on cash-generating units (CGUs) at the reporting date, and whenever there are indications that the carrying amount might be higher than the recoverable amount. This analysis is based on assumptions such as estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share, margin evolution and discount rates (see Note 6.3).

- Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs for these valuation techniques are taken from observable markets where possible. Where this is not feasible, a level of judgement is required in establishing fair values. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income (OCI) to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss (see Note 6.18).

- The useful life of the fixed assets is defined to reflect the real depreciation of each asset. The depreciation of property, plant and equipment is mainly calculated based on the useful lives determined by the regulatory framework in Belgium and Germany, which is considered to be the best possible approximation of actual events in terms of economic utilisation. (see Note 3.3.1 and 6.1)

- The Group made use of practical expedients when applying IFRS 16 (Leasing):
 - The Group applies a single discount rate per group of contracts, summarised per their duration. Those leases were assumed to have similar characteristics. The discount rate used is the Group's best estimate of the weighted average incremental borrowing rate. Each lease contract is classified in a duration bucket (<5 years, between 5 and 10 years, etc.) for which an interest rate is derived equal to the interest rate of a traded bond with the same rating as Elia Group in the same sector with a similar duration. The interest rate is fixed over the lifetime of the lease contract.
 - The Group assessed the non-cancellable period of each of the contracts falling within the scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonably certain that they will exercise that option. Certainly where it relates to office rent contracts, the Group makes its best estimate of the non-cancellable period based on all information at its disposal (see note 6.19).

- The impact of COVID-19 has been taken into account for the potential assessment of its effects in Elia's financial performance. In general, as Elia is acting under regulatory framework in Belgium and Germany, the profitability as such has not been affected. We refer to note 4 for more detailed information in each segment. However, effects on macro-economic metrics, e.g. interest rate, discount rate ... have been taken into account. We refer to the following notes for more information : 6.3, 6.19 and 8.1.

2.5. Approval by the Board of Directors

These consolidated financial statements were authorised for publication by the Board of Directors on 25 March 2021.

3. Significant accounting policies

3.1. Basis of consolidation

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that it ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if this results in a deficit balance of the non-controlling interests. Changes in the Group's interest in a non-wholly-owned subsidiary that do not result in a loss of control are accounted for as equity transactions.

ASSOCIATES

Associates are those companies in which the Company exerts significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for in the consolidated financial statements in accordance with the equity method. They are initially recognised in the consolidated statement of financial position at cost, with all transaction costs incurred with the acquisition included, and are adjusted thereafter to reflect the Group's share of the profit or loss and other comprehensive income of the associate. This accounting under the equity method is done from the date that significant influence commences until the date that it ceases. When the Group's share of the losses exceeds its interest in an associate, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of an associate.

INTERESTS IN JOINT VENTURES

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, as opposed to joint operations whereby the Group has rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost price, with all transaction costs incurred with the acquisition included. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the total recognised profits and losses of joint ventures on the basis of the equity method, from the date that joint control commences until the date that it ceases. When the Group's share of the losses exceeds its interest in joint ventures, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of a joint venture.

NON-CONTROLLING INTERESTS

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

LOSS OF CONTROL

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of other comprehensive income related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a fair value financial asset depending on the level of influence retained.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

Intra-Group balances and any unrealised gains or losses or income and expenses arising from intra-Group transactions are eliminated when preparing the consolidated financial statements.

Unrealised gains from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS AND GOODWILL

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is completed in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities at acquisition date.

When the excess is negative, a gain on a bargain purchase is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs incurred by the Group in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.2. Foreign-currency translation

FOREIGN-CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into the functional currency of the Company at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are converted at the foreign exchange rate on that date. Foreign exchange differences arising on conversion are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are valued in terms of historical cost are converted at the exchange rate on the date of the transaction.

FOREIGN OPERATIONS

A foreign operation is an entity that is a subsidiary, an associate, an interest in a joint venture or a branch of the reporting entity whose activities are based or conducted in a country or currency other than those of the reporting entity.

The financial statements of all Group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

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

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

3.3. Statement of financial position

3.3.1. Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost (including the directly allocated costs such as finance costs), less accumulated depreciation and impairment losses (see Section 3.3.7. 'Impairment of non-financial assets'). The cost of self-produced assets comprises the cost of materials, direct labour and, where relevant, the initial estimate of the costs of dismantling and removing the assets and restoring the site on which the assets were located. If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the subsequent costs of replacing part of such an item when that cost is incurred, but only when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repair and maintenance costs, are recognised in profit or loss as and when they are incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated. The applied depreciation percentages can be found in the table below.

Depreciation methods, remaining useful lives and residual values of property, plant and equipment are reassessed annually and are prospectively adjusted as the occasion arises.

• Administrative buildings	1.67 – 2.00%
• Industrial buildings	2.00 – 4.00%
• Overhead lines	2.00 – 4.00%
• Underground cables	2.00 – 5.00%
• Substations (facilities and machines)	2.50 – 6.67%
• Remote control	3.00 – 12.50%
• Dispatching	4.00 – 10.00%
• Other PPE (fitting out rented buildings)	contractual period
• Vehicles	6.67 – 20.00%
• Tools and office furniture	6.67 – 20.00%
• Hardware	25.00 – 33.00%
• Right of use assets	contractual period

Decommissioning an asset

Provision is made for decommissioning and environmental costs, based on future estimated expenditure, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditure relating to property, plant or equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated economic useful lives; otherwise such changes are recognised in the profit or loss.

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

Derecognition

An asset is no longer recognised when it is subject to disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of the asset (determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss, under other income or other expenses, during the year in which the asset was derecognised.

3.3.2. Intangible assets

Computer software

Software licences acquired by the Group are stated at cost, less accumulated amortisation (see below) and impairment losses (see Section 3.3.7. 'Impairment').

Expenditure on research activities undertaken with the purpose of developing software within the Group is recognised in profit or loss as expenditure as incurred. Expenditure on the development phase of software developed within the Group is capitalised if:

- the costs of development can be measured reliably;
- the software is technically and commercially feasible and future economic benefits are probable;
- the Group plans – and has sufficient resources – to complete development;
- the Group plans to use the software.

The capitalised expenditure includes the cost of material, direct labour costs and overhead costs that are directly attributable to preparing the software for its use. Other costs are recognised in profit or loss as incurred.

Licences, patents and similar rights

Expenditure on acquired licences, patents, trademarks and similar rights are capitalised and amortised on a straight-line basis over the contractual period, if any, or the estimated useful life.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as expenditure as incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, unless the useful life is indefinite. Goodwill and intangible assets with indefinite useful lives are tested systematically for impairment on each end of the reporting period. Software is amortised from the date it becomes available for use. The estimated useful lives are as follows:

- | | |
|---------------------|--------------------|
| • Licences | 20.00% |
| • Concessions | contractual period |
| • Computer software | 20.00 – 25.00% |

Depreciation methods, remaining useful lives and residual values of intangible assets are reassessed annually and are prospectively adjusted as the occasion arises.

3.3.3. Goodwill

Goodwill is stated at cost, less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see Section 3.3.7 'Impairment of non-financial assets'). In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

3.3.4. Trade and other receivables

Contract assets

Revenue arising from third party services (see Note 3.4.1) and associated costs are recognised over time as we have the right to consideration for work performed but not billed. Progress is determined based on the costs incurred.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on project work. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. Contract assets are included in trade and other receivables.

Trade and other receivables

Trade receivables and other receivables are measured at amortised cost minus the appropriate allowance for amounts regarded as unrecoverable.

Impairment

For trade receivables and contract assets, the Group applies a simplified approach in calculating the Expected Credit Losses (ECLs). The Group therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience as its best proxy for future credit losses to be incurred.

See Note 8.1. 'Credit risk', for a detailed description of the model

3.3.5. Inventories

Inventories (spare parts) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price minus the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted-average-cost-price method. The cost includes the expenditure incurred in acquiring the inventories and the direct costs of bringing them to their location and making them operational.

Write-downs of inventories to net realisable value are recognised in the period in which the write-offs occurred.

3.3.6. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank balances, commercial paper and deposits that can be withdrawn on demand. Overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3.7. Impairment of non-financial assets

The carrying amount of the Group's assets, excluding inventories and deferred taxes, is reviewed at the end of the reporting period for each asset to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets that are not yet available for use is estimated at the end of each reporting period.

An impairment loss is recognised whenever the carrying amount of such an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Recognised impairment losses relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis.

After recognition of impairment losses, the depreciation costs for the asset will be prospectively adjusted.

Calculation of the recoverable amount

The recoverable amount of intangible assets and property, plant and equipment is determined as the higher of their fair value less costs of disposal and their value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the current market assessment of the time value of money and the risks specific to the asset.

The Group's assets do not generate cash flows that are independent from other assets. The recoverable amount is therefore determined for the cash-generating unit (i.e. the entire high-voltage grid) to which the asset belongs. This is also the level at which the Group administers its goodwill and gathers the economic benefits of acquired goodwill.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed. Impairment loss on other assets is reversed if there have been changes in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3.8. Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on their contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets measured at fair value through OCI (equity instruments)
- Financial assets measured at fair value through profit and loss

Financial assets at amortised cost

Financial assets at amortised cost are managed with a view to holding them to maturity and collecting contractual cash flows. The financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include loans to third parties.

Financial assets measured at fair value through OCI (equity instruments)

Upon initial recognition, the Group irrevocably classifies its equity investments as equity instruments measured at fair value through OCI when the Group does not have significant influence and the assets are not held for trading. This classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case any such gains are recorded in OCI. Equity instruments measured at fair value through OCI are not subject to impairment assessment.

The Group has elected to irrevocably classify non-listed equity investments over which the Group does not have significant influence in this category.

Financial assets measured at fair value through profit and loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for its debt instruments. See Note 8.1 'Credit risk', for a detailed description of the approach.

3.3.9. Derivative financial instruments and hedge accounting

Derivative financial instruments

The Group sometimes uses derivative financial instruments to hedge its exposure to foreign-exchange and interest rate risks arising from operating, financing and investment activities. In accordance with its treasury policy, the Group neither holds nor issues derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as instruments held for trading purposes.

Derivative financial instruments are initially recognised at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the statement of profit or loss. Where derivative financial instruments qualify for hedge accounting, the reflection of any resulting gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account the current interest rates and the current creditworthiness of the swap counterparties and the Group. The fair value of forward exchange contracts is their quoted market price at the end of the reporting period, i.e. the present value of the quoted forward price.

Derivatives used as hedging instruments

Cash-flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash-flow hedge are recognised directly in other comprehensive income (OCI) to the extent that the hedge is effective. If the hedge is ineffective, changes in fair value are recognised in profit or loss.

The Group designates only the spot element of forward contracts as a hedged risk. The forward element is considered the cost of hedging and is recognised in OCI and accumulated in a separate component of the statement of financial position under hedging reserves.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is prospectively discontinued. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in OCI is transferred, where justified, to the carrying amount of the asset. In other cases, the amount recognised in OCI is transferred to profit or loss in the same period that the hedged item affects profit or loss.

When a derivative or hedge relationship is terminated, cumulative gains or losses still remain in OCI, provided that the hedged transaction is still expected to occur. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is removed from OCI and is immediately recognised in profit or loss.

Hedging of monetary assets and liabilities

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as foreign-currency gains and losses.

3.3.10. Equity

Share capital – transaction costs

Transaction costs in respect of the issuing of capital are deducted from the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared (see note 6.12.1)

Hybrid securities

Hybrid securities are deeply subordinated securities. With the exception of ordinary shares, hybrid securities rank as the most junior instruments in the capital structure of the Group in an insolvency hierarchy. Hybrid securities are perpetual instruments and do not default on non-payment of coupons (unless such payment was mandatory following a resolution or payment of a dividend to ordinary shareholders).

The holders of the hybrid securities have limited ability to influence the outcome of a bankruptcy proceeding or a restructuring outside bankruptcy. Consequently, the hybrid securities holders cannot oblige the Group to pay distributions or redeem the securities in part or in full. Payment of distributions on and redemption of the securities is at our sole discretion. In light of their characteristics, hybrid securities are classified as an equity instrument under IFRS. The associated issue costs are recognised directly in retained earnings.

3.3.11. Financial liabilities

Financial liabilities consist of interest-bearing loans and borrowings in the Group. They are initially recognised at fair value, less related transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost price with any difference between amount at initial recognition and redemption value being recognised in profit or loss over the period of the loans on an effective interest basis.

3.3.12. Employee benefits

Defined-contribution plans

In Belgium, contribution-based promises, called defined-contribution pension plans under Belgian pension legislation, are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer.

Before 01/01/2016, the legal minimum return was 3.75% on the employee contributions, 3.25% on the employer contributions and 0% for the deferreds.

As from 01/01/2016, the legal minimum return is a variable rate between 1.75% and 3.75%. The interest rate is automatically adapted on January 1st of each year based on the average return OLO 10 years over 24 months, with 1.75% as a minimum. As from 01/01/2016, the legal minimum return is 1.75% on employee and employer contributions and 0% for the deferreds.

As the plans are funded via a pension fund, the vertical approach is applied, meaning that 1.75% is applied on all the reserves (even before 2016).

The employer needs to finance the deficits related to the LSP ("Law on Supplementary Pensions) guarantee at any time for the employee contract and at the moment the vested reserves are transferred in case of departure, retirement or liquidation of the pension for the employer contract.

For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any).

The Defined-Benefit Obligation (DBO) was determined following the Projected Unit credit (PUC) method. Depending on the plan formula (if the plan is backloaded or not), the premiums are projected or not.

In Germany, the defined-contribution plan involves a fixed pension to be paid to an employee upon retirement, which is usually based on one or several factors such as the employee's age, years of service and salary.

In both countries the calculation is performed by an accredited actuary.

Defined-benefit plans

For defined-benefit plans, which exist in both Belgium and Germany, the pension expenses for each plan are assessed separately on an annual basis by accredited actuaries using the projected unit credit method. The estimated future benefit that employees have earned in return for their service in the current and previous periods is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the interest rate, at the end of the reporting period on high-quality bonds that have maturity dates approximately equivalent to the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss at the earlier of the following dates:

- when the plan amendment or curtailment occurs; or
- when the entity recognises related restructuring costs under IAS 37 or termination benefits.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements – comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) – are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Reimbursement rights (Belgium)

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

Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits other than pension plans is assessed on an annual basis by accredited actuaries. The net obligation is calculated using the projected unit credit method and is the amount of future benefit that employees have earned in return for their service in the current and previous periods. The obligation is discounted to its present value, and the fair value of any related assets is deducted. The discount rate is the yield, at the end of the reporting period, on high-quality bonds that have maturity dates approximately equivalent to the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid out under a short-term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be reliably estimated.

3.3.13. Provisions

A provision is recognised in the balance sheet when the Group has a current legal or constructive obligation as a result of a past event and it is likely that an outflow of economic benefits – of which a reliable estimate can be made – will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, of the risks specific to the liability.

The total estimated cost of dismantling and disposing of an asset is, if applicable, recognised as property, plant and equipment and depreciated over the asset's entire useful life. The total estimated cost of dismantling and disposing of the asset is posted as provisions for the discounted current value. If the amount is discounted, the increase in the provision due to the passage of time is classified as finance expenses.

3.3.14. Trade and other payables

Trade and other payables are stated at amortised cost.

Levies

In its role as a TSO, Elia is subject to various public service obligations imposed by the Government and/or by regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as promotion of renewable energy, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by TSOs in respect of these obligations are fully covered by the tariff 'levies' approved by the regulator. The amounts outstanding are reported as a trade and other receivable. See also note 9.1.14.

3.3.15. Other non-current liabilities

Government grants

Government grants are recognised when it is reasonably certain that the Group will receive the grant and that all underlying conditions will be met. Grants related to an asset are presented under other liabilities and will be recognised in the statement of profit or loss on a systematic basis over the expected useful life of the asset in question. Grants related to expense items are recognised in the statement of profit or loss in the same period as the expenses for which the grant was received. Government grants are presented as other operating income in the statement of profit or loss.

Contract liabilities – Last mile connection

The consideration of the last mile connection is paid upfront, whilst the revenues are recognised over the life time of the underlying asset. The amounts to be released in future are reflected in this section. See also note 3.4.1.

3.3.16. Leases

Upon the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. Assets and liabilities arising from a lease are initially measured on a present value basis and discounted using the Group's best estimate for the weighted average incremental borrowing rate, in case the rate implicit in the lease cannot be readily determined. The Group applies a single discount rate per group of similar contracts, summarised per their duration.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. Variable lease payments are expensed as incurred. As practical expedient, no distinction is made between lease and non-lease components. Components that do not transfer any goods or services (initial direct costs, prepayments) are excluded from the lease price.

Right of use assets are subsequently reduced by accumulated depreciation, impairment losses and any adjustments resulting from the remeasurement of the lease liability. These assets are depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects the fact that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the reassessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option not to be exercised.

The Group presents right-of-use assets within 'property, plant and equipment' and lease liabilities within 'loans and borrowings' (current and non-current) in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

Leases that substantially transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as finance leases. All other leases that do not transfer all such risks and rewards are recognised as operating leases. As a lessor, the Group has only operating lease contracts. The lease payments received are recognised as other income on a straight-line basis over the lease term.

3.3.17. Regulatory deferral accounts

The Group operates in a regulated environment in which tariffs are meant to realise total revenue/income consisting of:

- a reasonable return on invested capital;
- all reasonable costs which are incurred by the Group.

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting agreed with regulator) to cover all reasonable costs of the system operator including a reasonable profit margin for the shareholders.

If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to consumers/the general public should have been respectively lower or higher (and vice versa). This surplus or deficit is therefore reported in the regulatory deferral account.

The release of the regulatory deferral account will impact future tariffs: incurred regulatory liabilities will decrease future tariffs, incurred regulatory assets will increase future tariffs.

In the absence of an IFRS specifically applying to the treatment these regulatory deferral accounts, Elia management referred to the requirements of IFRS 14 and the Conceptual Framework for Financial Reporting alongside the latest evolutions of the IASB project on Rate-regulated Activities to develop the following accounting policy in that respect:

- a liability is recognized in the statement of financial position and presented as part of “accruals and deferred income” in respect of the Elia Group’s obligation to deduct an amount from the tariffs to be charged to customers in future periods because the total allowed compensation for goods or services already supplied is lower than the amount already charged to customers, or excess revenues has been generated due to higher volumes than initially estimated. (regulatory liability);
- an asset is recognized in the statement of financial position in respect of the Elia Group’s right to add an amount to the tariffs to be charged to customers in future periods because the total allowed compensation for the goods or services already supplied exceeds the amount already charged to customers or shortage in revenues has been occurred due to lower volumes than initially estimated (regulatory asset); and
- the net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line item “net regulatory income (expense)”.

The amount in the regulatory deferral accounts is yearly reported and assessed by the regulator.

The sum of revenue from contracts with customers (as defined in IFRS 15) , other income and the net income (expense) from settlement mechanism is also presented as a subtotal headed “Revenue, other income and net income (expense) from settlement mechanism” , as in substance it represents the revenue that is economically earned during the period taking into account the regulated environment in which the Elia Group operates. The effect of discounting is reflected in the financial result. See note 9.

3.4. Items in the statement of profit or loss

3.4.1. Income

Revenues

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. These are the five steps to consider for each customer contract:

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’s main revenues are realised by Transmission System Operators (TSOs) acting under a regulatory framework and having a de facto/legal monopoly. The frameworks applying in the Group’s main countries of activity are detailed in Note 9 ‘Regulatory framework and tariffs’.

For the regulated business, each service is based on a standard contract with the customer, mostly with a predefined regulated tariff (unit price multiplied by the volume (injection or offtake) or the reserved capacity (depending on the type of service)), so pricing is not variable. Allocating of the transaction price over the different performance obligations is therefore straightforward (one-to-one relationship). Most of these contracts are concluded for an indefinite period and have general payment terms of 15-30 days.

Considering the business of the Elia Group, there are no relevant right-of-return and warranty obligations.

For all services provided by the Group, Elia is the sole and primary party responsible for executing the service and is thus the principal.

However, in its role as a TSO, Elia is subject to some public service obligations imposed by the government/regulation mechanisms. These obligations mainly relate to financial support for the development of renewable energy. TSOs act as agents for these activities, and since the expense/income streams are fully covered by tariffs, they have no impact on the statement of profit and loss. See Note 3.3.14 for more information on the accounting treatment.

The Group’s main performance obligations/contract types, their pricing and the revenue recognition method for 2020 can be summarised as follows:

Revenue by category for Elia Transmission

Revenue stream	Nature, customer and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Grid connection	Technical studies conducted at the request of grid users, connected directly to the grid with a view to having a new connection built or an existing connection altered.	Contract and tariff approved by regulator.
	The revenue is recognised at the point in time when the study is delivered.	Fixed amount per type of study.
	Last-mile connection is a component of the grid connection contract. At the request of a future grid user, Elia constructs/adjusts a dedicated/ physical connection, known as a last-mile connection, to connect the customer’s facility to Elia’s grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by Elia is valuable to the grid user, hence why the grid user compensates Elia in cash.	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
	Since the grid user simultaneously enters into a grid connection contract, the two activities (access right and grid connection services) are not distinct and constitute a single performance obligation and interdependence between the contracts. As the total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, the contract has no specific end date. This component of the grid connection/grid user contract is presented separately (not part of the grid connection/revenues from the revenue cap) because the tariff-setting method is very specific from a regulatory perspective.	
Management and development of grid infrastructure	The fees charged to grid users/distribution system operators (DSOs) cover the maintenance and operating costs relating to the dedicated connection facilities	Contract and tariff approved by regulator.
	The revenue is recognised over time, as this service is performed continuously throughout the contractual term.	Tariff is set per asset type (e.g. bay, km of cable).
	This component of the access contract signed with access holders/DSOs covers the development and management of the grid with a view to meeting capacity needs and satisfying demand for electricity transmission.	Contract and tariff approved by regulator.
	The revenue is recognised over time, as providing sufficient capacity and a resilient grid is a service performed continuously throughout the contractual term.	EUR per kW/KVA for yearly/monthly peak and power available at access point.
Management of the electricity system	This component of the access contract signed with access holders/DSOs covers the management and operation of the electricity system and the offtake of additional reactive energy relating to Elia’s grid (different from the connection assets).	Contract and tariff approved by regulator.
	The revenue is recognised over time, as these services are performed continuously throughout the contractual term.	EUR per kW/ kVArh at access point.
	This component is part of the access contract signed with access holders/DSOs, and covers (i) services to facilitate the energy market; (ii) services to develop and enhance the integration of an effective and efficient electricity market; (iii) the management of interconnections and coordination with neighbouring countries and the European authorities; and (iv) the publication of data, as required by transparency obligations.	Contract and tariff approved by regulator.
	The revenue is recognised over time, as these services are performed continuously throughout the contractual term.	EUR per kW at access point.
Market integration	As defined in the BRP contract, the BRP (Balance Responsible Party) has a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance caused by a BRP, Elia has to activate the ancillary services, which are then invoiced to the BRP.	Contract and tariff/mechanism approved by regulator.
	The revenue is recognised at the point in time when an imbalance occurs.	Based on market prices, EUR per kW imbalance at access point.
Compensation for imbalances	Grid use on individual borders is organised through half-yearly, quarterly, monthly, weekly, weekend, daily and intra-day auctions. Elia and the regulators decide which auctions are conducted on individual borders. Auctions are organised through an auction office, which acts as an agent. The auction office collects the revenues paid by the European energy traders, which are ultimately shared between neighbouring TSOs based on the volumes imported/exported on the border.	Framework agreement with parties and auction office.
	The revenue is recognised at the point in time when an import/export activity occurs.	Price is set based on price difference in cross-border market prices.
International revenues		

Revenue by category for 50 Hertz Transmission

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Revenues from incentive regulation	The 'grid use fee' is charged to grid users/DSOs connected to the grid for the volume of injection and/or offtake on the onshore grid. This contract is signed with grid users.	Standard contract and grid tariffs defined by regulator.
	The revenue is recognised over time, as this service is a performed continuously throughout the contractual term.	
	Last-mile connection is a component of the 'grid use fee' contract. At the request of a future grid user, Elia constructs a dedicated/physical connection, known as a last-mile connection, to create an interface point to the grid. Although control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high-voltage grid. The access right transferred by Elia is valuable to the grid user, hence why the grid user compensates Elia in cash.	Standard contract approved by regulator, but the price is set on the basis of the budget for implementing the connection.
	Since the grid user simultaneously enters into a grid connection contract, the two activities (access right and grid connection services) are not distinct and constitute a single performance obligation and interdependence between the contracts.	
	As the total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, the contract has no specific end date.	
Revenues from offshore regulation	This component comprises tariffs charged to grid users/DSOs to cover grid connection costs for offshore wind farms.	Contract and tariffs predefined in regulatory mechanism.
	The revenue is recognised over time, as this service is performed continuously throughout the contractual term	
Energy revenues	This revenue stream consists of different components	
	Congestion management and redispatch fees are paid by market participants for use of the capacity made available by 50Hertz on specific lines (including use of cross-border assets). This allocation mechanism is governed by transparent, market-oriented procedures.	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	The revenue is recognised at the point in time when it is generated	
	Compensation for imbalances	
	Market participants (BRPs) have a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance, 50Hertz invoices the market participant to compensate for the costs incurred.	Standard contracts approved by regulator and tariff mechanism defined in regulatory schemes.
	The revenue is recognised at the point in time when an imbalance occurs.	
	Horizontal reimbursement of lignite back-up costs	
	In its role as a TSO, 50Hertz charges fees to other TSOs for services related to the reserve power required by the legal framework.	
	The revenue is recognised over time, as this service is performed continuously throughout the contractual term.	
Other revenues		
Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Other revenues		
Third-party services	Elia Grid International provides consultancy services to third parties around the world. The revenue is recognised over the duration of the contract.	Contract negotiated between Elia and customer. The contract price is set when the contract is concluded with the customer. The payment term is generally 30 days from the invoice date.
	Third-party services are presented in other revenues.	
Commission fee	re.alto provides a platform on which energy actors (e.g. traders, prosumers) can exchange energy data. re.alto receives a commission on transactions on the platform.	The commission fee is a fixed percentage on each transaction.
	The revenue is recognised at the point in time when the transaction occurs.	
	The commission fee is presented in other revenues.	
Others	This mainly covers other services than those described above. The revenue is recognised at the point in time when the service is complete.	

Consequently, all revenue components contain revenue from contracts with customers, i.e. parties that have contracted with Elia to obtain services resulting from Elia's ordinary activities in exchange for a consideration.

Other income

Other income is recognised when the related service is performed and no further performance obligations will arise.

Net regulatory income (expense) from settlement mechanism

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff-setting agreed with regulator) to cover all the system operator's reasonable costs, including a reasonable profit margin for the shareholders.

If the applied tariffs result in a surplus or deficit at the end of the year, this means that the tariffs charged to consumers/the general public could have been lower or higher. This surplus or deficit is therefore reported in the settlement mechanism deferral account.

The release of this deferral account will impact future tariffs: where regulatory liabilities are incurred, future tariffs will be lower, and where regulatory assets are incurred, future tariffs will be higher. The net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line 'Net income (expense) from settlement mechanism'. See also Note 3.3.17.

3.4.2. Expenses

Other expenses

Property taxes are directly recognised in full as soon as ownership is certain (generally on 1 January of the year in question). However, these costs, which are considered non-controllable costs under the regulatory framework, are recorded as revenue through the settlement mechanism for the same amount, resulting in zero impact in terms of profit or loss.

Finance income and expenses

Finance expenses comprise interest payable on borrowings (calculated using the effective interest rate method), interest on lease liabilities, foreign-exchange losses, gains on currency hedging instruments offsetting currency losses, results on interest-rate hedging instruments, losses on hedging instruments that are not part of a hedge accounting relationship, losses on financial assets classified as being for trading purposes and impairment losses on financial assets as well as any losses from hedge ineffectiveness.

Finance income includes interest receivables on bank deposits, which are recognised in profit or loss using the effective interest rate method as they accrue.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Income taxes

Income taxes comprise current and deferred tax. Income-tax expense is recognised in profit or loss, except where it relates to items recognised directly in equity. Taxes on hybrid coupons are recognised in the statement of profit and loss as these are a tax on profits whereas the hybrid coupon itself is recognised directly in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised, using the balance-sheet method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and joint ventures where these will probably not be reversed in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising from initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred items relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they are intended to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is likely that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer likely that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3.5. Statement of comprehensive income and statement of changes in equity

The statement of comprehensive income presents an overview of all revenues and expenses recognised in the consolidated statement of profit or loss and in the consolidated statement of changes in equity. The Group has elected to present comprehensive income using the two-statement approach, i.e. the statement of profit or loss immediately followed by the statement of other comprehensive income. As a result of this presentation, the content of the statement of changes in equity is restricted to owner-related changes.

4. Segment reporting

4.1. Basis for segment reporting

The Group has opted for a segment reporting method that is aligned to the different regulatory frameworks currently existing within the Group. This reporting approach closely reflects the Group's operational activities and is also in line with the Group's internal reporting to the Chief Operating Decision Maker (CODM), enabling the CODM to better evaluate and assess the Group's performance and activities in a transparent way.

Pursuant to IFRS 8, the Group has identified the following operating segments based on the aforementioned criteria:

- Elia Transmission (Belgium), which comprises the activities based on the Belgian regulatory framework: the regulated activities of Elia Transmission Belgium NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/SA, and Enervalis NV, whose activities are directly linked to the role of Belgian transmission system operator and are subject to the regulatory framework applicable in Belgium – see Section 9.1.3.
- 50Hertz Transmission (Germany), which comprises the activities based on the German regulatory framework: Eurogrid GmbH, 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, whose activities are directly linked to the role of transmission system operator in Germany – see Section 9.2.3.
- Non-regulated activities and Nemo Link, comprising:
 - Elia Group NV/SA, mainly consisting of the holding activities in the Elia Transmission (Belgium) and 50Hertz Transmission (Germany) segment; The holding activities includes some operating activities, finance activities for the acquisition of the extra 20% stake in 50Hertz Transmission and the resulting goodwill.
 - Eurogrid International NV/SA;
 - the holding activities in Nemo Link Ltd. This company comprises and manages the Nemo project, which connects the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries and for which a specific regulatory framework has been established. See Section 9.3 for more details
 - the non-regulated activities in the Elia Transmission (Belgium) segment. 'Non-regulated activities' refers to activities which are not directly related to the TSO role (see Section 9.1);
 - EGI (Elia Grid International NV/SA, Elia Grid International GmbH, Elia Grid International Pte. Ltd Singapore and Elia Grid International LLC Qatar), companies supplying specialists in consulting, services, engineering and procurement, creating value by delivering solutions based on international best practice while fully complying with regulated business environments.
 - Re.Alto-Energy BV/SRL, a start-up founded in August 2019 that is building a platform enabling users to exchange energy data and services.

The CODM has been identified by the Group as the Boards of Directors, CEOs and Management Committees of each segment. The CODM periodically reviews the performance of the Group's segments using various indicators such as revenue, EBITDA and operating profit.

The information presented to the CODM follows the Group's IFRS accounting policies, so no reconciling items have to be disclosed.

4.2. Elia Transmission (Belgium)

The table below shows the 2020 consolidated results for Elia Transmission (Belgium)

Results Elia Transmission (in € million) – Year ended 31 December	2020	2019	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,004.7	948.8	5.9%
Revenues	858.1	914.2	(6.1%)
Other income	57.5	60.7	(5.3%)
Net income (expense) from settlement mechanism	89.1	(26.1)	(441.4%)
Depreciation, amortisation, impairment and changes in provisions	(188.3)	(150.9)	24.8%
Results from operating activities	235.6	242.1	(2.7%)
Equity accounted investees	1.9	1.8	5.6%
EBIT	237.5	243.9	(2.6%)
Adjusted items	0.0	4.7	n.r.
Adjusted EBIT	237.5	239.2	(0.7%)
EBITDA	425.8	394.8	7.9%
Finance income	2.3	0.7	228.6%
Finance costs	(68.7)	(65.1)	5.5%
Income tax expenses	(46.3)	(54.4)	(14.9%)
Profit Net	124.8	125.0	(0.2%)
Adjusted items	0.0	2.7	n.r.
Adjusted net profit	124.8	122.3	2.0%

Consolidated statement of financial position (in € million)	31 december 2020	31 december 2019	Difference (%)
Total assets	7,008.4	6,452.1	8.6%
Capital expenditures	365.6	748.5	(51.2%)
Net financial debt	3,305.6	3,013.4	9.7%

The tariff methodology approved by the regulator CREG on 7 November 2019 came into force in 2020. The methodology is applicable for a four-year period (2020 – 2023). See Note 9.1 for more information about the new regulated framework.

Financial

Elia Transmission's revenue was up 5.9% compared to 2019, from €948.8 million to €1,004.7 million. Revenue was affected by a higher regulated net profit, higher depreciations linked to the growing asset base and higher costs for ancillary services, partially offset by lower financial costs driven in 2019 by the capital increase and the bond consent process for the corporate reorganisation, which are all passed on into revenue.

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

(in € million)	2020	2019	Difference (%)
Grid revenue:	848.2	910.1	(6.8%)
Grid connection	46.4	44.5	4.3%
Management and development of grid infrastructure	484.8	479.6	1.1%
Management of the electrical system	129.6	112.2	15.6%
Compensation for imbalances	131.2	204.5	(35.9%)
Market integration	22.1	25.0	(11.8%)
International revenue	34.2	44.3	(22.9%)
Last mile connection	2.8	3.2	(14.8%)
Other revenue	7.1	0.9	703.2%
Subtotal revenue	858.1	914.2	(6.1%)
Other income	57.5	60.7	(5.3%)
Net income (expense) from settlement mechanism	89.1	(26.1)	(440.8%)
Total revenue and other income	1,004.7	948.8	5.9%

Grid connection revenue increased from €44.5 million to €46.4 million (+4.3%), mainly due to higher tariffs.

Revenue from the **management and development of grid infrastructure** rose from €479.6 million to €484.8 million (+1.1%), mainly due to an increase in the yearly peak tariff, a slight increase in the revenue from DSOs for power put at their disposal, offset by a drop in the monthly peak tariff and in direct customer monthly peak volume as a result of the COVID-19¹ measures.

Revenue from **management of the electricity system** increased from €112.2 million to €129.6 million (+15.6%) due to a tariff increase, an increase in additional reactive offtake energy and the introduction of the tariff for injection of additional reactive energy.

Services rendered in the context of energy management and individual balancing of balancing groups are paid within the revenue from **compensation for imbalances**. This revenue declined from €204.5 million to €131.2 million (-35.9%), largely due to the tariff decrease for management of power reserves and black-start based on offtake (-€57.8 million) and injection (-€26.1 million). Revenue from compensation for imbalances increased by €10.6 million due to high revenue and imbalance situations generated by wind forecast on several days in the second half of 2020.

Finally, the last section of tariff revenue encompasses the services provided by Elia Transmission Belgium within the context of **market integration**, which fell from €25.0 million to €22.1 million (-11.8%) due to a tariff decrease and drop in energy volume offtake due to the COVID-19 measures.

International revenue fell from €44.3 million to €34.2 million (-22.9%), mainly due to lower congestion income during a milder winter period and less offtake due to the COVID-19 measures in 2020, with sufficient injection power availability leading to less power exchange with the CWE region. The absence of high price differences with neighbouring countries in 2020 exacerbated this decrease.

Last mile connection (previously called transfer of asset from customers) decreased slightly on the previous year while **other revenues** increased by €6.2 million, mainly representing an increase in works delivered to third parties.

¹ In accordance with the regulatory framework, variations in volume are neutralised within the settlement mechanism and as such have no impact on the Company's profitability.

The **settlement mechanism** increased from -€26.1 million in 2019 to €89.1 million in 2020 and encompasses both deviations in the current year from the budget approved by the regulator (+€21.6 million) and the settlement of net surpluses from the previous tariff period (+€67.5 million). The operating deficit (+€21.6 million), in relation to the budgeted costs and revenue authorised by the regulator, can be recovered from consumers in a future tariff period and is primarily the result of a drop in cross-border revenue (€20.9 million), higher financial costs (€5.8 million) and higher taxes (€6.4 million). This was partly offset by lower depreciations (€5.0 million) and lower costs for ancillary services (€4.5 million).

EBITDA rose to €425.8 million (+7.9%) due to a higher regulated net profit and higher depreciations linked to the growing asset base and offset by lower financial costs (excluding the effect from capitalised borrowing costs) that are all passed on into revenue. The decrease in **EBIT** (-2.6%) was driven by depreciations of intangible assets (+€9.2 million) acquired in the past and activated under IFRS while directly expensed and covered through the tariffs during the previous regulatory period. Under the new tariff methodology, intangible assets are activated in the regulated asset base. The contribution of equity-accounted investments (HGRT and Coreso) remained stable at €1.9 million.

Net finance costs increased by €2.0 million (+3.1%) compared to the previous year. In April, Elia took advantage of favourable market conditions to manage its liquidity position and tapped the debt capital market with an €800 million Eurobond. The proceeds of the new issue were used to finance the ongoing investment programme and refinance a €496 million shareholder loan that was repaid in early June. This new issue reduced the average cost of debt significantly, to consumers' benefit from 2.16% at the end of 2019 to 1.93% at the end of 2020. However, the total net finance costs increased due to the one-off unwinding of an interest rate swap linked to the repayment of the shareholder loan (-€4.5 million) and a lower capitalised borrowing cost (-€3.4 million) since the major commissionings in 2019, partially offset by the sale of Elia's stake in Ampacimon (+€1.0 million). Elia Transmission has a well-balanced debt maturity profile with no upcoming near-term material maturities.

Adjusted net profit increased by 2.0% to €124.8 million, mainly due to the following:

- Higher **fair remuneration** (+€59.7 million) due to the higher return on equity (fixed risk-free rate of 2.4% compared to an average OLO of 0.19% in 2019), a higher gearing ratio (40% compared to 33%) and the full remuneration of last year's capital increase (€327 million).
- Termination of the **mark-up compensation** (-€48.4 million).
- Increase in **incentives** (+€4.6 million), reflecting a strong operational performance under the new incentive remuneration, primarily with respect to incentives linked to interconnection capacity, timely commissioning of projects and the high availability of the MOG offshore connection, and offset by a lower performance on the innovation incentive and a lower efficiency gains.
- Depreciation of software** acquired prior to 2020 (-€12.0 million) and activated under IFRS while fully expensed and covered under the previous regulatory methodology. From 2020 onwards, intangible assets are also capitalised in the RAB, with depreciation charges passed on into revenues.
- Lower **capitalised borrowing costs** driven by the major commissionings in late 2019 (-€3.9 million).
- One-off tariff compensation recognised in 2019 for the financial costs linked to the capital increase accounted via equity under IFRS (-€6.1 million).
- Employee and tax provisions** (+€8.0 million) mainly driven by a positive contribution from employee benefits resulting from lower interest/service cost, a one-off change in plan assets of a defined-benefit plan (+€3.9 million) and the reversal of a tax provision (+€3.5 million).
- Other** (+€0.6 million): primarily due to higher deferred taxes (+€5.0 million), lower bad debt provisions (-€1.3 million) and higher contributions from associates and the sale of Ampacimon (+€1.0 million) offsetting a negative contribution from Elia RE (-€2.7 million) due to higher damages to the electricity system and share-based payment expenses linked to a minor capital increase in favour of personnel (-€1.4 million).

Total assets increased by €539.2 million to €6,991.3 million, mainly due to the investment programme and higher liquidity. **Net financial debt** rose to €3,305.6 million (+9.7%), as Elia's CAPEX programme was mainly financed by cash flows from operating activities and the bond issue. In 2020, Elia reimbursed the Revolving Credit Facility (RCF) (drawn at the end of 2019 (€75 million)). A new sustainability-linked RCF (€650 million) and a new commercial paper programme (€300 million) were introduced, both fully undrawn at the end of 2020.

4.3. 50Hertz Transmission (Germany)

The table below shows the 2020 consolidated results for 50Hertz Transmission (Germany) system operator activities in Germany.

Results 50Hertz Transmission (Germany) (in € million) – Year ended 31 December	2020	2019	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	1,454.9	1,360.1	6.9%
<i>Revenues</i>	<i>1,353.6</i>	<i>1,323.6</i>	<i>2.3%</i>
<i>Other income</i>	<i>90.1</i>	<i>84.1</i>	<i>7.1%</i>
<i>Net income (expense) from settlement mechanism</i>	<i>11.2</i>	<i>(47.6)</i>	<i>n.r.</i>
Depreciation, amortisation, impairment and changes in provisions	(238.6)	(209.2)	14.1%
Results from operating activities	340.1	321.3	5.9%
EBIT	340.1	321.3	5.9%
<i>Adjusted items</i>	<i>0.0</i>	<i>0.0</i>	<i>n.r.</i>
<i>Adjusted EBIT</i>	<i>340.1</i>	<i>321.3</i>	<i>5.9%</i>
EBITDA	578.6	530.5	9.1%
Finance income	4.1	1.4	192.9%
Finance costs	(66.7)	(66.7)	0.0%
Income tax expenses	(84.9)	(78.6)	8.0%
Net profit	192.6	177.5	8.5%
<i>Of which attributable to the Elia Group</i>	<i>154.1</i>	<i>142.0</i>	<i>8.5%</i>
<i>Adjusted items</i>	<i>0.0</i>	<i>0.0</i>	<i>n.r.</i>
Adjusted net profit	192.6	177.5	8.5%
Consolidated statement of financial position (in € million)	31 december 2020	31 december 2019	Difference (%)
Total assets	7,028.4	6,279.6	11.9%
Capital expenditures	715.9	516.0	38.7%
Net financial debt	3,756.6	2,108.1	78.2%

Financial

50Hertz Transmission's total revenue and other income was up on the previous year (+7.0%).

Total revenues are detailed in the table below.

(in € million)	2020	2019	Difference (%)
Grid revenue:	1,349.1	1,318.7	2.3%
Revenue from incentive regulation	802.3	815.1	(1.6%)
Revenue from offshore regulation	300.0	329.1	(8.9%)
Energy revenue	246.8	174.5	41.5%
Other revenue (incl. last mile connection)	4.5	4.9	(8.2%)
Subtotal revenue	1,353.6	1,323.6	2.3%
Other income	90.1	84.1	4.9%
Net income (expense) from settlement mechanism	11.2	(47.6)	(123.6%)
Total revenue and other income	1,454.9	1,360.1	6.5%

Revenues from incentive regulation consist of grid tariffs before the settlement mechanism is applied and are driven primarily by the regulatory remuneration for onshore activities (revenue cap).

Revenues from incentive regulation fell by €12.9 million, as the growth in onshore investments (+€39.7 million) and the compensation for non-influenceable OPEX (+€14.4 million) was more than offset by a higher payback of old regulatory balances via the so-called regulatory account (-€20.6 million). In addition, the volume effect decreased (-€34.1 million), partly driven by the lower offtake from the grid due to COVID-19. The reimbursement for pass-through energy costs and other items was slightly lower than last year (-€12.7 million).

Revenues from offshore surcharge include all revenues derived from the offshore grid surcharge. This includes remuneration for 50Hertz’s own costs, imputed remuneration related to the connection of offshore wind farms and offshore costs charged to 50Hertz by third parties, e.g. other TSOs.

Revenues from offshore surcharge fell by €29.1 million compared to 2019. While the remuneration of 50Hertz’s own offshore grid connection costs increased slightly (+€1.9 million), driven by the ongoing offshore investments (e.g. Ostwind 2), the pass-through costs of third parties fell compared to the same period last year (-€31.0 million).

Energy revenues include all operating revenues relating to system operation. These are usually linked to corresponding ancillary service costs charged to third parties, e.g. costs for redispatch measures, reserve power plants and balancing groups, but also include revenues generated by auctioning interconnector capacity.

Energy revenues rose by €72.4 million compared to last year, mainly as a result of higher costs for reserve power plants charged to other TSOs (+€81.0 million). In October 2019 the second power plant block in 50Hertz’s control area joined the mechanism and is now fully included in the costs. As the bulk of these costs are passed on to the other German TSOs, the related revenues show a strong increase compared to last year. Furthermore, revenues from balancing groups (+€9.5 million) and congestion income (+€11.9 million) increased, partly offset by lower charges to other TSOs for redispatch measures (-€27.9 million).

Other revenues (including last-mile connection) are stable compared to last year (-€0.4 million).

Other income rose (+€6.0 million), as a result of an increase in own work capitalised (+€2.9 million) following the increase in personnel costs and a growing workforce to successfully manage and execute the investment programme. In addition, revenues from service-level agreements increased (+€3.9 million).

The **net regulatory income (expense) from settlement mechanism** comprises both the annual offsetting of deficits and surpluses accounted for prior to 2020 (+€153.8 million) and the net surplus generated in the current year between the costs allowed to be passed on in the tariffs and the actual costs (-€142.5 million).

EBITDA rose by €48.1 million (+9.1%). Driven by the ongoing investment programme and the growing asset base, investment remuneration totals €291.6 million (+€22.9 million). Of this, onshore contributed €77.7 million (+€18.7 million) driven by the continuous investments to strengthen the onshore grid while offshore remuneration amounted to €213.9 million (+€4.2 million), primarily due to the ongoing investment in the Ostwind 2 cable and platform. Furthermore, the base year revenues rose (+€3.4 million) due to inflation adjustments. With the expansion of the business, operating expenses increased slightly, driven by higher personnel costs (-€14.6 million) but mostly offset by own work capitalised revenues rising (+€7.6 million) and an improved regulatory coverage of non-influenceable personnel costs (+€9.1 million). Increased digitalisation efforts also resulted in higher IT and telecommunication expenses (-€6.1 million), while onshore maintenance costs (-€5.6 million) and consulting costs (-€3.1 million) increased as well. Finally, EBITDA benefited strongly from one-off regulatory settlements for the years 2013-2017 and the release of a regulatory provision related to acceptance of historic personnel costs (+€28.1 million). The regulator’s ongoing review of the adoption of the new offshore regulation in 2019 resulted in a positive adjustment (+€10.3 million).

There was a less pronounced increase in **EBIT** (+€18.8 million) due to higher depreciations (-€30.2 million) following the commissioning of the last cables and platform for Ostwind 1 in 2019. There were no adjusted items in 2020.

The **adjusted net profit** rose by 8.5% to €192.6 million as a result of:

- One-off regulatory settlements with the regulator for the years 2013-2017 and 2019 (+€27.0 million), including the release of a regulatory provision following acceptance of costs by the regulator;
- Higher onshore investment remuneration (+€13.1 million), driven by the execution of various onshore investments;
- Higher offshore remuneration (+€3.0 million), driven by offshore investments, mainly for Ostwind 2;
- Higher base year revenues due to inflation adjustments (+€2.4 million);
- Higher financial result (+€2.0 million), mainly from higher capitalised borrowing costs, slightly offset by higher interest expenses on provisions;
- Higher onshore OPEX (-€11.1 million), driven by the expanding business and digitalisation to manage increasing complexity in system operations;
- Increased depreciation (-€21.2 million) following the commissioning of Ostwind 1 in 2019.

Total assets were up €748.8 million compared to 2019, mainly due to the implementation of the investment programme. The **free cash flow** in 2020, which totalled -€1,526.4 million, was heavily affected by a high EEG cash out (-€1,239.4 million). Three Revolving Credit Facilities were contracted, one for €400 million and two additional facilities for €150 million each, to finance EEG payments.

Furthermore, a €750 million green bond with a 12-year term and a fixed interest rate of 1.1% was issued in May to finance the Ostwind 1 and Ostwind 2 offshore grid connections. Additionally, Eurogrid GmbH used its strong position and entered the market opportunistically to further enhance its liquidity position with a private placement of €200 million with a 20-year term and a fixed interest rate of 0.875%. **Net financial debt** subsequently rose by €1,649.0 million, mainly due to the financing of the ongoing investment programme and the high EEG cash-out. The EEG cash position as of December was in deficit at -€808.9 million.

The EEG deficit was settled in January 2021 with the payment of a federal grant allowing the pay-back of all external facilities. Two additional grant payments are planned in May and October to reduce the EEG surcharge being paid by German consumers to 6.5 cent/kWh. Generally, any deficits from the EEG mechanism are temporary and are settled with the surcharge revenues of the following year as are the corresponding costs.

4.4. Non-regulated activities and Nemo Link

The table below shows the 2020 consolidated results for the ‘Non-regulated activities and Nemo Link’ segment.

Results Non-regulated activities and Nemo Link (in € million) – Year ended 31 December	2020	2019	Difference (%)
Total revenues	5.1	4.9	3.9%
Other income	29.6	15.8	87.2%
Depreciation, amortisation, impairment and changes in provisions	(0.2)	(0.3)	(33.3%)
Results from operating activities	(6.5)	(2.0)	225.0%
Share of profit of equity accounted investees (net of income tax)	7.4	6.5	n.r.
EBIT	0.9	4.5	(80.0%)
Adjusted items	(0.3)	1.3	(123.1%)
Adjusted EBIT	1.2	3.2	(62.5%)
EBITDA	1.1	4.8	(77.1%)
Finance income	0.1	3.5	(97.1%)
Finance costs	(12.7)	(13.4)	(5.2%)
Income tax expenses	2.2	12.0	n.r.
Net profit	(9.5)	6.6	n.r.
Of which attributable to the Elia Group	(9.5)	6.5	n.r.
Adjusted items	(0.2)	0.2	n.r.
Adjusted net profit	(9.3)	6.4	n.r.
Consolidated statement of financial position (in € million)	31 December 2020	31 december 2019	Difference (%)
Total assets	1,766.7	1,733.5	1.9%
Capital expenditures	0.9	0.8	n.r.
Net financial debt	402.9	401.6	0.3%

Non-regulated revenue increased by 67.6% to €34.7million compared to 2019. This is the result of higher revenues generated by EGI (+€10.2 million) driven by owner engineering services, while the international consulting business was affected by the COVID-19 lockdown measures and intersegment transactions (+€3.8 million) mainly between Elia Group SA and Elia Transmission Belgium at the moment of the push-down of regulated activities to ETB at year-end 2019. The effect of these intersegment transactions is disclosed in Note 4.5 ‘Segment reconciliation’.

Equity-accounted investments contributed €7.4 million to the Group’s result, which is almost entirely attributable to **Nemo Link**. Nemo Link ended 2020 with an availability rate of 99.17%, continuing to be one of the highest performing assets of its kind in the world. In view of Great Britain’s departure from the EU’s Internal Energy Market, operational systems and procedures were upgraded and on 31 December 2020 Nemo Link successfully ran its first explicit day-ahead auction, ensuring power continued to flow between Great Britain and Belgium without any interruption in the new trading arrangement. The first half of the year saw higher price spreads between the UK and Belgium from mid-March to the end of May and a narrowing of the spread in June following a gradual recovery in power demand, lower wind output and outages at Belgian and French nuclear reactors, which drove up Belgian power prices. In the second half of the year, due to the return of nuclear availability in Belgium and France and rising gas prices in the third quarter and certainly the last quarter, Nemo Link performed strongly, leading to a total net profit of €15.1 million for 2020 and including one-off tax adjustments related to prior years amounting to €6.3 million. The total contribution of Nemo Link to the Elia Group net profit amounts to €7.4² million.

Adjusted EBIT fell by €2.0 million. The decrease in adjusted EBIT compared to last year is mainly due to the higher operating costs linked to the holding activity (-€4.5 million) and the development of re.alto (-€1.0 million), partially offset by a higher contribution from Nemo Link (+€0.9 million), a higher operational result for EGI (+€0.3 million) and lower other non-regulated costs. **EBIT** saw a more pronounced drop (-€3.6 million) as last year’s operating result benefited from regulatory compensation, partly offsetting the costs linked to the reorganisation. In early 2020, the new corporate structure was completed with a final cost settlement of €0.3 million.

Net finance costs rose to €12.6 million, primarily comprising the interest cost linked to the senior bond (€4.7 million), regulatory settlements for 2019 (€3.4 million) and the cost linked to the Nemo Link private placement (€3.7 million). The 2019 financial result still

² Compared to the first half of 2020, the preferential dividend paid to National Grid (€9.1 million) was requalified as a liability to be released over the lifetime of the asset.

benefited from interest income on cash advances to Nemo Link during the construction phase (€3.2 million), which were reimbursed in late June 2019. Nemo Link is financed according to the regulatory framework (40% equity/60% debt).

Adjusted net loss decreased by €15.7 million to €9.3 million, mainly as a result of:

- A higher holding cost (-€13.1 million), as tax on hybrid and senior bonds is not deductible given the absence of taxable profit combined with operating costs linked to the holding;
- Higher contribution from Nemo Link (+€0.9 million);
- Regulatory settlements for 2019 (-€2.4 million);
- Development of re.alto (-€0.6 million);
- Other items (-€0.6 million) representing the higher funding linked to Nemo Link, offset by lower other non-regulated costs while EGI remained stable year on year.

Total assets increased slightly (+1.9%) to €1,766.7 million and net financial debt remained stable at €402.9 million (+0.3%).

4.5. Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in € million) - Year ended 31 December	2020	2020	2020	2020	2020
	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries & intersegment transactions	Elia Group
	(a)	(b)	(c)	(d)	(a) + (b) + (c) + (d)
Revenue	858.1	1,353.6	5.1	(7.2)	2,209.6
Other income	57.5	90.1	29.6	(13.5)	163.6
Net income (expense) from settlement mechanism	89.1	11.2	0.0	0.0	100.3
Depreciation, amortisation, impairment and changes in provisions	(188.3)	(238.6)	(0.2)	0.0	(427.1)
Results from operating activities	235.6	340.1	(6.5)	(0.0)	569.2
Share of profit of equity accounted investees, net of tax	1.9	0.0	7.4	0.0	9.3
Earnings before interest and tax (EBIT)	237.5	340.1	0.9	(0.0)	578.4
Earnings before depreciations, amortisations, interest and tax (EBITDA)	425.8	578.6	1.1	(0.0)	1,005.5
Finance income	2.3	4.1	0.1	0.0	6.5
Finance costs	(68.7)	(66.7)	(12.7)	0.0	(148.1)
Income tax expenses	(46.3)	(84.9)	2.2	0.0	(129.0)
Profit attributable to the owners of the company	124.8	154.1	(9.5)	(0.0)	269.4
Consolidated statement of financial position (in € million)	31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2020	31 Dec 2020
Total assets	7,008.4	7,028.4	1,766.7	(637.9)	15,165.6
Capital expenditures	365.6	715.9	0.9	0.0	1,082.4
Net financial debt	3,305.6	3,756.6	402.9	0.0	7,465.1

Consolidated results (in € million) - Year ended 31 December	2019	2019	2019	2019	2019
	Elia Transmission	50Hertz Transmission	Non- regulated activities & Nemo Link	Consolidation entries & intersegment transactions	Elia Group
	(a)	(b)	(c)	(d)	(a) + (b) + (c) + (d)
Revenue	914.2	1,323.6	4.9	(0.4)	2,242.3
Other income	60.7	84.1	15.8	(10.3)	150.3
Net income (expense) from settlement mechanism	(26.1)	(47.6)	0.0	0.0	(73.7)
Depreciation, amortisation, impairment and changes in provisions	(150.9)	(209.2)	(0.3)	0.0	(360.4)
Results from operating activities	242.1	321.3	(2.0)	0.0	561.4
Share of profit of equity accounted investees, net of tax	1.8	0.0	6.5	0.0	8.3
Earnings before interest and tax (EBIT)	243.9	321.3	4.5	0.0	569.7
Earnings before depreciations, amortisations, interest and tax (EBITDA)	394.8	530.5	4.8	0.0	930.1
Finance income	0.7	1.4	3.5	0.0	5.6
Finance costs	(65.1)	(66.7)	(13.4)	0.0	(145.2)
Income tax expenses	(54.4)	(78.6)	12.0	0.0	(121.0)
Profit attributable to the owners of the company	125.0	142.0	6.5	0.0	273.5
Consolidated statement of financial position (in € million)	31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2019
Total assets	6,452.1	6,279.6	1,733.5	(571.8)	13,893.4
Capital expenditures	748.5	516.0	0.8	0.0	1,265.3
Net financial debt	3,013.4	2,108.1	401.6	0.0	5,523.1

There are no significant intersegment transactions.

The Group has no concentration of customers in either of the operating segments.

4.6. Adjusted items – reconciliation table

(in € million) – Period ended 31 December 2020	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Corporate reorganisation	0.0	0.0	(0.3)	0.0	(0.3)
Adjusted EBIT	0.0	0.0	(0.3)	0.0	(0.3)
Tax impact	0.0	0.0	0.1	0.0	0.1
Net profit – adjusted items	0.0	0.0	(0.2)	0.0	(0.2)

(in € million) – Period ended 31 December 2019	Elia Transmission	50Hertz Transmission	Non- regulated activities and Nemo Link	Consolidation entries	Elia Group
Adjusted items					
Regulatory compensation for acquisition	0.0	0.0	3.8	0.0	3.8
Corporate reorganisation	4.7	0.0	(2.5)	0.0	2.2
Adjusted items EBIT	4.7	0.0	1.3	0.0	6.0
Corporate reorganisation fin. cost	(0.9)	0.0	(4.5)	0.0	(5.4)
Adjusted EBIT	3.8	0.0	(3.2)	0.0	0.6
Tax impact	(1.1)	0.0	3.4	0.0	2.3
Net profit – adjusted items	2.7	0.0	0.2	0.0	2.9

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

Besides the adoption of IFRS 16 from 1 January 2019 onwards, there were no changes in the basis of preparation and therefore no restatements of figures from previous years were required.

5.1. Revenue, net income (expense) from settlement mechanism and other income

(in € million)	2020	2019
Revenue	2,309.9	2,242.3
Grid revenue	2,286.2	2,228.8
Last mile connection	4.3	4.6
Other revenue	19.4	8.9
Net income (expense) from settlement mechanism	100.3	(73.7)
Other income	163.6	150.3
Services and technical expertise	(3.1)	0.6
Own production	72.8	63.0
Optimal use of assets	17.2	17.4
Other	76.2	68.8
Gain on sale PPE	0.6	0.4

We refer to the segment reports for a detailed analysis of the Group's recognised revenues at segment level. The Elia Transmission (Belgium) segment reported revenues and other income of €1,004.7 million (Note 4.2), the 50Hertz Transmission (Germany) segment reported revenues and other income of €1,454.9 million (Note 4.3) and the 'Non-regulated activities and Nemo Link' segment reported revenues and other income of €34.7 million (Note 4.4). The reported revenues and other income amount to €2,473.5 million.

The potential impact of Covid-19 on the revenues has been disclosed in the segment reporting (Note 4).

No further geographical information is provided as revenues are generated in the countries where the grid infrastructure is located, which substantially corresponds to the segments mentioned above.

The Group's own production relates to time spent on investment projects by Group employees.

The Group has recognised €2.7 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€11.1 million). The Group did not recognise any substantial revenues in the reporting period in respect of performance obligations in previous periods.

5.2. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in € million)	2020	2019
Raw materials, consumables and goods for resale	86.2	76.9
Purchase of ancillary services	654.5	616.4
Services and other goods (excl. purchase of ancillary services)	397.2	390.7
Total	1,137.9	1,084.0

The Group's costs for 'Raw materials, consumables and goods for resale' increased to €86.2million for financial year 2020. The increase is mainly driven by an increase of costs incurred at EGI GmbH (+€10.2 million) because of extensive works on the Altdöbern substation (turnkey project) for which milestone 2 was reached in 2020.

'Purchase of ancillary services' includes the costs for services which enable the Group to balance generation with demand, maintain constant voltage levels and manage congestion on its grids. The cost incurred in 2020 by Elia Transmission (Belgium) increased to €153.5 million (from €146.7 million in 2019) mainly because of increased prices to cover electricity losses and increased activations to balance the grid. 50Hertz Transmission (Germany) incurred increased costs of €514.5 million in 2020 compared to €469.7 million in 2019 because of higher electricity costs (specifically reservation costs due to new contracts in 2020).

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy, and others. The cost increased by €6.5 million to €397.2million. The increase was driven by Elia Transmission (Belgium), which incurred €241.5

million of 'Services and other goods' costs, from €225.6 million in 2019. This increase was partly offset by a €12.0 million decrease in the 50Hertz Transmission (Germany) segment.

PERSONNEL EXPENSES

(in € million)	2020	2019
Salaries and wages	219.6	206.9
Social security contributions	48.0	44.1
Pension costs	27.5	20.5
Other personnel expenses	5.2	6.2
Share based payments expenses	1.4	(0.2)
Employee benefits (excl. pensions)	5.5	5.4
Total	307.2	282.9

The first tranche of the 2020 capital increase for Elia employees was completed in December 2020. The capital increase resulted in the creation of 67,757 additional shares without nominal value. The Group's employees were granted a 16.66% reduction on the quoted share price, which resulted in a €1.4 million reduction overall.

Total 2020 personnel expenses for Elia Transmission (Belgium) amounted to €162.3, from €157.1 million in 2019. 50Hertz Transmission (Germany) accounted for €131.5 million of the Group's personnel expenses for 2020 (previous year: €116.9 million) and the non-regulated activities and Nemo Link accounted for €13.4 million (previous year: €10.1 million). All three segments saw an increase as a consequence of a continued growth in headcount.

See Note 6.14 'Employee benefits' for more information about pension costs and employee benefits.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in € million)	2020	2019
Amortisation of intangible assets	23.0	21.5
Depreciation of property, plant and equipment	409.4	353.1
Total depreciation and amortisation	432.5	374.6
Impairment of inventories	0.1	(1.2)
Total impairment	0.1	(1.2)
Provisions for litigations	(5.1)	(9.0)
Environmental provisions	(0.4)	(3.3)
Dismantling provision	(0.0)	(0.6)
Changes in provisions	(5.5)	(12.9)
Total	427.1	360.5

The total 'depreciation, amortisation, impairment and changes in provisions' increased from €360.5million in 2019 to €427.1 million in 2020, mainly because of an increase in depreciation of property, plant and equipment due to increasing fixed assets.

A detailed description and movement schedule is provided in other sections for 'Intangible assets' (see Note 6.2), 'Property, plant and equipment' (see Note 6.1) and 'Provisions' (see Note 6.15).

OTHER EXPENSES

(in € million)	2020	2019
Taxes other than income tax	14.5	13.0
Loss on disposal/sale of property, plant and equipment	10.9	10.4
Impairment on receivables	1.2	2.8
Other	5.5	3.9
Total	32.1	30.1

Taxes other than income tax mainly consist of property taxes.

Losses on disposal for property, plant and equipment totalled €9.1 million for Elia Transmission (Belgium), compared with €10.3 million the previous year. 50Hertz Transmission (Germany) recorded €1.8 million of losses on disposal for property, plant and equipment in 2020, from losses of €0.4 million in 2019.

The amount of impairment on trade receivables is explained in Note 8.1 'Financial risk and derivative management'.

The share of Elia Transmission (Belgium) in the Group's other expenses was €22.1 million, 50Hertz Transmission (Germany)'s total share amounted to €9.8 million and the share of the non-regulated activities and Nemo Link segment accounted for €0.2 million in 2020.

5.3. Net finance costs

(in € million)	2020	2019
Finance income	6.6	5.6
Interest income on cash and cash equivalents and granted loans	2.3	4.1
Other financial income	4.2	1.5
Finance costs	(148.1)	(145.2)
Interest expense on eurobonds and other bank borrowings	(113.3)	(113.5)
Interest expense on derivatives	(5.2)	(2.1)
Interest cost on leasing	(1.8)	(2.0)
Other financial costs	(27.8)	(27.6)
Net finance costs	(141.5)	(139.6)

Finance income increased from €5.6 million in 2019 to €6.6 million in 2020. 50Hertz Transmission (Germany)'s contribution to finance income amounts to €4.1 million, Elia Transmission (Belgium)'s contribution to €2.3 million and the non-regulated activities and Nemo Link segment's contribution to €0.1 million for 2020.

The interest expenses on Eurobonds and other bank borrowings remained stable compared to the previous year. See Note 6.13 for more details regarding net debt, the loans outstanding and the interest paid in 2020.

The interest rate swaps related to other loans (a loan with Synatom for €453.6 million) and the loan with Publi-Part (€42.1 million) were settled at the end of June 2020 with the repayment of both loans. With the settlement, an interest expense on derivatives of €4.4 million was incurred.

Other financial costs remained stable from €27.6 million to €27.8 million in 2020.

The interest cost on leasing remained stable in comparison with previous year.

5.4. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in € million)	2020	2019
Current year	124.7	129.4
Adjustments for prior years	2.5	(4.7)
Total current income tax expenses	127.1	124.7
Origination from and reversal of temporary differences	1.9	(3.7)
Total deferred taxes expenses	1.9	(3.7)
Total income taxes and deferred taxes recognised in profit and loss	129.1	121.0

Total income tax expenses were higher in 2020 than in 2019. The increase in tax expenses is mainly driven by a higher profit before income tax.

RECONCILIATION OF THE EFFECTIVE TAX RATE

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the Belgian statutory tax rate applicable to profits (losses) of the consolidated companies:

(in € million)	2020	2019
Profit before income tax	437.0	430.1
Income tax expense	129.1	121.0
Income tax, using the domestic corporate tax rate	109.3	127.2
Domestic corporate income tax	25.00%	29.58%
Effect of the foreign tax rate	13.0	0.2
Share of profit of equity accounted investees, net of tax	(2.3)	5.9
Non-deductible expenses	4.4	5.2
Adjustments for prior years	2.2	(4.7)
Corporate interest restriction	6.1	
Losses carried forward	1.1	
Tax on hybrid securities	(4.8)	(6.0)
Tax credit for R&D		(0.1)
Tax shelter investments	(0.4)	
Other	0.6	(6.7)
Total income taxes and deferred taxes recognised in profit and loss	129.1	121.0

* The income tax rate in Germany amounts to 29.65%

The income tax expense is higher than the theoretical income tax expense (calculated using the nominal tax rate) mainly due to a higher nominal tax rate in Germany. Additionally, there are some tax deductions that Elia Group cannot recuperate in the future (e.g. corporate interest restriction and losses carried forward for which no deferred tax asset could be set up).

Deferred income taxes are discussed further in Note 6.7.

5.5. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the Company's shareholders (after adjustment for the distribution on hybrid securities) (€250.1 million) by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares	2020	2019
Ordinary shares issued on 1 January	68,652,938	61,015,058
Ordinary shares issued in March 2019		7,794
Ordinary shares issued in June 2019		4,096,187
Ordinary shares issued in December 2020	2,042	
Weighted average number of shares on 31 December	68,654,980	65,119,039

DILUTED EPS

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

Diluted earnings per share are equal to basic earnings per share, since there are no share options or convertible bonds.

Share capital and reserves per share

Share capital and reserves per share totalled €50.6 per share on 31 December 2020, compared with a value of €48.4 per share at the end of 2019.

5.6. Other comprehensive income

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

The total other comprehensive income for 2020 amounts to €12.8 million positive impact, a significant increase compared to the previous year (€4.8 million negative impact). The most important drivers are described below.

Cash flow hedges

The fair value change of the cash flow hedges had a positive impact of €5.0 million on other comprehensive income. The interest rate swaps related to the loan with Publi-Part and other loans outstanding at year-end 2019 were settled at the end of June 2020. The negative fair value of €4.4 million was recycled in the profit or loss. The remaining €0.6 million relates to the unwinding of the pre-hedge interest rate swap of the senior bond. See also note 8.1 for more information on derivatives within the Group.

Financial assets measured at fair value through other comprehensive income

The measurement at fair value of the participation of EEX, in which 50Hertz Transmission holds a 5.4% stake, had a positive impact of €14.9 million.

Remeasurements of post-employment benefit obligations

The other comprehensive income on post-employment obligations had a negative impact of €8.1 million. See Note 6.14 for more details.

The related tax on these elements amounts to €1.0 million.

6. Items in the consolidated statement of financial position

6.1. Property, plant and equipment

(in € million)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Leasing and similar rights	Assets under construction	Total
ACQUISITION VALUE							
Balance at 1 January 2019	417.6	9,159.3	262.2	22.2	2.9	1,619.7	11,483.9
Recognition of right-of-use asset on initial application of IFRS 16					95.8		95.8
Additions	9.0	465.4	43.0	0.2	8.8	759.9	1,286.3
Disposals	(0.6)	(67.6)	(4.0)	0.0	(0.4)	0.0	(72.7)
Transfers from one heading to another	2.3	862.2	9.0	4.7	0.0	(878.3)	0.0
Balance at 31 December 2019	428.4	10,419.3	310.2	27.1	107.2	1,501.3	12,793.4
Balance at 1 January 2020	428.4	10,419.3	310.2	27.1	107.2	1,501.3	12,793.4
Additions	3.7	254.0	30.1	0.2	10.2	772.1	1,070.3
Disposals	(3.0)	(41.4)	(3.2)	0.0	(0.4)	(0.4)	(48.4)
Transfers from one heading to another	1.7	547.6	6.7	4.2	0.0	(559.9)	0.2
Balance at 31 December 2020	430.8	11,179.4	343.8	31.5	117.0	1,713.0	13,815.6
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance at 1 January 2019	(26.3)	(2,831.0)	(148.1)	(19.4)	(2.9)	0.0	(3,027.7)
Depreciation	(5.7)	(300.7)	(29.5)	(1.2)	(16.0)		(353.1)
Disposals	0.0	29.3	4.0	0.0	(0.1)		33.2
Transfers from one heading to another	0.0	4.0	(0.0)	(4.0)	0.0		0.0
Balance at 31 December 2019	(32.0)	(3,098.4)	(173.7)	(24.5)	(19.1)	0.0	(3,347.7)
Balance at 1 January 2020	(32.0)	(3,098.4)	(173.7)	(24.5)	(19.1)	0.0	(3,347.7)
Depreciation	(5.8)	(351.7)	(35.2)	(1.6)	(15.2)		(409.4)
Disposals	1.7	31.0	3.1	0.0	0.1	0.0	36.0
Transfers from one heading to another	0.0	3.0	0.0	(3.0)	0.0		0.0
Balance at 31 December 2020	(36.1)	(3,416.0)	(205.7)	(29.2)	(34.2)	0.0	(3,721.2)
CARRYING AMOUNT							
Balance at 1 January 2019	391.3	6,328.3	114.1	2.9	54.0	1,619.7	8,510.2
Balance at 31 December 2019	396.3	7,320.8	136.5	2.6	88.4	1,501.3	9,446.0
Balance at 1 January 2020	396.3	7,320.8	136.5	2.6	88.4	1,501.3	9,446.0
Balance at 31 December 2020	394.7	7,763.3	138.1	2.3	82.8	1,713.1	10,094.4

Despite the continuing public health crisis, Elia Group delivered on its investment plans in 2020. While the lockdown measures affected the roll-out of the investment programme in the first half of 2020, Elia succeeded in making up for the delays incurred on some construction sites in the second half of the year.

In Belgium, Elia Transmission made investments totalling €365.6 million. Investments were linked to the Brabo II project marking the completion of the new 380-kV loop around the port of Antwerp (€25 million) and the connection of the last two offshore windfarms onto the MOG platform (€4.0 million). ALEGrO, the first electricity interconnector between Belgium and Germany, entered commercial operation and was successfully energised.

In Germany, 50Hertz Transmission invested €715.9 million in 2020, up 46.5% compared to last year (€488.6 million). In total, €463.3 million was invested in onshore projects, while offshore investments amounted to €252.6 million. The most significant onshore investments involved the DC line for the SuedOstLink (€107.1 million), the upgrading of high-voltage pylons to boost operational safety (€39.9 million), the construction of a phase shifter in Hamburg (€33.6 million), the 380-kV Cable in Berlin (€26.1 million) and the

construction of the overhead line between Wolmirstedt and Güstrow (€18.2 million). Offshore investments mainly revolved around the Ostwind 2 offshore grid connection (€209.0 million).

During 2020, €19.2 million of borrowing costs were capitalised on assets under construction. An amount of €7.8 million based on an average interest rate of 2.03% originates from the Elia Transmission Belgium segment (€11.1 million at 2.28% in 2019). An amount of €11.4 million based on an average interest rate of 1.13% was accounted for in the 50Hertz Transmission segment (€7.4 million at 1.25% in 2019).

There were no mortgages, pledges or similar securities on PP&E relating to loans.

Outstanding capital expenditure commitments are described in Note 8.2.

6.2. Intangible assets

(in € million)	Development costs of software	Licenses/concessions	Other intangible assets	Total
ACQUISITION VALUE				
Balance at 1 January 2019	155.3	25.4	0.0	180.7
Additions	25.7	1.0	0.0	26.7
Disposals	(1.0)	0.0	0.0	(1.0)
Transfers	(0.0)	0.0	0.0	(0.0)
Balance at 31 December 2019	180.1	26.4	0.0	206.5
Balance at 1 January 2020	180.1	26.4	0.0	206.5
Additions	29.2	3.1	0.0	32.3
Disposals	(0.0)	(0.0)	0.0	(0.0)
Transfers	(0.2)	0.0	0.0	(0.2)
Balance at 31 December 2020	209.0	29.6	0.0	238.5
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2019	(85.7)	(3.9)	0.0	(89.5)
Depreciation	(19.6)	(1.8)	0.0	(21.5)
Disposals	0.9	0.0	0.0	0.9
Transfers	0.0	0.0	0.0	0.0
Balance at 31 December 2019	(104.4)	(5.7)	0.0	(110.1)
Balance at 1 January 2020	(104.4)	(5.7)	0.0	(110.1)
Depreciation	(20.9)	(2.1)	0.0	(23.0)
Disposals	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0
Balance at 31 December 2020	(125.4)	(7.8)	0.0	(133.1)
CARRYING AMOUNT				
Balance at 1 January 2019	69.6	21.5	0.0	91.2
Balance at 31 December 2019	75.6	20.7	0.0	96.4
Balance at 1 January 2020	75.6	20.7	0.0	96.4
Balance at 31 December 2020	83.6	21.8	0.0	105.4

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

During 2020, €0.2 million in borrowing costs were capitalised on software in development (compared with €0.2 million in 2019) in the Elia Transmission (Belgium) segment, based on an average interest rate of 2.03% (2.28% in 2019). No borrowing costs on software in development were capitalised in the 50Hertz Transmission segment.

6.3. Goodwill

(in € million)	Goodwill
ACQUISITION VALUE	
Balance at 1 January 2019	2,411.1
Additions	0.0
Disposals	0.0
Transfers	0.0
Balance at 31 December 2019	2,411.1
Balance at 1 January 2020	2,411.1
Additions	0.0
Disposals	0.0
Transfers	
Balance at 31 December 2020	2,411.1
CARRYING AMOUNT	
Balance at 1 January 2019	2,411.1
Balance at 31 December 2019	2,411.1
Balance at 1 January 2020	2,411.1
Balance at 31 December 2020	2,411.1

The goodwill relates to the following business combinations and is allocated to the CGU Elia Transmission for the acquisition of Elia Asset and Elia Engineering and to the CGU 50Hertz Transmission for the acquisition of the 20% stake in Eurogrid International:

(in € million)	2020
Acquisition Elia Asset – 2002	1,700.1
Acquisition Elia Engineering – 2004	7.7
Acquisition Eurogrid International – 2018	703.4
Total	2,411.1

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

According to IFRS rules, goodwill should be tested for impairment on at least an annual basis or upon the occurrence of a triggering event. Goodwill is allocated to the cash generating units (CGUs) Elia Transmission and 50Hertz Transmission for impairment testing. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually by comparing the carrying value with its recoverable amount which is the higher of their fair value less costs to sell or value-in-use.

Acquisition of Elia Asset and Elia Engineering

In 2002, the acquisition of Elia Asset by the Company for €3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. This difference consists of various aspects such as the fact that (i) Elia was appointed as a TSO for a period of 20 years (ii) Elia had unique resources in Belgium as it owns the whole of the very-high-voltage grid and owns 94% of the high-voltage grid (or has the right to use this), and hence only Elia is entitled to put forward a development plan and (iii) Elia had the relevant TSO know-how.

At the date of acquisition, the description or the quantification in euros of these aspects could not be performed on an objective, transparent and reliable basis and, the difference could not therefore be allocated to specific assets and was considered unallocated. This difference has consequently been recognised as goodwill since the initial adoption of IFRS in 2005. The regulatory framework, in particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable from 2008 onwards, did not have an impact on this accounting treatment. The goodwill described above and the goodwill resulting from the acquisition of Elia Engineering in 2004 were allocated to the single cash-generating unit for the impairment test determined, since the income and expenses were generated by one activity, specifically 'regulated activity in Belgium', which will also be considered one cash-generating unit.

As a result, the Company assigned the carrying amount of the goodwill to one unit, namely the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and have not resulted in the recognition of any impairment losses.

The impairment test was conducted by an independent expert. This impairment test is based on the value in use and uses two main valuation methods to estimate the recoverable amount, 1) a discounted cash flows method (DCF) and 2) a dividend discount model (DDM), both of which are further detached in valuation variants depending on the terminal value calculation.

Future cash flows and future dividends are based on a business plan for the period 2020-2029. As the Group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the coming two regulatory periods. Note that the regulatory framework within which Elia operates is characterised by an allowed revenues basis structured around 1) a fair remuneration of the regulated asset base and 2) incentives to guarantee the continuity of supply and improve efficiency. Considering that the regulator will allow a fair remuneration of the regulated asset base consistent with market expectations, the estimated regulated asset base for the last forecast year can be considered an indication of the terminal value. This approach does not take account of potential cash flows generated by meeting or beating future efficiency targets.

The valuation methods are subject to different assumptions, most importantly:

1. Discounting of future cash flows (DCF-models):
 - Discount rate:
 - Cost of Equity of 6.5%;
 - Risk-free-rate: -0.3%
 - Beta 0.8
 - Equity market risk premium 5.5%
 - Country risk premium 0.5%
 - Small firm premium 1.8%
 - Pre-tax Cost of Debt of 1.1%;
 - Corporate tax rate of 25%;
 - Target gearing (D/(D+E)): 60%;
 - Post-tax WACC: 3.1%.
 - Terminal value based on three variants:
 - Terminal value based on a 1.18x RAB multiple in 2029

NB: as such, the RAB itself does not take account of the contribution of the incentive remuneration to the value creation process.

 - Terminal value based on a value driver approach, assuming any new CAPEX after 2029 will generate a return equal to the WACC of 3.1%. This means that CAPEX in the terminal value will neither create nor destroy value.
 - Terminal value based on a perpetual growth rate of 1.0% reflecting the long-term inflation expectation reported by the International Monetary Fund (IMF).

The potential impact of Covid-19 is taken into account in the DCF Model, especially in the credit spread that is used to calculate the costs of debt in the WACC, which is based on a reduced credit rating that captures the impact of Covid-19.

2. Discounting of future dividends (DDM-models):
 - Discount rate:
 - Cost of Equity of 6.5%
 - Terminal value based on two variants:
 - Terminal value based on 1.18x RAB multiple in 2029.

NB: as such, the RAB itself does not take account of the contribution of the incentive remuneration to the value creation process.

 - Terminal value based on a perpetual growth rate of 1.0%. This approach assumes that the residual value consists of profit after tax less investments and considers net borrowings (in relation to the investments). However, profit and thus dividend payments in FY29 most likely does not yet reflect the (positive) impact of the investments planned in FY25-FY29.

Conclusion:

- The independent analysis, based on a (€3,323 million) midpoint of the different valuation approaches and variants used, and sensitivity analysis did not result in the identification of an impairment of goodwill in the financial year 2020. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.
- As the median and the average of the different methods presented above were relatively far apart (€2.394 million and €3.275 million respectively), mainly due to differences in assumptions for the terminal value, the expert's mid-point is based on 75% of the median and 25% of the average, bearing in mind, among other factors, that the median alone might not appropriately reflect the impact of incentive remuneration on the terminal value (see above for more details).

Acquisition of Eurogrid International

- In April 2018, the acquisition of an extra 20% stake in Eurogrid International by the Company for €988.7 million resulted in a goodwill of €703.4 million, being the difference between the acquisition value of this stake and the proportional carrying amount of its assets. The goodwill resulting from the additional 20% stake in Eurogrid International was allocated to the cash-generating unit 50Hertz Transmission, since it comprises all income and expenses generated thereby.
- The impairment test was conducted by an independent expert. This impairment test is based on two main valuation methods, 1) a discounted cash flows (DCF) method and 2) a dividend discount model (DDM), both of which are further detached in valuation variants depending on the terminal value calculation. Future cash flows and future dividends are based on a business plan for the period 2019-2028 (two regulatory periods). As the Group's asset base consists of assets with long useful lives, the business plan's projection period was set to encompass the next two regulatory periods.

1. Discounting of future cash flows (DCF-models):

- The valuation methods are subject to different assumptions, most importantly:
 - Discount rate:
 - Cost of Equity: 6.0%;
 - Risk-free-rate: -0.3%
 - Beta 0.9
 - Equity market risk premium 5.5%
 - Country risk premium 0.0%
 - Small firm premium 1.8%
 - Pre-tax Cost of Debt: 1.1%;
 - Corporate tax rate: 30%;
 - Target gearing (D/(D+E)): 60%;
 - WACC: 2.9%.
 - Terminal value based on three variants:
 - Terminal value based on a 1.18x RAB multiple in 2029;
 - Terminal value based on a value driver approach, assuming any new CAPEX after 2029 will generate a return equal to the WACC of 2.9%;
 - Terminal value based on a perpetual growth rate of 1.0%.

The potential impact of Covid-19 is taken into consideration in the DCF Model, especially in the credit spread that is used to calculate the costs of debt in the WACC which is based on a reduced credit rating that captures the impact of Covid-19.

2. Discounting of future dividends (DDM-models):

- Discount rate:
 - Cost of Equity: 6.0%
- Terminal value based on two variants:
 - Terminal value based on 1.18x RAB multiple in 2029;
 - Terminal value based on a perpetual growth rate of 1.0%.

Conclusion:

- The independent analysis, based on a (€3,452 million) midpoint of the different valuation approaches and variants used, and sensitivity analysis did not result in the identification of an impairment of goodwill in the financial year 2020. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.
- The median and the average of the different methods presented above were relatively close (€3,452 million and €3,286 million) as the assumptions for the terminal value are similar. The independent analysis based on a median of the different valuation approaches and variants used, and sensitivity analysis did not result in the identification of an impairment of goodwill in the financial year 2020.

6.4. Non-current trade and other receivables

(in € million)	2020	2019
Loans to third parties	0.5	2.3
Total	0.5	2.3

The Group has a receivable outstanding to a third party for an amount of €0.5 million. This receivable was granted to finance a joint project with Elia. €1.8 million was reimbursed during the course of 2020.

6.5. Equity-accounted investees

6.5.1. Joint ventures

Nemo Link Ltd

On 27 February 2015, Elia System Operator and National Grid signed a joint venture agreement to build the Nemo Link Interconnector between Belgium and the UK. This project consists of subsea and underground cables connected to a converter station and an electricity substation in each country, allows electricity to flow in either direction between the two countries and give the UK and Belgium improved reliability and access to electricity and sustainable generation. Each shareholder holds a 50% stake in Nemo Link Ltd, a UK company. The interconnection was commissioned in late January 2019.

To finance the project both shareholders have provided funding to Nemo Link Ltd since 2016 via equity contributions and loans (divided on a 50/50 basis). In June 2019, the loans were incorporated in the share capital (loan swap to equity).

Nemo Link Ltd reduced its share capital by €17.3 million and €13.2 million in June and December 2020 respectively. In addition to these capital reduction rounds, dividends totalling €24.0 million were paid out to its shareholders.

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

(in € million)	2020	2019
Percentage ownership interest	50.0%	50.0%
Non-current assets	643.3	660.8
Current assets	27.5	33.9
Non-current liabilities	42.3	30.9
Current liabilities	19.2	14.8
Equity	609.2	649.0
Group's carrying amount for the interest	304.6	324.5
Revenues and other income	69.2	61.5
Total depreciation and amortisation	(27.0)	24.2
Net finance costs	(0.2)	(6.4)
Profit before income tax	27.5	13.7
Income tax expense	(12.7)	(0.8)
Profit for the year	14.7	12.9
Total comprehensive income for the year	14.7	12.9
Group's share of profit for the year	7.4	6.5
Dividends received by the Group	12.0	0.0

6.5.2. Associates

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

The Group has a 16.5% stake in Enervalis NV, a start-up that develops innovative software-as-a-service solutions that will allow market players to optimise their energy bills while helping to meet the growing need for flexibility in the electricity system. A Group representative has been appointed to Enervalis's Board of Directors. The Group therefore considers itself as having a significant influence and as such Enervalis is accounted for using the equity method. The percentage ownership interest diluted slightly as Elia Group did not fully participated in a new capital round initiated by Enervalis NV.

In August 2020, the Group has sold its 20.5% stake in Ampacimon SA, a Belgian company working on developing innovative monitoring systems for TSOs and DSOs.

The Group has a 22.2% stake in Coreso NV/SA. Coreso NV/SA is a company that provides coordination services aimed at facilitating the secure operation of the high-voltage grid in several European countries.

HGRT SAS is a French company with a 49.0% stake in Epex Spot, the exchange for power spot trading in Germany, France, Austria, Switzerland, Luxembourg and (through its 100% associate APX) the UK, Netherlands and Belgium. The Group itself holds a 17.0% stake in HGRT. As one of the founding partners of HGRT, the Group has a 'golden share', giving it a minimum number of representatives on the Board of Directors. This constitutes a significant influence and therefore HGRT is accounted for using the equity method. In 2020, the Group received a dividend of €1.7 million from HGRT (€2.6 million in 2019).

None of these companies are listed on any public exchange.

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

(in € million)	Enervalis 2019	Ampacimon 2019	Coreso 2019	HGRT 2019
Percentage ownership interest	17.4%	20.5%	22.2%	17.0%
Non-current assets	0.0	0.0	7.9	93.3
Current assets	6.0	2.6	3.6	1.0
Non-current liabilities	0.0	0.0	0.0	0.0
Current liabilities	0.0	0.0	8.4	0.0
Equity	6.0	2.6	3.2	94.3
Group's carrying amount for the interest	1.0	0.5	0.7	16.0
Revenues and other income	0.0	0.0	17.7	0.0
Profit before income tax	0.0	0.1	0.8	10.4
Income tax expense	0.0	0.0	(0.4)	(0.1)
Profit for the year	0.0	0.1	0.1	10.2
Total comprehensive income for the year	0.0	0.1	0.1	10.2
Group's share of profit for the year	0.0	0.0	0.1	1.8

(in € million)	Enervalis 2020	Ampacimon 2020	Coreso 2020	HGRT 2020
Percentage ownership interest	16.5%	0.0%	22.2%	17.0%
Non-current assets	0.0		9.0	94.3
Current assets	9.1		4.4	1.0
Non-current liabilities	0.0		0.0	0.0
Current liabilities	0.0		9.7	0.0
Equity	9.1		3.7	95.3
Group's carrying amount for the interest	1.5	0.0	0.8	16.2
Revenues and other income	0.0	0.0	20.1	0.0
Profit before income tax	0.0	(0.5)	0.9	11.1
Income tax expense	0.0	0.0	(0.3)	(0.1)
Profit for the year	0.0	(0.5)	0.6	11.0
Total comprehensive income for the year	0.0	(0.5)	0.6	11.0
Group's share of profit for the year	0.0	(0.1)	0.1	1.9

6.6. Other financial assets

(in € million)	2020	2019
Immediately claimable deposits	7.0	7.0
Other shareholdings	43.8	28.8
Reimbursement rights	53.8	53.1
Total	104.5	88.9

Immediately claimable deposits are measured at fair value. The risk profile of these investments is discussed in Note 8.1.

The total other financial assets increased by €15.6 million compared to the previous year. The main reason for the increase is the €15.0 million increase in fair value of the participation in EEX, in which 50Hertz Transmission holds a 5.4% stake. The full list of other shareholdings is disclosed in note 7.1.

The reimbursement rights are linked to the obligations for (i) the retired employees falling under specific benefit schemes (Scheme B - unfunded plan) and for (ii) the medical plan and plan for reduced energy prices for retired staff members. See Note 6.14: 'Employee benefits'. The reimbursement rights are recoverable through the regulated tariffs. The following principle applies: all incurred pension costs for 'Scheme B' retired employees and the costs linked to healthcare and energy-price benefits for retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The increase in the carrying value of this asset is disclosed in Note 6.14: 'Employee benefits'.

6.7. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in € million)	2020		2019	
	Assets	Liability	Assets	Liability
Property, plant and equipment	4.3	(215.0)	3.3	(211.8)
Intangible assets	0.0	(6.3)	0.0	(8.6)
Non-current trade and other receivables	1.1	(0.3)	1.3	(0.2)
Interest-bearing loans and other non-current financial liabilities	33.5	(6.0)	26.7	(4.6)
Employee benefits	32.5	(13.5)	29.6	(13.3)
Provisions	46.8	0.0	48.0	(0.6)
Deferred revenue	24.5	(2.0)	31.5	(2.2)
Regulatory liabilities	22.7	0.0	25.3	(0.0)
Deferred tax on investment grants	0.0	(1.0)	0.0	(1.1)
Losses carried forward	0.8	0.0	0.6	(0.1)
Other items	1.0	(7.4)	0.6	(7.8)
Tax asset/liability before offsetting	167.0	(251.5)	166.9	(250.2)
Offsetting of tax	(162.0)	162.0	(163.2)	163.2
Net tax asset/(liability)	5.0	(89.5)	3.7	(87.0)

The changes in deferred tax assets and liabilities can be presented as follows:

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

(in € million)	Net tax asset/(liability)	Recognised in income statement	Recognised in comprehensive income	Other	Total
2019					
Property, plant and equipment	(180.0)	(28.4)			(208.4)
Intangible assets	(8.2)	(0.4)			(8.6)
Non-current trade and other receivables	1.7	(0.4)			1.2
Interest-bearing loans and other non-current financial liabilities	24.2	(2.2)	0.2		22.1
Employee benefits	12.3	2.5	1.5		16.3
Provisions	40.6	6.7			47.4
Deferred revenue	6.5	22.8			29.3
Regulatory liabilities	19.6	5.7			25.3
Losses carried forward	2.5	(2.1)			0.4
Deferred tax on investment grants	(1.1)				(1.1)
Other items	(8.2)	(0.4)	1.5		(7.2)
Total	(90.2)	3.7	3.2		(83.3)

2020					
Property, plant and equipment	(208.4)	(2.2)	0.0	0.0	(210.6)
Intangible assets	(8.6)	2.3	0.0	0.0	(6.3)
Non-current trade and other receivables	1.2	(0.4)	0.0	0.0	0.8
Interest-bearing loans and other non-current financial liabilities	22.1	(2.8)	(1.4)	9.6	27.6
Employee benefits	16.3	0.5	2.2	0.0	19.0
Provisions	47.4	(0.6)	0.0	0.0	46.8
Deferred revenue	29.3	3.0	0.0	(9.9)	22.5
Regulatory liabilities	25.3	(2.7)	0.0	0.0	22.6
Losses carried forward	0.4	0.4	0.0	0.0	0.8
Deferred tax on investment grants	(1.1)	0.0	0.0	0.0	(1.1)
Other items	(7.2)	0.4	0.0	0.3	(6.5)
Total	(83.3)	(2.0)	0.9	0.0	(84.5)

The deferred tax liability on right-of-use assets from IFRS 16 leases is shown under property, plant and equipment, the deferred tax asset on finance lease liability is shown under 'Interest-bearing loans and other non-current financial liabilities'.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

As at 31 December 2020, there is an unrecognised deferred tax asset of €6.1 million and €1.3 million relating to non-deductible interests carried forward (Corporate Interest Restriction rule) and Dividend Received Deduction carried forward at Elia Group SA/NV level, respectively.

There is also an unrecognised deferred tax asset of €0.6 million and €0.5 million relating to losses carried forward and carried forward Dividend Received Deduction carried forward originating from EGI SA/NV, respectively.

An assessment is conducted each year to determine the probability that these fiscal deductions could be used in the future to lower the tax base.

6.8. Inventories

(in € million)	2020	2019
Raw materials and consumables	54.4	39.5
Write-downs	(15.4)	(15.3)
Total	39.0	24.3

The warehouse primarily stores replacement and spare parts for maintenance and repair work on the Group's high-voltage substations, overhead lines and underground cables. It also consists of work-in-progress balances, including a €15.3 million increase in 2020 at Elia Grid International GmbH related to extensive work on the Altdöbern substation (turnkey project) for which milestone 2 was reached in 2020.

Write-downs are recorded following the non-utilisation of stock items based on their underlying rotation. These were slightly higher than in 2019.

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

(in € million)	2020	2019
Contract assets	9.5	4.6
Trade and other receivables and advance payments	438.7	338.1
Levies	948.8	2.3
VAT and other taxes	44.3	56.9
Other	34.1	86.2
Deferred charges and accrued revenues	13.7	9.8
Total	1,489.1	497.8

Trade receivables are non-interest-bearing and generally have payment terms of 15 to 30 days.

Contract assets increased from €4.6 million in the previous year to €9.5 million at year-end and are mainly related to transmission system operations and EGI's business.

The increase in 'Levies' is mainly driven by EEG mechanism in Germany to a receivable of €804.5 million and an increase in outstanding amount (€144.3 million) to recover in Belgium for levies. In Germany, the EEG deficit was settled in January 2021 with the payment of a federal grant allowing the pay-back of all external facilities. In Belgium, new tariffs have been approved, the most important amounts will be recovered in 2021 and 2022.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are shown in Note 8.1.

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

(in € million)	2020	2019
Not past due	412.6	320.0
Past due 0-30 days	22.3	14.1
Past due 31-60 days	0.3	1.2
Past due 61 days - one year	2.8	3.0
Past due one year - two years	2.0	0.7
Total (excl. impairment)	440.0	339.1
Doubtful amounts	201.6	199.6
Amounts write-offs	(201.0)	(199.1)
Allowance for expected credit losses	(1.9)	(1.5)
Total	438.7	338.1

See Note 8.1 for a detailed analysis of the credit risk incurred in connection with these trade receivables.

6.10. Current tax assets and liabilities

(in € million)	2020	2019
Tax receivables	3.4	5.5
Tax liabilities	(13.6)	(54.8)
Net tax asset/(liability)	(10.2)	(49.3)

Tax receivables decreased compared with the previous year. The €3.4 million in income tax receivables at 31 December 2020 mainly relates to 2020 advances on corporation tax to be recovered in the financial year 2021. Income tax liabilities decreased to €13.6 million in 2020.

6.11. Cash and cash equivalents

(in € million)	2020	2019
Short-term deposits	222.0	573.5
Balance at bank	368.1	401.5
Total	590.1	975.0

Cash and cash equivalents have declined due to investing activities (mainly acquisition of property, plant and equipment) and a significant change in EEG, KWK and StromNEV (levies) position, from a €538.1 million payable to a €737.2 million receivable position, at 50Hertz Transmission level.

Short-term deposits are invested for periods varying from a few days or weeks to several months (generally not exceeding three months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for short-term deposits.

Bank-account balances earn or pay interest in line with the variable rates of interest on the basis of daily bank deposit interest rates. The Group's interest rate risk and the sensitivity analysis for financial assets and liabilities are discussed in Note 8.2.

The cash and cash equivalents disclosed above and in the statement of cash flows include €31.7 million held by Elia RE of which €1.0 million is restricted in use.

6.12. Shareholders' equity

6.12.1. Equity attributable to the owners of the Company

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2020	2019
Outstanding on 1 January	68,652,938	61,015,058
Issued against cash payment	67,757	7,637,880
Number of shares (end of period)	68,720,695	68,652,938

The second tranche of the 2018 capital increase for Elia employees was completed in March 2019. This transaction involved €0.5 million of funds raised, consisting of a €0.2 million capital increase and a €0.3 million increase in share premium. Through this transaction, 9,776 new shares were issued.

In June 2019, a capital increase to reinforce the capital structure of the Group resulted in the creation of 7,628,104 additional shares. This transaction involved €434.8 million of funds raised, consisting of a €190.3 million capital increase and a €244.5 million increase in share premium. The transaction costs related to this capital increase were €6.2 million.

The extraordinary shareholder' meeting held on 19 May 2020 decided to execute a capital increase in two steps/periods (one in 2020 for a maximum of €5.0 million and the other in 2021 for a maximum of €1.0 million), for a total maximum amount of €6.0 million for its Belgian employees. The first tranche of this capital increase for employees took place in December 2020. The transaction resulted in the creation of 67,757 new shares for a total amount of €5.0 million, consisting of €1.7 million capital increase and a €3.3 million increase in share premium.

RESERVES

In line with Belgian legislation, 5% of the Company's statutory net profit must be transferred to the legal reserve each year until the legal reserve represents 10% of the capital. As at 31 December 2020 the Group's legal reserve amounts to €173.0 million and represents 10% of the capital.

The Board of Directors can propose the pay-out of a dividend to shareholders up to a maximum of the available reserves plus the profit carried forward from the Company's previous financial years, including the profit for the financial year ended 31 December 2020. Shareholders must approve the dividend payment at the Annual General Meeting of Shareholders.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash-flow hedging instruments with regard to hedged transactions that have not yet occurred.

DIVIDEND

After the reporting date, the Board of Directors will put forward the dividend proposal indicated below.

Dividend (in €)	2020	2019
Per ordinary share entitled to dividend	1.71	1.69

At the General Meeting of Shareholders on 19 May 2020, the Board of Directors proposed the pay-out of a gross dividend of €1.69 per share, yielding a total amount of €116.0 million.

The Board of Directors meeting on 2 March 2021 proposed a gross dividend of €1.71 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 18 May 2021 and is not included as a liability in the Group's consolidated financial statements.

The total dividend, calculated based on the number of shares outstanding on 2 March 2021 corresponds to a total of €117.5 million.

6.12.2. Hybrid securities

In September 2018, the Group issued hybrid securities to finance the additional 20% stake in 50Hertz Transmission (Germany). The issue resulted in a €700 million increase in the Group's equity.

The hybrid securities bear an optional, cumulative coupon of 2.75%, payable at the Group's discretion annually on 5 December of each year, with the first payment on 5 December 2019. As at 31 December 2020, the unpaid cumulative dividend amounted to €1.4 million. (2019: €1.4 million). A coupon of €19.3 million was paid to the holders of hybrid securities in December 2020.

The hybrid securities have an initial call date in December 2023 with a reset every five years thereafter.

The hybrid securities are structured as perpetual instruments, have junior ranking to all senior debt and are recorded as equity in the Group's accounts pursuant to IFRS.

6.13. Interest-bearing loans, borrowings and lease liabilities

(in € million)	2020	2019
Non-current borrowings	7,177.2	5,304.2
Lease liabilities – non-current	72.4	74.7
Subtotal non-current borrowings	7,249.6	5,378.9
Current borrowings	722.7	1,042.2
Lease liabilities – current	11.8	14.1
Accrued interest	71.0	62.9
Subtotal current loans and borrowings	805.5	1,119.2
Total	8,055.1	6,498.1

The tables below show the changes in the Group's liabilities arising from financing activities, including changes arising from both cash flows and non-cash changes.

(in € million)	Current interest-bearing loans and borrowings	Non-current interest-bearing loans and borrowings	Total
Balance at 1 January 2019	621.1	5,773.8	6,394.9
Cash flow: interest paid	(158.4)	0.0	(158.4)
Cash flow: repayment of borrowings	(757.6)	0.0	(757.6)
Cash flow: proceeds from withdrawal borrowings	275.0	499.2	774.2
Interest accruals	62.9	0.0	62.9
Other	1,076.2	(894.1)	182.1
Balance at 31 December 2019	1,119.2	5,378.9	6,498.1
Balance at 1 January 2020	1,119.2	5,378.9	6,498.1
Cash flow: interest paid	(143.2)	0.0	(143.2)
Cash flow: repayment of borrowings	(1,073.0)	(246.5)	(1,319.5)
Cash flow: proceeds from withdrawal borrowings	725.0	2,149.5	2,874.5
Interest accruals	71.0	0.0	71.0
Other	106.5	(32.3)	74.2
Balance at 31 December 2020	805.5	7,249.6	8,055.1

Elia Group has issued a Eurobond of €800.0 million, a bond of €200.0 million and a 'green' bond of €750.0 million, with maturity dates 2030, 2040 and 2032 and an interest rate of 0.88%, 0.88% and 1.11% respectively.

In addition, the joint venture in Nemo Link has been refinanced by issuing an amortising bond in two tranches, €66.6 million and €133.4 million maturing in 2028 and 2044, at an interest rate of 1.56%. The refinancing aims to better align the financing structure with the lifetime of the Nemo Link interconnector.

Movements in 'Other' in the financial year 2020 mainly relates to reclassifications of long-term debt to short-term debt based on when instruments become due in 2021.

Information on the terms and conditions of outstanding interest-bearing loans and borrowings is given below:

(in € million)	Maturity	Amount	Interest rate	Current proportion - fixed
Eurobond issues 2013/15 years	2028	547.3	3.25%	100.00%
Eurobond issues 2013/20 years	2033	199.2	3.50%	100.00%
Eurobond issues 2014/15 years	2029	346.9	3.00%	100.00%
Eurobond issues 2015/8.5 years	2024	498.6	1.38%	100.00%
Eurobond issues 2017/10 years	2027	247.9	1.38%	100.00%
Senior bond 2018/10 years	2028	297.6	1.50%	100.00%
Eurobond issues 2019/7 years	2026	498.3	1.38%	100.00%
Eurobond issues 2020/10 years	2030	788.5	0.88%	100.00%
Amortising term loan	2033	195.7	1.80%	100.00%
Amortising bond - 7,7 years	2028	67.1	1.56%	100.00%
Amortising bond - 23,7 years	2044	132.3	1.56%	100.00%
European Investment Bank	2025	100.0	1.08%	100.00%
Bond as part of Debt Issuance Programme 2015	2025	498.3	1.88%	100.00%
Bond as part of Debt Issuance Programme 2015	2023	749.1	1.63%	100.00%
Bond as part of Debt Issuance Programme 2015	2030	139.2	2.63%	100.00%
Bond as part of Debt Issuance Programme 2016	2028	747.4	1.50%	100.00%
Bond as part of Debt Issuance Programme 2020	2032	747.2	1.11%	100.00%
Bond as part of Debt Issuance Programme 2020	2040	199.4	0.88%	100.00%
Registered bond 2014	2044	50.0	3.00%	100.00%
Loan with KfW	2026	150.0	0.90%	100.00%
Total		7,200.0		100.00%

The above €7,200.0 million is to be increased with short-term credit line drawings of €700.0 million, €71.0 million of interest accruals and €84.1 million of finance lease liabilities to reconstitute the overall debt of €8,055.1 million.

6.14. Employee benefits

The Group has various legal and constructive defined benefit obligations linked to its Belgian and German operations.

The total net liability for employee-benefit obligations is as follows:

(in € million)	2020			2019		
	Belgium	Germany	Total	Belgium	Germany	Total
Defined-benefit plans	17.9	32.9	50.8	20.6	26.5	47.1
Post-employment benefits other than pensions	73.9	7.3	81.2	67.5	5.0	72.5
Total provisions for employee benefits	91.8	40.2	132.0	88.1	31.5	119.6

Of the €132.0 million in employee benefit provisions recognised at the end of financial year 2020, €130.1 million is presented in the long term and €1.9 million in the short term (see Note 6.15).

BELGIUM

DEFINED-CONTRIBUTION PLANS

Employees remunerated based on a salary scale and recruited after 1 June 2002, as well as management staff recruited after 1 May 1999 are covered by two defined-contribution pension plans (Powerbel and Enerbel):

- The Enerbel plan is a plan for salaried employees hired after 1 June 2002, to which the employee and the employer contribute based on predefined formula.
- The Powerbel plan is a plan for managers hired after 1 May 1999. The contributions of the employee and employer are based on a fixed percentage of the employee's salary.

The new law on occupational pension plans, published at the end of 2015, made various changes to the guaranteed return on defined-contribution plans. For payments made after 1 January 2016, the law requires employers to guarantee an average annual return of at least 1.75% (up to 3.75% depending on who contributes) over the course of the career.

For insured plans the minimum guaranteed return until 31 December 2015 still needs to be equivalent to at least 3.25% for the employer's contribution and 3.75% for the employee's contribution, with any shortfall being covered by the employer.

As a result of the above change and as mentioned in the accounting policies, all defined-contribution pension plans under Belgian pension legislation are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer, which represents a plan amendment. They are accounted for with the Projected Unit Credit method (PUC-method). For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any), hence no application of IAS 19 § 115. In addition, with the exception of Enerbel, the defined-contributions (DC) plans are not backloaded, as such these plans are valued without projection of future contributions. The Enerbel DC plan is backloaded and this plan is valued with projection of future contributions.

Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best off' plans since 2016. The main objective of these plans is to guarantee for every subscriber a minimum guaranteed return of 3.25% on the acquired reserves until retirement age.

Both employee' and employer' contributions are paid on a monthly basis for the base plans. The employee' contribution is deducted from the salary and paid to the insurer by the employer. The amount of future cash flows depends on wage growth.

DEFINED-BENEFIT PLANS

For a closed population, collective agreements in the electricity and gas industries provide 'pension supplements' based on the annual salary and an employee's career within a company (partially revertible to the inheritor in case of early death of the employee).The benefits granted are linked to Elia's operating result. There is no external pension fund or group insurance for these liabilities, which means that no reserves are constituted with third parties. The obligations are classified as a defined benefit.

The collective agreement determines that active staff hired between 1 January 1993 and 31 December 2001 and all managerial/executive staff hired prior to 1 May 1999 will be granted the same guarantees via a defined-benefit pension scheme (Elgabel and Pensibel – closed plans). Obligations under these defined-benefit pension plans are funded by a number of pension funds for the electricity and gas industries and by insurance companies.

As mentioned above, Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best off' plans since 2016. As this guarantee is an obligation by the employer, these plans represent defined-benefit plans.

Both employees' and employers' contributions are paid on a monthly basis for the base plans. The employee's contribution is deducted from the salary and paid to the insurer by the employer.

OTHER PERSONNEL OBLIGATIONS

Elia Transmission (Belgium) has also granted staff certain early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and a contribution to energy prices, as well as other long-term benefits (seniority payments). Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

GERMANY

DEFINED-CONTRIBUTION PLANS

In the case of externally financed defined contribution plans, 50Hertz Transmission (Germany)'s obligation is limited to paying the agreed contributions. For those defined contribution plans recognised in the form of direct guarantees, there are pledged congruent employer's liability insurance policies in place.

- **Pension obligations for executives (agreement with staff representatives from 2003 onwards):** individual contractual pension obligations based on an agreement with representatives;
- **Pension obligations for executives (agreement with staff representatives from 19 August 2008 onwards):** individual contractual pension obligations relating to a company pension plan with the Vattenfall Europe Group;
- **Collective bargaining agreement on the company pension scheme:** obligations based on the collective bargaining agreement on 50Hertz Transmission's company pension scheme, concluded on 28 November 2007
- **Direct insurance:** direct insurance policies for all former employees who worked at Vereinigte Energiewerke AG (VEAG) from 1993 to 31 December 2004, with the exception of managers;

- **Individual commitments:** individual commitments which are financed exclusively by external pension funds (welfare fund and pension fund).

DEFINED-BENEFIT PLANS

Defined benefit plans entitle employees to make direct pension claims against 50Hertz Transmission. Provisions for these are recognised in the statement of financial position. If plan assets are created for the sole purpose of fulfilling pension obligations, the amount is offset against the present value of the obligation. The following defined benefit plans exist in Germany:

- Group works agreement on the company pension scheme

In accordance with the group works agreement on the company pension scheme, employees are granted a company pension plan on the basis of a defined contribution plan (effective 1 January 2007). This agreement applies to all employees within the meaning of Sec. 5 (1) of the German Work Constitution Act (BetrVG) and came into effect at the Company on 1 January 2007. Participation in the scheme is voluntary. The scheme grants pension benefits upon reaching the statutory retirement age, upon taking early retirement from statutory pension insurance, and in the event of occupational disability for death. Current pension benefits are increased by 1% p.a., so the scheme is classified as a defined benefit plan.

- TVV Energie

This pension plan relates to direct guarantees resulting from a collective bargaining agreement concluded on 16 October 1992. It was closed to new hires on 1 January 1993. This contribution plan applies to employees who worked at Vereinigte Energiewerke AG until 30 November 2001 and whose vested benefits were allocated to Vattenfall Europe Transmission GmbH (now 50Hertz Transmission GmbH). The scheme covers pension obligations, based on years of service and remuneration level and grants retirement and disability pensions, but no pension for surviving dependants. It is not possible to index current post-employment benefits falling due for the first time after 1 January 1993.

OTHER PERSONNEL OBLIGATIONS

50Hertz Transmission also has following obligations, which are listed under 'Other personnel obligations':

- Obligations for long-service benefits;
- Obligations from German phased retirement schemes;
- Obligations for working lifetime accounts.

Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

EMPLOYEE BENEFIT OBLIGATIONS AT GROUP LEVEL

The Group's net liability for employee benefit obligations is as follows:

(in € million)	Pensions		Other	
	2020	2019	2020	2019
Present value of funded defined-benefit obligation	(292.3)	(278.1)	(110.8)	(98.5)
Fair value of plan assets	241.4	231.0	29.6	25.9
Net employee benefit liability	(50.8)	(47.1)	(81.2)	(72.6)

The net employee benefit liability increased in total by €12.4 million, of which €3.7 million on Belgian level and €8.7 million on German level.

In Belgium, the increase is mainly explained by a plan amendment to align the Defined Benefit pension plan with new legislation. The new legislation, applicable as of June 2018, prohibits anticipative benefits in these pension plans. In June 2018, Elia Group has set up an IAS 37 provision of €8.5 million to recognise the impact of this new legislation.

In October 2020, a new Collective Labour Agreement (CLA) was agreed to align the DB pension plans to the new legislation. The alignment resulted in an increase in defined benefit obligation of €14.8 million. Together with the alignment, the IAS 37 provision was released to set off partly the impact, resulting in a net past service cost of €6.3 million. Additionally, the CLA agreed to use a fund that was overfunded by €2.4 million, and which did not have any economic value before, to limit the impact for the employer.

In Germany, the increase is mainly due to a continuing increase in full time equivalents for which employee benefits are to be paid and a further decrease in discount rate compared to 2019.

Movement in the present value of the defined benefit obligation (in € million)	Pensions		Other	
	2020	2019	2020	2019
At the beginning of the period	(278.1)	(247.8)	(98.5)	(85.8)
Current service cost	(12.8)	(12.6)	(8.0)	(8.3)
Interest cost/income	(2.1)	(3.7)	(1.0)	(1.5)
Contributions from plan participants	(1.2)	(1.2)	0.0	0.0
Including remeasurement gains/(losses) in OCI and in Statement of profit or loss, arising from				
· Changes in demographic assumptions	(1.1)	0.0	(1.1)	0.0
· Changes in financial assumptions	(10.7)	(23.8)	(3.8)	(6.5)
· Changes from experience adjustments	5.1	0.9	(0.9)	1.3
Past service cost	0.0	0.0	(6.3)	(0.7)
Payments from the plan	14.7	10.3	2.7	3.0
Transfers	(6.1)	0.0	6.1	0.0
At the end of the period	(292.3)	(278.1)	(110.8)	(98.5)

Movement in the fair value of the plan assets (in € million)	Pensions		Other	
	2020	2019	2020	2019
At the beginning of the period	231.0	207.0	25.9	21.2
Interest income	1.7	3.0	0.0	0.1
Remeasurement gains/losses in OCI arising from:				
Return of plan assets (excluding interest income on plan assets)	(0.1)	17.6	2.5	0.4
Contributions from employer	19.2	11.9	6.4	7.7
Contributions from plan participants	1.2	1.2	0.0	0.0
Transfers	2.6	0.0	(2.6)	0.0
Benefit payments	(14.1)	(9.7)	(2.7)	(3.4)
At the end of the period	241.4	231.0	29.6	25.9

Amounts recognized in comprehensive income (in € million)	Pensions		Other	
	2020	2019	2020	2019
Service cost				
Current service cost	(12.8)	(12.6)	(4.1)	(3.6)
Past service cost	0.0	0.0	(6.3)	(0.7)
Settlements	0.6	0.6	0.0	0.1
Net interest on the net defined-benefit liability/(asset)	(0.4)	(0.7)	(1.0)	(1.9)
Interest cost on defined-benefit obligation	(2.1)	(3.7)	(1.0)	(1.5)
Interest income on plan assets	1.7	3.0	0.0	0.1
Other	(0.0)	0.0	2.1	(0.4)
Defined-benefit costs recognised in profit or loss	(12.6)	(12.7)	(9.2)	(6.1)

Actuarial gains/(losses) on defined obligations arising from:				
1) Changes in demographic assumptions	(1.1)	0.0	(0.8)	0.0
2) Changes in financial assumptions	(10.7)	(23.8)	(3.4)	(6.5)
3) Changes from experience adjustments	5.1	0.9	(1.2)	1.3
Return on plan assets (excluding interest income on plan assets)	(0.1)	17.6	(0.1)	0.4
Remeasurements of net defined benefit (liability)/asset recognised in other comprehensive income (OCI)	(6.8)	(5.3)	(5.5)	(4.9)
Total	(19.4)	(18.1)	(14.7)	(11.0)

(in € million)	2020	2019
Breakdown of defined-benefit obligation by type of plan participants	(403.1)	(376.6)
Active plan participants	(311.3)	(293.7)
Terminated plan participants with def.-benefit entitlements	(21.6)	(18.8)
Retired plan participants and beneficiaries	(70.2)	(64.1)
Breakdown of defined-benefit obligation by type of benefits	(403.1)	(376.6)
Retirement and death benefits	(299.5)	(291.4)
Other post-employment benefits	(87.3)	(70.5)
Seniority payments	(16.2)	(14.6)

When determining the appropriate discount rate, the Group considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined-benefit obligation.

A stress test is performed annually. This test verifies that the minimum funding requirements are covered to deal with 'shocks' with probabilities of occurrence of 0.5%.

The members (mostly) contribute to the financing of the retirement benefits by paying a personal contribution.

The annual balance of the defined-benefit lump sum is financed by the employer through a recurrent allowance expressed as a percentage of the total payroll of the participants. This percentage is defined by the aggregate cost method and is reviewed annually. This method of financing involves smoothing future costs over the remaining period of the plan. The costs are estimated on a projected basis (taking into account salary growth and inflation). The assumptions related to salary increase, inflation, employee turnover and age term are defined on the basis of historical data from the Company. The mortality tables used are those corresponding to the observed experience within the financing vehicle and take into consideration expected changes in mortality. The Group calculates the net interest on the net defined-benefit liability (asset) using the same high-quality bond discount rate (see above) used to measure the defined-benefit obligation (net interest approach). These assumptions are challenged on a regular basis.

Exceptional events (such as modification of the plan, change of assumptions and overly short coverage terms) can eventually lead to outstanding payments from the sponsor.

The defined-benefit plans expose the Company to actuarial risks such as investment risk, interest-rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined-benefit plan liability is calculated using a discount rate determined based on high-quality corporate bonds. The difference between the actual return on assets and the interest income on plan assets is included in the remeasurements component (OCI). Currently the plan has a relatively balanced range of investments, as shown below:

(in € million)	2020	2019
Investments quoted in an active market	72.53%	73.17%
Shares - Eurozone	13.99%	13.64%
Shares - outside Eurozone	18.36%	19.10%
Government bonds - Eurozone	1.26%	1.46%
Other bonds - Eurozone	25.78%	26.01%
Other bonds - outside Eurozone	13.14%	12.96%
Unquoted investments	27.47%	26.82%
Qualifying insurance contracts	9.41%	8.50%
Property	2.41%	2.34%
Cash and cash equivalents	2.73%	3.10%
Other	12.92%	12.88%
Total (in %)	100.00%	100.00%

In Germany, all plan assets are invested in insurance agreements.

Due to the long-term nature of the plan liabilities, it is considered appropriate that a reasonable portion of the plan assets be invested in equity securities to leverage the return generated by the fund. In Germany, all plan assets are invested in insurance agreements.

Interest risk

A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's assets, of which approximately 95% is now invested in pension funds with an expected return of 3.3%.

Longevity risk

The present value of the defined-benefit plan liability is calculated based on the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The prospective mortality tables from the IA/BE have been used in Belgium and the 2018 Heubeck tables in Germany.

Salary risk

The present value of the defined-benefit plan liability is calculated based on the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

ACTUARIAL ASSUMPTIONS

(in % and years)	Belgium 2020	2019	Germany 2020	2019
Discount rate				
- Pensions - defined-benefit plans and cash balance - best off plans	0.36%	0.64%	0.97%	1.20%
- Pensions - defined-contribution plans	0.66%	1.02%	-	-
- Other	0.70%	1.04%	0.97%	1.20%
Expected average salary increase (excluding inflation)	1.00%	1.00%	2.00%	1.75%
Expected inflation	1.75%	1.75%	2.00%	2.00%
Expected increase in health benefits (including inflation)	2.75%	2.75%	2.25%	2.25%
Expected increase in tariff advantages	1.75%	1.75%	-	-
Average assumed retirement age				
- Employee	63	63	65	65
- Manager	65	65	65	65
Life expectancy in years of a pensioner retiring at age 65 at closing date:*				
Life expectancy for a 65 year old male	19.9	19.9	20.4	20.2
Life expectancy for a 65 year old female	23.6	23.6	23.9	23.7

*Mortality tables used: IABE in Belgium, 2018 Heubeck in Germany

(in years)	Belgium 2020	2019	Germany 2020	2019
Weighted average duration of the defined-benefit obligation	8.8	9.0	28.5	26.5
Weighted average duration of the defined-contribution plans	9.7	9.7	n.r.	n.r.
Weighted average duration of the post-employment benefits other than pensions	13.4	13.5	13.8	13.2

In Germany, the liability of the defined-contribution plans is completely covered by the plan assets. Therefore, no weighted average duration is necessary and thus not calculated. oak-

The actual return on plan assets in % for 2020 was in the range of 0.9% to 2.8% (compared with a range of 3.0% to 19.0% in 2019).

Below is an overview of the expected cash outflows for the DB plans:

Future expected cash outflows	< 12 months	1-5 years	6 - 10 years
Pensions	(3.8)	(17.5)	(17.6)
Other	(4.7)	(19.6)	(21.9)
Total (in € million)	(8.5)	(37.1)	(39.5)

There is some degree of uncertainty linked to the above expected cash outflows which can be explained by the following factors:

- Differences between assumptions and actual data can occur, e.g. retirement age and future salary increase;
- The expected cash outflows shown above are based on a closed population and therefore do not incorporate future new hires;
- Future premiums are calculated based on the last known aggregate cost rate, which is reviewed on an annual basis and varies depending on the return on plan assets, the actual salary increase as opposed to the assumptions, and unexpected changes in the population.

SENSITIVITY ANALYSIS

Effect on defined-benefit obligation (in € million)	Belgium Increase (+) / Decrease (-)	Germany Increase (+) / Decrease (-)
Impact on the net defined-benefit obligation of an increase in:		
Discount rate (0.5% movement)	17.4	6.4
Average salary increase - excl. inflation (0.5% movement)	(26.8)	(2.4)
Inflation (0.25% movement)	(5.4)	(0.4)
Increase of healthcare care benefits (1.0% movement)	(5.2)	n.r.
Life expectancy of pensions (1 year)	(3.2)	(1.7)

REIMBURSEMENT RIGHTS (BELGIUM)

As described in Note 6.6, a non-current asset (within other financial assets) is recognised as reimbursement rights linked to the defined-benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for retired Elia employees. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

The change in reimbursement rights is presented below:

Movement in the present value of the reimbursement rights (in € million)	Pensions 2020	2019	Other 2020	2019
At the beginning of the period	(23.1)	(25.1)	(30.0)	(27.1)
Current service costs				
Interest cost/income	(0.1)	(0.3)	(0.3)	(0.5)
Actuarial gains/(losses) on defined obligations arising from:				
1) Changes in demographic assumptions	0.0	0.0	0.0	0.0
2) Changes in financial assumptions	(0.5)	(1.5)	(1.8)	(3.5)
3) Changes from experience adjustments	(1.6)	0.7	(0.2)	(0.5)
Payments from the plan	2.8	3.1	1.1	1.6
At the end of the period	(22.6)	(23.1)	(31.2)	(30.0)

The sum of Pensions (€22.6 million) and Other (€31.2 million) reimbursement rights amounted to €53.8 million in 2020 (2019: € 53.1 million), which reconciles with the reimbursement rights listed in Note 6.6.

6.15. Provisions

(in € million)	Environment	Elia Re	Easement provision	Dismantling Obligations	Employee Benefits	Other	Total
Balance at 1 January 2019	15.3	8.0	12.0	69.5	1.4	7.2	113.4
Increase in provisions	0.9	1.1	0.0	37.2	0.1	0.4	39.7
Reversals of provisions	(2.4)	(1.6)	(5.9)	(0.1)	(0.0)	(0.4)	(10.4)
Utilization of provisions	(1.8)	(4.2)	(0.1)	0.0	(0.1)	(0.2)	(6.4)
Discounting of provisions	0.0	0.0	0.0	1.6	0.0	0.0	1.6
Balance at 31 December 2019	12.0	3.3	6.0	108.2	1.5	7.0	137.9

Long term portion	8.8	3.3	0.0	108.2	0.0	2.0	122.3
Short term portion	3.2	0.0	6.0	0.0	1.5	4.9	15.6

Balance at 1 January 2020	12.0	3.3	6.0	108.2	1.5	7.0	137.9
Increase	1.4	6.8	0.0	7.6	0.5	2.4	18.7
Reversals	(1.0)	(2.7)	(5.9)	(1.4)	0.0	(3.0)	(14.0)
Utilisation	(0.9)	(2.0)	(0.1)	0.0	(0.0)	(0.8)	(3.8)
Discounting of provisions	0.0	0.0	0.0	1.8	0.0	0.0	1.8
Balance at 31 December 2020	11.5	5.4	(0.0)	116.3	1.9	5.6	140.7

Long-term portion	9.3	5.4	0.0	116.3	(0.0)	2.4	133.3
Short-term portion	2.2	0.0	0.0	0.0	1.9	3.3	7.4

The Group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination. The €11.5 million provision mainly relates to the Belgian segment, with only a €2.2 million provision relating to the German segment. There were no significant movements in the environmental provisions in 2020.

More specifically for the Belgian segment, Elia has conducted soil surveys on over 200 sites in Flanders in accordance with contractual agreements and Flemish legislation. Significant soil contamination was found on a number of sites, with this being mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.). In the Brussels-Capital and Walloon Regions, Elia also carried out analyses and studies to detect contamination at a number of substations and a number of plots occupied by pylons for overhead power lines. Based on the analyses and studies it conducted, Elia has made provisions for possible future soil remediation costs in line with the relevant legislation.

Environmental provisions are recognised and measured based on an expert appraisal bearing in mind BATNEEC (Best Available Techniques Not Entailing Excessive Costs) as well as on the circumstances known at the end of the reporting period. The timing of the settlement is unclear but for the premises where utilisations occur, the underlying provision is classified as a short-term provision.

Elia Re: An amount of €5.4 million is included at year-end for Elia Re, a captive reinsurance company. €0.9 million of this is linked to claims for overhead lines, and €4.5 million to electrical installations. The expected timing of the related cash outflow depends on the progress and duration of the respective procedures.

Easement provisions: The easement provision relates to payments likely to be made to landowners as a compensation for overland lines crossing their property. These easement rights were recognised within the German segment for overland lines built by the former owners of 50Hertz Transmission, with exposure resulting from section 9 of the German Land Register Amendment Act (GBBerG.). The estimates are based on the value of claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the claim filed. A re-assessment of the remaining expected payments in 2020 led to a complete reversal of the provision through profit and loss in 2020.

Dismantling provisions: As part of the Group's CAPEX programme, the Group is exposed to decommissioning obligations; most of which are related to offshore projects. These provisions take into account the effect of discounting and the expected cost of dismantling and removing the equipment from sites or from the sea. The carrying amount of the provision as at 31 December 2020 was €116.3 million. The increase is mainly due to a drop in the discount rate for discounting of the provisions. The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

Elia Group uses corporate bond rates (minimum AA rating) and sets them out to match the lifetime of the provisions in order to discount the dismantling provisions. In case the discount rate is below 0%, the rate is floored at 0%. The discount rates used in 2020 were in the range of 0.61% to 0.98% depending on the lifetime of the asset to dismantle. Should the discount rate fall to 0% the dismantling provisions would increase by €17.3 million.

Employee benefits: See Note 6.14, for more details of these short-term employee benefits.

'**Other**' consists of various provisions for litigation to cover likely payment where legal proceedings have been instituted against the Group by a third party or where the Group is involved in legal proceedings. These estimates are based on the value of claims filed or on the estimated level of risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated proceedings.

No assets have been recognised in connection with the recovery of certain provisions.

6.16. Other non-current liabilities

(in € million)	2020	2019
Investment grants	82.8	83.8
Non-current deferred income	137.3	129.8
Other	1.0	0.5
Total	221.1	214.1

Of the total investment grants, €79.4 million relates to 50Hertz Transmission (Germany). The grants are released in profit and loss when entitlement to them is acquired.

Other non-current liabilities remained stable. The deferred income relates to upfront payment for last mile connection,. At the end of 2020, a liability of €97.8 million was recognised within Elia Transmission (Belgium) and a liability of €39.5 million within 50Hertz Transmission (Germany). The income is released over the lifetime of the asset where the last mile connection relates to.

6.17. Trade and other payables

(in € million)	2020	2019
Trade debts	648.8	542.8
VAT and other taxes	14.9	4.1
Remuneration and social security	34.1	35.2
Dividends	1.2	1.2
Levies	121.9	618.5
Other	131.0	111.3
Accrued liabilities	57.2	43.8
Total	1,009.0	1,356.9

The amount for levies can be split into levies related to 50Hertz Transmission (€69.1 million) and levies related to Elia Transmission (€52.8 million).

The levies for Elia Transmission decreased compared to previous year (€80.4 million). The levies include federal levies, which totalled €24.3 million at 31 December 2020 (€41.3 million in 2019). Levies for the Walloon government have increased to €26.3 million, (€20.9 million in 2019). The remaining balance consists of strategic reserves (€2.2 million).

The levies for 50Hertz Transmission decreased compared to previous year (€538.1 million) due to the decrease of the EEG balance. The 2020 levies include KWK (€58.7 million), \$19StromNEV (€3.7 million) and offshore contributions (€5.4 million).

6.18. Financial instruments – fair values

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

(in € million)	Carrying amount					Fair value			
	Designated at fair value	Fair value through OCI	Amortised cost	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Balance at 31 December 2019									
Other financial assets	7.0	28.8			35.8	7.0		28.8	35.8
Trade and other receivables			490.3		490.3				0.0
Cash and cash equivalents			975.0		975.0				0.0
Assets held to hedge long-term borrowings		(4.4)			(4.4)		(4.4)		(4.4)
Unsecured financial bank loans and other loans				(1,030.4)	(1,030.4)		(1,030.4)		(1,030.4)
Unsecured bond issues				(5,316.0)	(5,316.0)		(5,857.6)		(5,857.6)
Trade and other payables				(1,356.9)	(1,356.9)				0.0
Total	7.0	24.4	1,465.3	(7,703.3)	(6,206.6)	n.r.	n.r.	n.r.	n.r.
Balance at 31 December 2020									
Other financial assets	7.0	43.7			50.7	7.0		43.7	50.7
Trade and other receivables			1,475.9		1,475.9				
Cash and cash equivalents			590.1		590.1				
Unsecured financial bank loans and other loans				(1,146.4)	(1,146.4)		(1,146.4)		(1,146.4)
Unsecured bond issues				(6,753.6)	(6,753.6)		(7,487.1)		(7,487.1)
Trade and other payables				(1,009.0)	(1,009.0)				
Total	7.0	43.7	2,066.0	(8,909.0)	(6,792.3)	n.r.	n.r.	n.r.	n.r.

The above tables do not include fair value information for financial assets and liabilities not measured at fair value, such as cash and cash equivalents, trade and other receivables, and trade and other payables, as their carrying amount is a reasonable approximation of fair value. The fair value of finance lease liabilities is not required to be disclosed.

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's-length transaction. IFRS 7 requires, for financial instruments that are measured in the statement of financial position at fair value and for financial instruments measured at amortised cost for which the fair value has been disclosed, the disclosure of fair value measurements by level in the following fair value measurement hierarchy:

- **Level 1:** The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
- **Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These maximise the use of observable market data where these are available and rely as little as possible on entity-specific estimates. If all significant inputs required to assess the fair value of an instrument are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices), the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs used in applying the valuation technique is not based on observable market data, the financial instrument is included in level 3. The fair value amount included under 'Other financial assets' has been determined by referring to either (i) recent transaction prices, known by the Group, for similar financial assets or (ii) valuation reports issued by third parties.

The fair value of financial assets and liabilities, other than those presented in the above table, approximates to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of other financial assets increased by €14.9 million compared to previous year. The increase is the result of the increase in fair value of the Group's stake in EEX, in which the Group holds 4.3%.

FAIR VALUE HIERARCHY

The fair value of 'sicavs' falls into level 1, i.e. valuation is based on the listed market price on an active market for identical instruments.

The fair value of interest-rate swaps, loans and bond issues falls into level 2, which entails valuation being based on input from prices other than the stated prices, where these other prices can be observed for assets or liabilities. This category includes instruments valued on the basis of listed prices for identical or similar instruments on markets that are deemed less than active; or other valuation techniques arising directly or indirectly from observable market data.

ESTIMATE OF FAIR VALUE

Derivatives

Brokers' statements are used for valuations of the interest-rate and foreign-currency rate swaps. The statements are controlled using valuation models or techniques based on discounted cash flows. The models incorporate various inputs including the credit quality of counterparties and interest-rate curves at the end of the reporting period. As at 31 December 2019, the counterparty risk is considered close to zero as a result of the negative market value of the IRS. The Group's own non-performance risk has also been estimated as being close to zero.

Interest-bearing loans

The fair value is calculated on the basis of the discounted future redemptions and interest payments.

6.19. Leasing

THE GROUP AS A LESSEE

The Group mainly leases buildings, cars and optical fibres. It also has some rights to use (portions) of land and overhead lines. The valuation period used is based on the contractual term. Where a fixed term has not been set and an ongoing extension is subject to the contract, the relevant department has assumed a termination date. In the event that the lease contract contains a lease extension option, the Group assesses whether it is reasonably certain of exercising the option and makes its best estimate of the termination date.

All lease contracts were previously classified as operating leases under IAS 17.

Covid-19 pandemic did not affected the contractual clauses of Elia Group's lease contracts and there were no indicators to change the assessment used in previous reporting period, on the extension of the contracts.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets are presented separately within 'Property, plant and equipment and break down as follows, with the discounted lease liability for comparison. The split between current and non-current lease liabilities is also provided:

(in € million)	Use of land and overhead	Rent of buildings / offices	Cars	Optical fibers	Other	Total
As of 1 January 2019	40.2	28.6	11.7	10.1	4.2	94.8
Additions and remeasurements	1.7	0.8	6.2	0.4	0.8	9.8
Depreciations	(1.2)	(3.1)	(5.3)	(3.8)	(2.8)	(16.3)
Derecognition of right-of-use assets	0.0	0.0	(0.3)	0.0	0.0	(0.3)
As of 31 December 2019	40.7	26.3	12.3	6.7	2.1	88.1

(in € million)	Use of land and overhead lines	Rent of buildings / offices	Cars	Optical fibers	Other	Total
As of 1 January 2020	40.7	26.3	12.3	6.7	2.1	88.1
Additions and remeasurements	0.5	1.8	7.4	1.0	1.1	11.7
Depreciations	(1.2)	(3.0)	(5.3)	(3.9)	(1.9)	(15.2)
Derecognition of right-of-use assets	0.0	(1.5)	(0.4)	0.0	0.0	(1.9)
As of 31 December 2020	40.0	23.6	14.1	3.7	1.4	82.8

The right-of-use assets are briefly described below:

- The use (portions) of land and overhead lines constitutes a right for the Group to use a well identified piece of land to build on someone's property. Only the contracts where the Group has the full right to control the use of the identified asset are in scope.
- The Group leases buildings and offices in which corporate functions are performed.
- The Group has car leasing contracts which are used by employees for business and private activities.
- The Group leases optical fibres to transmit data. Only cables that are clearly identified are in scope.
- Other lease contracts: printer lease contracts and strategic reserves contracts. Strategic reserves are contracts where the Group has the right to control the use of a power plant to maintain a balance on the grid

The Group only has lease contracts with fixed lease payments and assesses whether it is reasonable to extend a lease contract. If so, the lease contract is valued as if the extension were exercised.

Lease liabilities

Information concerning the maturity of the contractual undiscounted cash flows is given below:

Maturity analysis - contractual undiscounted cash flows (in € million)	2020	2019
< 1 year	12.6	20.9
1-5 years	30.0	32.5
> 5 years	62.4	66.9
Total undiscounted lease liabilities at 31 December	105.1	120.4
Lease liabilities in the statement of financial position at 31 December	84.1	88.8
Current	11.6	14.1
Non-current	72.5	74.7

The discount rate used to discount the lease liabilities is the Group's best estimate of the weighted average incremental borrowing rate and ranges from 0.26% to 2.94%. The Group made use of the practical expedients, i.e. a single discount rate per group of contracts, summarised per their duration.

The Group has assessed the extension options concluded in the lease contracts and considers it reasonably likely that these extension options will be executed. The Group has therefore considered the lease contract as if the extension option is exercised in the lease liability.

The Group has no lease contracts with variable payments nor residual value guarantees. The Group did not commit to any lease that has not yet commenced. The Group has no contracts which include contingent rental payments, and no purchase options were agreed in the significant lease contracts. Furthermore, these significant lease contracts do not include any escalation clauses or restrictions that are significant regarding the use of the asset in question.

Amounts recognised in profit and loss

The following amounts were recognised in profit and loss for the financial year:

(in € million)	2020	2019
Depreciation expense of right-of-use assets	15.2	16.3
Interest on lease liabilities	1.8	2.0
Variable lease payments not included in the measurement of lease liabilities	0.0	0.0
Expenses relating to short-term leases	0.0	0.1
Expenses relating to low-value assets	0.2	0.2
Total recognised in profit and loss	17.2	18.6

A total of €17.2 million in lease expenses was recognised in the statement of profit or loss in 2020.

The total cash outflow for leases amounted to €15.2 million in 2020.

THE GROUP AS A LESSOR

The Group leases out optical fibres, land and buildings presented as part of 'Property, plant and equipment'. Leasing is only an ancillary business. Rental income is presented under 'Other income'.

Contracts that do not relate to separately identifiable assets or under which the customer cannot directly the use of the asset or does not obtain substantially all the economic benefits associated with the use of the asset do not constitute a lease. The new lease definition led to the exclusion of some telecommunication equipment

The Group has classified these leases as operating leases as they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date and considering the best estimate of the contractual term:

(in € million)	< 1 year	1-5 years	> 5 years
Telecom	15.6	2.9	3.8
Land and buildings	0.1	0.1	0.1
Balance at 31 December 2019	15.7	3.0	3.9
Telecom	14.5	2.7	6.7
Land and buildings	0.1	0.1	0.1
Balance at 31 December 2020	30.3	5.7	10.7

Covid-19 pandemic did not affected the contractual clauses of Elia Group's contracts as a lessor and there were no indicators to change the cash flows as mentioned here above.

The Group recognised €16.0 million in rental income in 2020 (2019: €16.3 million).

(in € million)	2020	2019
Telecom	15.6	16.0
Land and buildings	0.4	0.3
Total	16.0	16.3

6.20. Accruals and deferred income

(in € million)	2020	2019
Accruals and deferred income	29.1	28.1
Deferral account from settlement mechanism Belgian regulatory framework	474.0	559.3
Deferral account from settlement mechanism German regulatory framework	503.2	502.5
Total	1,006.3	1,089.9

The movements in deferral account from settlement mechanism are as follows:

(in € million)	Regulatory claims	Regulatory obligations	Total
Balance at 1 January 2020	27.5	(1,089.3)	(1,061.8)
Increase	37.6	(162.5)	(124.9)
Reversals	(13.8)	171.6	157.8
Utilisation	0.0	67.5	67.5
Other (e.g. discounting)	0.0	(15.9)	(15.9)
Balance at 31 December 2020	51.3	(1,028.5)	(977.3)

In the Elia Transmission segment, the deferral account from settlement mechanism (€474.0 million) decreased compared to year end 2019 (€559.3 million). The decrease in deferral account from settlement mechanism encompasses deviations in the current year from the budget approved by the regulator (-€21.2 million), the settlement of net surpluses from prior tariff period (-€67.5 million) and the review of the regulator on previous year’ settlement mechanism (+€3.5 million). The operating excess, in relation to the budget of the costs and revenues authorised by the regulator, needs to be returned to the consumers and therefore does not form part of the revenues. In 2020, there was an operational deficit, which is offset against the outstanding regulatory obligation. The operating deficit compared to the budget is primarily a result of the higher regulated net profit (€11.8 million), decreased cross-border revenues (€20.9 million), lower financial charges (€5.8 million) and higher taxes (€6.4 million). This was partly offset by lower depreciations compared to the budget (€13.9 million).

In the 50Hertz Transmission segment, the deferral accounts from settlement mechanism (€503.2 million) remained stable compared to year end 2019 (€502.5 million). New liabilities from FSV Redispatch amounting to €32.9 million and €46.6 million from RES curtailment (§14/15 EEG Redispatch) as well as new assets amounting to €81.2 million from FSV balancing energy are included.

The release of the deferral account is determined in the tariff setting process. The amounts on the deferral account are recognised on a yearly basis and the release depends on the source of the deferral, some are released in T+1, other in T+2 and some in a longer period.

The future release of deferral account from settlement mechanism to the future tariffs is set out in the table below (situation at 31 December 2020):

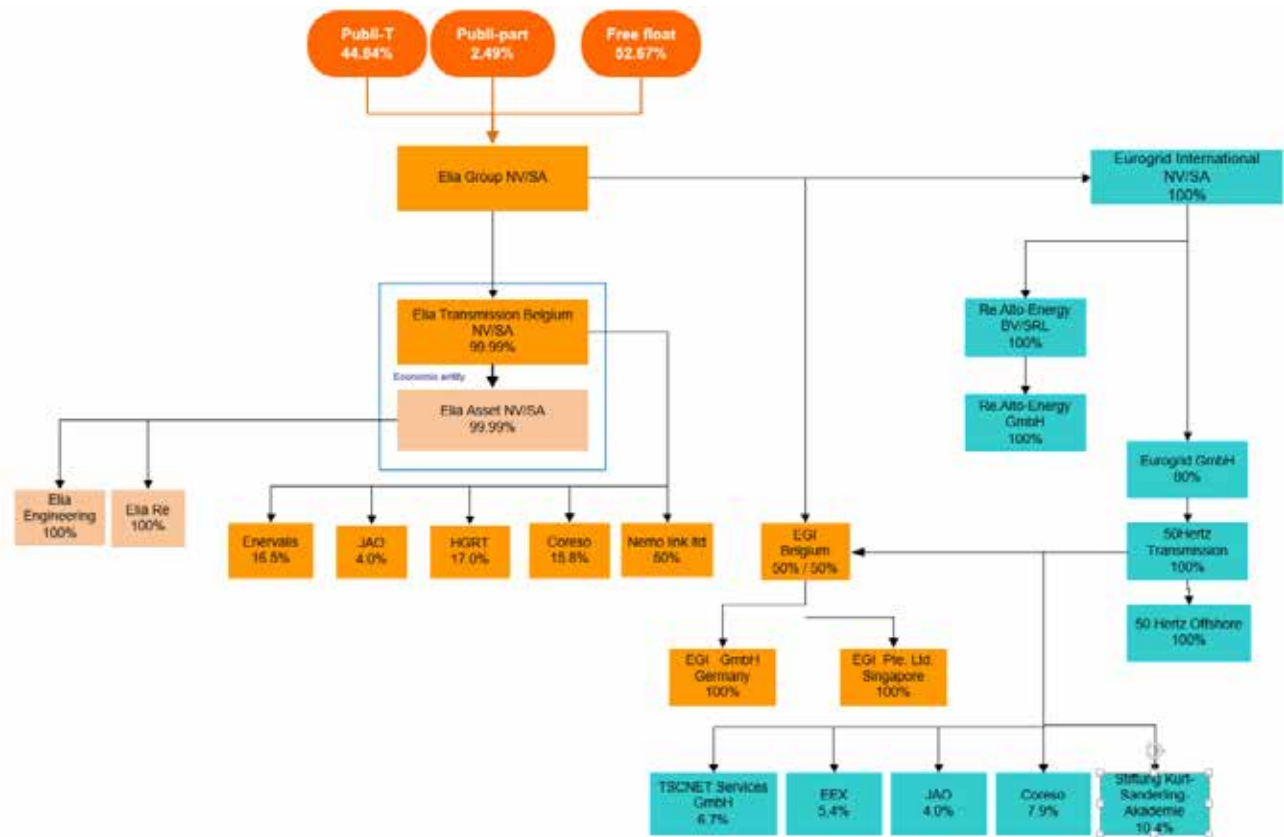
(in € million)	Belgian regulatory framework	German regulatory framework
To be refunded to the tariffs in the current regulatory period *	363.8	347.0
To be refunded to the tariffs in the next regulatory period (or after)	110.2	156.3
Total regulatory deferral account	474.0	503.2

*Belgium: from 2020 to 2023 ; Germany: from 2019 to 2022

7. Group structure

7.1. Subsidiaries, joint ventures and associates

OVERVIEW OF GROUP STRUCTURE



SUBSIDIARIES

Elia Group NV/SA has direct and indirect control of the subsidiaries listed below.

Re.Alto-Energy BV/SRL set up a second office in Düsseldorf in 2020 (Re.Alto-Energy GmbH) in order to be closer to the German market. It is a direct subsidiary of Re.Alto-Energy BV/SRL and helps develop a platform to enable users to exchange energy data and services.

The stake in Ampacimon, which offers grid-monitoring solutions, was sold in August 2020.

Elia Grid International LLC (Qatar) ceased operations in October 2020. All of EGI’s Middle-East activities are coordinated by the EGI permanent base in Dubai.

All the entities keep their accounts in euros and have the same reporting date as Elia Group NV/SA.

Name	Country of	Headquarters	Stake % 2020	2019
Subsidiaries				
Elia Transmission Belgium NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Asset NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering NV/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 NV/SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	90.00	90.00
Elia Grid International GmbH	Germany	Heidestraße 2, 10557 Berlin	90.00	90.00
Elia Grid International LLC	Qatar	Office 905, 9th Floor, Al Fardan Office Tower, Westbay - Doha	-	90.00
Elia Grid International Pte. Ltd.	Singapore	20 Collyer Quay #09-01, Singapore 049319	90.00	90.00
Eurogrid International NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Eurogrid GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Transmission GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Offshore GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
Re.Alto-Energy BV/SRL	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Re.Alto-Energy GmbH	Germany	Ratinger Straße 9, 40213 Düsseldorf	100.00	-

Investments accounted for using the equity-method – Joint Ventures

Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
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Investments accounted for using the equity-method – Associates

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	22.16
Ampacimon SA	Belgium	Rue de Wallonie 11, 4460 Grâce-Hollogne	-	20.54
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-	16.52	17.36

Investments accounted for using IFRS9 - other shareholdings

JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	7.20	7.20
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 0409 Leipzig	4.32	4.32
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	5.36	5.36
Kurt-Sanderling-Akademie des Konzerthausorchester Berlin	Germany	Gendarmenmarkt, 10117 Berlin	8.32	8.32

8. Other notes

8.1. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group aims to identify each risk and set out strategies to control the economic impact on the Group's results. The Risk Management Department defines the risk-management strategy, monitors risk analyses and reports to management and the Audit Committee. The financial risk policy is implemented by determining appropriate policies and setting up effective control and reporting procedures. Selected derivative hedging instruments are used depending on the assessment of the risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates significantly restricts their effects on profit or loss (see the section 'Regulatory framework and tariffs'). The major impact of increased interest rates, credit risk, etc. can be settled in the tariffs, in accordance with the applicable legislation.

CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the Company in relation to lending, hedging, settlement and other financial activities. The Company is exposed to credit risk from its operating activities and treasury activities. As regards its operating activities, the Group has a credit policy in place, which takes into account customer's risk profiles. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to issue bank guaranties from the counterparty for some major contracts.

At the end of the reporting period there were no significant concentrations of credit risks. The maximum credit risk is the carrying amount for each financial asset, including derivative financial instruments.

(in € million)	2020	2019
Loans and receivables – long term	0.5	2.3
Loans and receivables – short term	1,475.4	488.0
Cash and cash equivalents	590.1	975.0
Immediately claimable deposits	7.0	7.0
Interest-rate swaps used for hedging:		
Liabilities	0.0	(4.4)
Total	2,073.0	1,467.9

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

(in € million)	Bad debtors	Impairment losses	Remaining balance
Balance at 1 January 2019	170.3	(169.8)	0.5
Changes during the year	29.4	(29.3)	0.1
Balance at 31 December 2019	199.6	(199.1)	0.5
Balance at 1 January 2020	199.6	(199.1)	0.5
Changes during the year	1.9	(1.9)	0.0
Balance at 31 December 2020	201.5	(201.0)	0.5

Almost all bad debtors are related to outstanding receivables linked to the regulatory levies in Germany. If a debtor bankrupt, 50Hertz Transmission is compensated by the regulator for the loss incurred.

The Group believes that the unimpaired amounts overdue by more than 30 days are still collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including customers' underlying credit ratings, when available. The credit quality of trade and other receivables is assessed based on a credit policy.

IFRS 9 requires the Group to impair financial assets based on a forward-looking expected credit loss (ECL) approach.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for all customers. No segmentation of customers is performed as all customers show similar loss patterns. Intercompany trade receivables are excluded as there is no credit risk. In addition, trade receivables connected with a pending commercial dispute are excluded to avoid double provisioning (provision for risks and charges).

The provision rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. As the sales and payment profile of the Group's customers has remained very stable over the years, the Group considers historical credit losses to be a good proxy for future (expected) credit losses. Also, Elia Group did not see any changes in payment behaviour, nor an increase in bad debtors as a consequence of the COVID-19 crisis in 2020 and does not expect any major impact in the coming years.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. The total outstanding amount of trade receivables covered by a bank guarantee totals €34.5 million. The loss given default is multiplied by the outstanding trade receivables.

On that basis, the loss allowance at 31 December 2019 and 2020 was determined as follows for trade receivables:

Balance at 31 December 2019	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61 days - one year	Past due one year - two years	Past due more than two years	Total
Expected loss rate (%)	0.0%	0.6%	8.2%	12.3%	67.9%	100.0%	
Carrying amount - trade receivables	465.3	16.4	1.4	3.8	0.8	0.2	488.0
Loss given default	93.9%	92.6%	93.3%	92.6%	93.0%	92.2%	
Loss allowance	0.1	0.1	0.1	0.4	0.5	0.2	1.5

Balance at 31 December 2020	Not past due	Past due 0-30 days	Past due 31-60 days	Past due 61 days - one year	Past due one year - two years	Past due more than two years	Total
Expected loss rate (%)	0.0%	0.3%	2.7%	14.0%	73.7%	91.4%	
Carrying amount - trade receivables	412.6	22.3	0.3	2.8	1.2	0.8	440.0
Loss given default	86.5%	86.5%	86.5%	86.5%	86.5%	86.5%	
Loss allowance	0.1	0.1	0.0	0.3	0.8	0.6	1.9

CURRENCY RISK

The Group is not exposed to any significant currency risk, either from transactions or from exchanging foreign currencies into euro, since it has no material foreign investments or activities and less than 1% of its costs are expressed in currencies other than euro.

LIQUIDITY RISK

Liquidity risk is the risk that the Group may be unable to meet its financial obligations. The Group limits this risk by constantly monitoring cash flows and ensuring that there are always sufficient credit-line facilities available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, confirmed and unconfirmed credit facilities, commercial paper programmes, etc. For medium- to long-term funding, the Group uses bonds. The maturity profile of the debt portfolio is spread over several years. The Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

Bond issuances realised in 2020 and loan contracts signed with EIB and other banks in 2020 prove that the Group has access to different sources of funding.

(in € million)	Face value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	7,755.2	7,774.0	(8,588.9)	(1,894.7)	(547.2)	(102.3)	(1,580.2)	(4,389.5)
Unsecured bond issues	5,340.0	5,315.7	(6,119.8)	(73.2)	(541.2)	(95.1)	(1,518.9)	(3,891.5)
Unsecured financial bank loans and interest accruals	1,050.4	1,093.6	(1,104.3)	(531.7)	(6.0)	(7.2)	(61.3)	(498.0)
Trade and other payables	1,356.9	1,356.9	(1,356.9)	(1,356.9)	0.0	0.0	0.0	0.0
Derivative financial liabilities	n.r.	4.4	(4.4)	(4.4)	0.0	0.0	0.0	0.0
Foreign-currency rate swaps used for hedging	n.r.	4.4	(4.4)	(4.4)	0.0	0.0	0.0	0.0
Total at 31 December 2019	7,747.4	7,770.7	(8,585.5)	(1,966.3)	(547.2)	(102.3)	(1,580.2)	(4,389.5)

(in € million)	Face value	Closing balance	Expected cash outflows	6 months	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	9,016.4	8,980.0	(9,885.3)	(1,826.6)	(25.4)	(143.2)	(2,242.4)	(5,647.7)
Unsecured bond issues	6,790.0	6,753.6	(7,689.8)	(99.0)	(23.6)	(123.5)	(2,084.3)	(5,359.3)
Unsecured financial bank loans and interest accruals	1,217.4	1,217.4	(1,186.5)	(718.5)	(1.8)	(19.8)	(158.1)	(288.4)
Trade and other payables	1,009.0	1,009.0	(1,009.0)	(1,009.0)	0.0	0.0	0.0	0.0
Total at 31 December 2020	9,016.4	8,980.0	(9,885.3)	(1,826.6)	(25.4)	(143.2)	(2,242.4)	(5,647.7)

Details of the used and unused back-up credit facilities are set out below:

(in € million)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Confirmed credit line	1/15/2021	150.0	0.24%	150.0	0.0
Confirmed credit line	5/14/2021	400.0	max. 0,80% + Euribor	400.0	0.0
Sustainable Revolving Credit Facility	10/12/2023	650.0	Euribor + 0.325%	0.0	650.0
Confirmed credit line	3/24/2022	750.0	Euribor + 0,275%	0.0	750.0
Confirmed credit line	12/14/2026	150.0	Euribor + 0,275%	150.0	0.0
Straight Loan EGI	unlimited	2.5	Euribor + 0.75%	0.0	2.5
Confirmed credit line	unlimited	150.0	av. 1M-Euribor +0.275%		150.0
Total		2,252.5		700.0	1,552.5

In 2020, the Group incurred increased current outstanding receivables related to levies (see note 6.9) which were financed using the back-up facilities mentioned here above. Nevertheless the Covid-19 pandemic, the Group managed to set up a sustainable credit facility for € 650 million for 3 years, with a potential renewal of 2 times 1 year and further strengthened its liquidity position by contracting three RCFs, one €400 million facility and two other facilities of €150 million each to finance its EEG deficit. The EEG cash position as of December was in deficit at -€806.2 million.

The EEG deficit was settled in January 2021 with the payment of a federal grant allowing the pay-back of all external facilities. Two additional grant payments are planned in May and October 2021. Generally, any deficits from the EEG mechanism are temporary and are settled with the surcharge revenues of the following year as are the corresponding costs.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. As at 31 December 2020, no interest-rate swaps were outstanding. The interest-rate swaps on the other loan and the loan with Publi-Part to cover a nominal debt amount of €300 million were settled in June 2020, together with the repayment of the loans.

See note 6.13 for a summary of the outstanding loans with their respective interest rates.

SENSITIVITY ANALYSIS

As there were no longer any outstanding derivatives at 31 December 2020, a sensitivity analysis was not required.

HEDGING ACTIVITIES AND DERIVATIVES

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk.

All financial derivatives entered into by the Group relate to an underlying transaction or forecast exposure, depending on the expected impact on the statement of profit or loss, and if the IFRS 9 criteria are met, the Group decides on a case-by-case basis whether hedge accounting will be applied.

Derivatives not designated as hedging instruments

The Group had no derivatives not designated as hedging instruments.

Derivatives designated as hedging instruments

In 2018, the Group hedged the interest rate risk linked to the acquisition of a 20% stake in 50Hertz Transmission (Germany) for which a bridge loan was initially put in place. To cover the potential exposure to interest rate risk, the Group entered into a pre-hedge interest rate swap agreement in June 2018 to lock in market interest rates at the moment of the issuance of the € 300 million senior bond. The Group applied hedge accounting as the derivative transaction met the requirements under IFRS 9. With the settlement of the transaction in September 2018, the portion of the gain or loss on the derivative was recognised within hedging reserves and had an impact of €5.7million.

These hedging reserves are recycled into profit and loss over the lifetime of the underlying hedged instrument, i.e. the senior bond with 10-year maturity. In 2020, an amount of €0.6 million was recycled into profit and loss.

Three interest rates swaps for a total nominal value of €300 million have been concluded for the loan with Publi-Part (€42.1 million) and for loans with third parties ('Other loans', €453.6 million) to hedge the Euribor interest rate risk on these loans. All three interest rate swaps are designated as cash flow hedges under IFRS 9. These interest rate swaps were unwinded end of June 2020 with the repayment of both loans. With the settlement, an interest expense on derivatives of €4.4 million was incurred.

CAPITAL RISK MANAGEMENT

The purpose of the Group's capital-structure management is to maintain the debt and equity ratios related to the regulated activities as close as possible to the recommended level set by the relevant regulatory frameworks.

The Company's dividend guidelines involve optimising dividend payments while bearing in mind that self-financing capacity is needed to carry out its legal mission as transmission system operator, finance future CAPEX projects and, more generally, implement the Group's strategy.

The Company offers its employees the opportunity to subscribe to capital increases that are exclusively reserved for them.

8.2. Commitments and contingencies

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2020, the Group had a commitment of €1,987.5 million (€1,558.4 million in 2019) relating to purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2020, the Group had a commitment of €217.4 million (€182.2 million in 2019) relating to purchase contracts for general expenses, maintenance and repair costs.

Having received approval from the Walloon government and from the CREG, on 22 June 2015 Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates with a total value of €275 million, of which €221 million was settled in 2015 and a total of €48 million was settled in 2016. Solar Chest's mission is to buy, hold and sell Walloon green certificates for periods of five, six and seven years. In accordance with legislation, Solar Chest conducted an auction in September 2019. This resulted in the sale of 615.400 green certificates to different market participants and generated revenue of €40 million. In 2020, two additional auctions were held, selling 959,246 certificates and generating revenue of € 62.3 million.

At the end of each period (30 June 2020, 30 June 2021 and 30 June 2022 respectively), any unsold certificates will be bought back by Elia. Due to these auctions, Elia did not have to buy back any certificates at the end of June 2020. CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost of and any expense incurred by repurchasing non-marketable certificates may be recovered fully through the tariffs for levies, and as a consequence the potential repurchase by Elia will have no impact on the Company's financial performance.

In September 2017, Elia sold 2.8 million green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) leading to a net cash inflow of €176.2 million. This was a result of the Decree of 29 June 2017 amending the Decree of 12 April 2011 relating to the organisation of the regional electricity market and the Decree of 5 March 2008 relating to the creation of the Walloon Agency for Air and Climate. The green certificates transferred by Elia can be gradually resold by the AwAC from 2022 onwards, taking into account the market conditions that exist for green certificates at that time. The legislation also envisages the green certificates being held by the AwAC for a period of up to nine years, after which Elia is required to buy back any unsold certificates. These repurchase commitments will have no impact on Elia's financial performance, as the cost and expense for the repurchase will be fully recovered through the tariffs for levies.

In November 2018, Elia sold another €0.7 million in green certificates to the Walloon Region (i.e. the AwAC) which resulted in a net cash inflow of €43.3 million. As with the transaction in September 2017, Elia might be required to buy back some of the certificates sold from 2023 onwards. Any repurchase will be covered through the tariffs for levies. There were no transactions with the AwAC in 2019 or 2020.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Group is Publi-T and this remained unchanged from 2019. Other than the yearly dividend payment and the capital increase (see note 6.12.1) , no transactions occurred with the core shareholder in 2020.

The shareholder structure of the Group can be found in the activity report and note 7.1.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia's Board of Directors and Elia's Management Committee, both of which have a significant influence across the entire Elia Group.

In 2020, an executive committee on the level of Elia Group was established, while in 2019 the Group had an executive committee on Belgium level (to manage the Belgian and non-regulated activities) and one in Germany (to manage the German activities). Therefore, Key management in 2020 include the (five) members of the executive committee at Elia Group.

The members of Elia's Board of Directors are not employees of the Group. The remuneration for their mandate is detailed in the Corporate Governance Statement forming part of this annual report (see remuneration report)The members of Eurogrid International NV/SA's Board of Directors are not remunerated.

The other members of key management personnel are hired as employees. The components of their remuneration are detailed below (i.e. excluding the directors who are not employees).

The names of the key management personnel are included in the corporate governance report.

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

(in € million)	2020	2019
Short-term employee benefits	2.6	5.1
Basic remuneration	1.6	3.0
Variable remuneration	1.1	2.2
Post-employment benefits	0.4	0.7
Other variable remuneration	0.1	2.1
Total gross remuneration	3.1	8.0
Number of persons (in units)	5	13
Average gross remuneration per person	0.6	0.6
Number of shares (in units)	7,393	19,216

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

Transactions between the Company and subsidiaries that are related parties were eliminated during consolidation and therefore are not recognised in this note.

Transactions with joint ventures and associates (as defined in section 7.1.) were not eliminated, so details of these transactions are shown below:

(in € million)	2020	2019
Transactions with joint ventures and associates	(2.1)	1.4
Sales of goods	2.4	2.2
Purchases of goods	(4.4)	(4.1)
Interest and similar revenue	0.0	3.2
Outstanding balances with joint ventures and associates	0.2	0.6
Long-term debtors	0.0	0.0
Trade debtors	0.6	0.7
Trade debts	(0.4)	(0.1)
Accruals and deferred income	0.0	0.0

In 2020, entities of the Elia Group had transactions with Nemo Link Ltd., Coreso NV/SA and Ampacimon SA (until sale beginning of August). The sale of goods relates to corporate services (SLAs) rendered by Elia to Nemo Link Ltd and Coreso SA/NV. Nemo Link Ltd. also rents a building (Herdersbrug) from Elia Asset SA/NV (see also note 6.19). Purchases of goods mostly relates to services rendered by Coreso NV/SA to the Group.

TRANSACTIONS WITH SHAREHOLDERS

The Group also had an outstanding loan with its shareholder PubliPart for an amount of €42.1 million which was paid back end of June 2020. See Note 6.13 for more details.

TRANSACTIONS WITH RELATED PARTIES

Elia's Management Committee also assessed whether transactions occurred with entities in which they or members of the Board of Directors exercise a significant influence (e.g. positions as CEO, CFO, vice-chair of the Management Committee, etc.).

There were some significant transactions in 2020 with various distribution system operators (Sibelga, Eandis) that are customers of Elia Group. All these transactions took place in the normal course of Elia's business activities.The total value of realised sales was €10.1 million and related to regulated sales contracts with prices that had been predefined by the regulator. The total value of expenses amounted to €2.0 million. As at 31 December 2020, there was an outstanding trade-receivable position of €9.9 million and no outstanding trade-debt position.

8.4. Subsequent events

There are no significant events to report after 31 December 2020.

8.5. Miscellaneous

Impact of the United Kingdom leaving the European Union

On 30 December 2020, the European Union and the UK signed a Trade and Cooperation Agreement that regulates the terms of the future cooperation between both parties after the Brexit as of 1 January 2021. Under this agreement, the UK left the Internal Energy Market (IEM).

The Group performed an analysis and concluded that Nemo Link Ltd is prepared for the new situation. The overall conclusion is that Nemo Link remains operational as before. Profitability of the investment would also remain largely unaffected due to the cap and floor mechanism (see Note 9.3), which provides certainty regarding the company’s cash flows over a 25-year span. Also, there are no import duties on the transport of electricity.

Other than the risk identified above, the Group expects Brexit to have a very limited effect on the consolidated financial statements.

8.6. Services provided by the auditors

The General Meeting of Shareholders appointed as joint auditors BDO Bedrijfsrevisoren CVBA (represented by Mr. Felix Fank) and Ernst & Young Bedrijfsrevisoren BV (represented by Mr. Paul Eelen) for the audit of the consolidated financial statements of Elia Group NV/SA and Elia Transmission Belgium NV/SA and the audit of the statutory financial statements of Elia Group NV/SA, Elia Transmission Belgium NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Grid International NV/SA, Eurogrid International NV/SA and Re.Alto BV/SRL.

50Hertz Transmission (Germany) appointed Ernst & Young GmbH for the audit of the consolidated financial statements of Eurogrid GmbH and the statutory financial statements of 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Elia Grid International GmbH.

The following table sets out the fees of the joint auditors and their associates in connection with services delivered with respect to the financial year 2020:

in €	Belgium	Germany	Total
Statutory audit	259,800	287,000	546,800
Audit related	75,840	170,000	245,840
Indirect tax	23,206	0.0	23,206
Total	358,846	457,000	815,846

9. REGULATORY FRAMEWORK AND TARIFFS

9.1. Regulatory framework in Belgium

9.1.1. Federal legislation

The Electricity Act, which forms the general basis, lays down the core principles of the regulatory framework governing Elia’s activities as a transmission system operator in Belgium.

This Act was heavily amended on 8 January 2012 by the transposition at federal level of the third package of European directives. These changes ensure that the Electricity Act:

- sets out the unbundling of transmission operations from generation, distribution and supply activities;
- sets out in greater detail the rules for operating and accessing the transmission system;
- redefines the transmission system operator's legal mission, mainly by expanding it to the offshore areas over which Belgium has jurisdiction; and
- strengthens the role of the regulatory authority, particularly as regards determining transmission tariffs.

A number of royal decrees provide more details of the regulatory framework applying to the transmission system operator, particularly the Royal Decree on the Federal Grid Code. Similarly, the decisions passed by the Commission for Electricity and Gas Regulation (CREG) supplement these provisions to form the regulatory framework within which Elia operates at federal level.

9.1.2. Regional legislation

Belgium's three regions are primarily responsible for the local transmission of electricity through grids with a voltage of 70 kV or less on their respective territory. The regional regulators are in charge of the non-tariff aspects of local transmission-system regulation, while setting and monitoring tariffs falls under federal jurisdiction.

The Flemish Region, the Brussels-Capital Region and the Walloon Region have also transposed into their legislative framework the provisions of the third European package applying to them. The regional decrees have been supplemented by various other rules and regulations on matters such as public service obligations, renewable energy and authorisation procedures for suppliers.

9.1.3. Regulatory agencies

As required by EU law, the Belgian electricity market is monitored and controlled by independent regulators.

FEDERAL REGULATOR

CREG is the federal regulator, and its powers with regard to Elia include:

- approving the standardised terms in the three main contracts used by the company at federal level: the connection contract, the access contract and the ARP contract;
- approving the capacity allocation system at the borders between Belgium and neighbouring countries;
- approving the appointment of the independent members of the Board of Directors;
- determining the tariff methodology to be observed by the system operator when calculating the various tariffs applying to grid users;
- certifying that the system operator actually owns the infrastructure it operates and that it meets the regulatory requirements for independence from generators and suppliers.

REGIONAL REGULATORS

Operation of electricity networks with voltages of 70 kV and less falls under the jurisdiction of the respective regional regulators. Each of these may require any operator (including Elia if it operates such networks) to abide by any specific provision of the regional electricity rules on pain of administrative fines or other sanctions. However, the regional regulators do not have the power to set tariffs for electricity transmission systems, as tariff-setting falls within the exclusive remit of CREG for these networks.

9.1.4. Tariff setting

A new tariff methodology came into force in early 2020. This methodology is again applicable for a period of four years (2020-2023).

TARIFF REGULATIONS

On 28 June 2018, CREG issued a decision setting the tariff methodology for the electricity transmission system (including offshore) and the electricity networks having a transmission function for the regulatory period 2020-2023 (Decision (Z)1109/10). This methodology is the general framework on which transmission tariffs are set for these four years. Elia has prepared its tariff proposal for the regulatory period commencing on 1 January 2020 based on the methodology described below. This proposal was approved by CREG on 7 November 2019 (Decision (B)658E/62).

TARIFF REGULATIONS APPLYING IN BELGIUM

As the operator of networks performing a transmission function (covering the transmission system and the local and regional transmission networks in Belgium), Elia generates most of its income from the regulated tariffs charged for use of these networks (tariff

income), which are approved in advance by CREG. As of 1 January 2008, the prevailing tariff regulation mechanisms have provided for approved tariffs being set for four-year periods, barring specific circumstances.

The tariff mechanism is based on amounts recognised in accordance with Belgian accounting regulations (BE GAAP). The tariffs are based on budgeted costs minus a number of sources of non-tariff income. These costs are then divided based on an estimate of the volumes of electricity taken off the grid and, in the case of some costs, based on estimated volumes of electricity injected into the grid, in accordance with the terms of the tariff methodology drawn up by CREG.

The costs taken into account include the forecast value of the authorised remuneration of the invested capital, an estimate of the amounts allocated to Elia in the form of performance incentives and the predicted values of various cost categories. These costs are subdivided into three groups: controllable costs, for which Elia is offered a financial incentive to improve its efficiency levels; non-controllable costs, over which Elia has no influence and for which deviations from the budget are completely allocated to the calculation of future tariffs; and influenceable costs, to which a hybrid rule applies (see the information provided below with regard to controllable and non-controllable costs and income and influenceable costs).

FAIR REMUNERATION

Fair remuneration is the return on capital invested in the grid based on the Capital Asset Pricing Model (**CAPM**). It is based on the average annual value of the regulated asset base (RAB), which is calculated annually, taking into account new investments, divestments, depreciations and changes in working capital.

As of 1 January 2020, the formula has changed compared to the previous tariff methodology as regards the level of leverage and the OLO interest rate for risk free investment: (i) the regulatory leverage has been increased from 33 per cent. to 40 per cent., and (ii) the OLO has been set at 2.4 per cent. for the period 2020-2023, instead of taking the average of the year, each year. In the event of a major change in the Belgian macro-economic situation and/or the market circumstances compared to the expected situation and conditions, CREG and Elia can agree on a modification of the fixed OLO rate.

The formula for the calculation of fair remuneration is as follows:

A: $[S \text{ (if less than or equal to 40 per cent)} \times \text{average RAB} \times [(1 + \alpha) \times [(\text{OLO} (n) + (\beta \times \text{risk premium})]]]$
 plus
 B: $[(S \text{ (if above 40 per cent.)} - 40 \text{ per cent}) \times \text{average RAB} \times (\text{OLO} (n) + 70 \text{ base points})]$

Where:

- OLO (n) has been fixed at 2.4 per cent and is no longer the average rate of Belgian ten-year linear bonds for the year in question (subject to modification agreed between CREG and the Issuer as set out above);
- $\text{RAB} (n) = \text{RAB} (n-1) + \text{investments} (n) - \text{depreciation} (n) - \text{divestments} (n) - \text{decommissioning} (n) \pm \text{change in working capital need}$;
- S = the consolidated average capital and reserves/average RAB, in accordance with Belgian GAAP;
- Alpha (α) = the illiquidity premium set at 10 per cent;
- Beta (β) = calculated over a historical three-year period, taking into account available information on the Issuer's share price in this period, compared with the Bel20 index over the same period. The value of the beta cannot be lower than 0.53;
- Risk premium remains at 3.5 per cent;
- In respect of A: The rate of remuneration (in per cent.) as set by CREG for year n is equal to the sum of the risk-free rate, i.e. the average rate of Belgian ten-year linear bonds for the year in question (OLO (n)) and a premium for market risk for shares, weighted using the applicable beta factor. Tariff regulation sets the risk premium at 3.5 per cent. CREG encourages the Elia to keep its actual capital and reserves as close as possible to 40 per cent., this ratio being used to calculate a reference value of capital and reserves; and-
- In respect of B: If the Elia's actual capital and reserves are higher than the reference capital and reserves, the surplus amount is balanced out with a reduced rate of remuneration calculated using the following formula: $[(\text{OLO} (n) + 70 \text{ base points})]$.
- Assets related to the MOG are linked to the RABMOG, for which a premium remuneration is applicable in addition to the above. This is based on the following formula: $[S \text{ (less than or equal to 40 per cent)} \times \text{average RABMOG} \times 1.4 \text{ \%}]$.

Non-controllable costs and revenues

The category of costs and revenues that are outside Elia's direct control are not subject to incentive mechanisms offered by CREG, and are an integral part of the costs and revenues used to determine the tariffs. The tariffs are set based on forecast values for these costs and revenues, and the difference from the actual values is allocated ex post to the tariff calculation for the subsequent period.

The most important non-controllable costs consist of the following items: depreciation of tangible fixed assets, ancillary services (except for the reservation costs of ancillary services excluding black start, which qualify as influence-able costs), costs related to line relocation imposed by a public authority, and taxes, partially compensated by revenues from non-tariff activities (e.g. cross border congestion revenues). In this new tariff period, certain exceptional costs specific to offshore assets (e.g. the MOG) have been added to the list of non-controllable costs. This also includes financial charges/revenues for which the principle of financial embedded debt has been confirmed. As a consequence, all actual and reasonable finance costs related to debt financing are included in the tariffs.

Controllable costs and revenues

The costs and revenues over which Elia has direct control are subject to an incentive regulation mechanism, meaning that they are subject to a sharing rule of productivity and efficiency improvement which may occur during the regulatory period. The sharing factor is 50 per cent. Therefore, Elia is encouraged to control a defined category of its costs and revenue. Any savings with respect to the allowed (adjusted) budget positively impacts the net profit of the Elia by 50 per cent of the amount (before tax) and, accordingly, any overspending negatively affects its profit. There have been no changes compared to the previous tariff methodology, except for certain

non-recurrent but controllable costs specific to offshore assets (e.g. the MOG) that can be added to the cost allowance for a given regulatory period.

Influenceable costs

The reservation costs for ancillary services, except for black start, and costs of energy to compensate for grid losses are qualified as influenceable costs, meaning that efficiency gains create a positive incentive, insofar as they are not caused by a certain list of external factors. 20 per cent of the difference in expenses between Y-1 and Y constitutes a profit (pre-tax) for the Elia, with a cap of +€6 million. For each of the two categories of influenceable costs (power reserves and grid losses), the incentive cannot be less than €0.

Other incentives

The tariff predefined by the regulator includes, besides the fair remuneration, all the incentives listed below. If Elia does not perform in line with the targets for these incentives, as set by the regulator, the amount of the incentive allocated to Elia will decrease. The impact is reflected in the deferred revenues which will generate future tariff decreases, see the description of the settlement mechanism below (all amounts are pre-tax).

- *Market integration*: This incentive consists of three elements in the previous regulatory framework: (i) increase of import capacity, (ii) increase in market welfare due to market coupling and (iii) financial participations. Only the incentive on financial participations remains. The incentive on market welfare is no longer offered, whereas the one on import capacity has been replaced by an incentive with a similar objective (increase of cross-border commercial exchange capacity) but with a fairly different measurement method. Additionally, a new incentive has been created concerning the timely commissioning of investment projects contributing to market integration. These incentives can contribute positively to the Elia's profit (from €0 to €16 million for cross-border capacity, from €0 to €7 million for timely commissioning). The profit (dividends and capital gains) resulting from financial participations in other companies which CREG has accepted as being part of the RAB, is allocated as follows: 40 per cent is allocated to future tariff reductions and 60 per cent is allocated to Elia's profit).
- *Investment programme*: This incentive is broadened and is defined as follows: (i) if the average interruption time (AIT) reaches a target predefined by CREG, Elia's net profit (pre-tax) could be impacted positively with a maximum of €4.8 million, (ii) should the availability of the MOG align with the level set by CREG, the incentive can contribute to the Elia's profit from €0 to €2.53 million and (iii) Elia could benefit from €0 to €2 million if the predefined portfolio of maintained and redeployed investments is realised in time and on budget.
- *Innovation and grants*: The content and the remuneration of this incentive has changed and covers (i) the realisation of innovative projects which could contribute to the Elia's remuneration for EUR 0 to EUR 3.7 million (pre-tax) and (ii) the subsidies granted on innovative projects which could impact the Elia's profit with a maximum of EUR 0 to EUR 1 million.
- *Quality of customer related services*: This incentive is broadened and is related to three incentives: (i) the level of client satisfaction related to the establishment of new grid connections which can generate a profit for Elia of €0 to €1.35 million, (ii) the level of client satisfaction for the full client base which would contribute €0 to €2.53 million to Elia's profit and (iii) the quality of the data that Elia publishes on a regular basis, which can generate remuneration for Elia of €0 to €5 million.
- *Enhancement of balance system*: This incentive is similar to the discretionary incentive in the previous regulatory framework, through which Elia is rewarded for implementing certain projects related to system balancing as defined by CREG. This incentive can generate remuneration between €0 and €2.5 million (pre-tax).

Regulatory framework for the Modular Offshore Grid

CREG has amended the 2016-2019 tariff methodology to create specific rules applicable to investment in the MOG. A formal consultation took place in the first weeks of 2018 between CREG and the issuer, and CREG took a decision on 6 December 2018 about the new parameters to be introduced in the tariff methodology. The main features of said parameters are (i) a specific risk premium to be applied to this investment (resulting in an additional net return of 1.4 per cent); (ii) a special depreciation rate applicable to MOG assets; (iii) certain costs specific to the MOG to bear another qualification compared to the costs for onshore activities; (iv) the cost level defined based on the characteristics of the MOG assets; and (v) dedicated incentives linked to the availability of the offshore assets. For the tariff period 2020-2023, the regulatory framework for the MOG has been included in the tariff methodology, based on the features described above, except for the risk premium, which has been applied since 1 January 2020 on a target equity/debt ratio of 40/60.

Regulatory deferral account: deviations from budgeted values

Over the course of a year, the actual volumes of electricity transmitted may differ from the forecast volumes. If the transmitted volumes are higher (or lower) than those forecast, the deviation is booked to an accrual account during the year in which it occurs. These deviations from budgeted values (a regulatory debt or a regulatory receivable) are accumulated and will be taken into account when the tariffs are set for the subsequent tariff period. Regardless of deviations between the forecast parameters for tariff-setting (fair remuneration, non-controllable elements, controllable elements, influenceable costs, incentive components, cost and revenue allocation between regulated and non-regulated activities) and the actual incurred costs or revenues related to these parameters, CREG takes the final decision each year as to whether the incurred costs/revenue can reasonably be borne by the tariffs. This decision may result in the rejection of incurred elements. In the event that any incurred elements are rejected, the relevant amount will not be taken into account when the tariffs are set for the next period. Although Elia can ask for a judicial review of any such decision, if this judicial review were to be unsuccessful, a rejection may well have an overall negative impact on Elia's financials.

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2020-2023 features a mechanism enabling Elia to develop activities outside the Belgian regulated perimeter and whose costs are not covered by grid tariffs in Belgium. This methodology establishes a mechanism to ensure that Elia's financial

participation in other companies not considered part of the RAB by CREG (e.g. stakes in regulated or non-regulated activities outside Belgium) has a neutral impact on Belgian grid users.

Public service obligations

In its role as a TSO, Elia is subject to various public service obligations imposed by the government and/or by regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as the promotion of renewable energy, green certificates, strategic reserves, social support, fees for the use of the public domain, offshore liability) for fulfilment by TSOs. The costs incurred by the TSO in respect of these obligations are fully covered by the tariff 'levies' as approved by the regulator. The amounts outstanding are reported as levies (see Note 6.9 for other receivables and Note 6.17 for other payables).

9.2. Regulatory framework in Germany

9.2.1. Relevant legislation

The German legal framework is laid down in various pieces of legislation. The key law is the German Energy Act (*Energiewirtschaftsgesetz*, EnWG), which defines the overall legal framework for the gas and electricity supply industry in Germany. The EnWG is complemented by a number of laws, ordinances and regulatory decisions, which provide detailed rules on the current system of incentive regulation, accounting methods and grid access arrangements, including:

- the Ordinance on Electricity Network Tariffs (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung*, StromNEV)), which establishes, among other things, the principles and methods for the grid-tariff calculations and other obligations applying to system operators;
- the Ordinance on Electricity Network Access (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzzugangsverordnung*, StromNZV), which, among other things, sets out further details of how to grant access to the transmission systems (and other types of networks) by way of establishing the balancing amount system (*Bilanzkreissystem*), the scheduling of electricity deliveries, control energy and other general obligations, e.g. congestion management (*Engpassmanagement*), publication obligations, metering, minimum requirements for various types of contracts and the duty of certain system operators to manage the balancing amount system for renewable energy;
- the Ordinance on Incentive Regulation (*Verordnung über die Anreizregulierung der Energieversorgungsnetze* (*Anreizregulierungsverordnung*, ARegV)), which sets out the basic rules for incentive regulation for TSOs and other system operators (as outlined in more detail below). It also describes in general terms how to benchmark efficiency, which costs are included in the efficiency benchmarking, how to determine inefficiency and how this translates into yearly targets for efficiency growth.

9.2.2. Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the *Bundesnetzagentur* (BNetzA, or Federal Network Agency) in Bonn for grids to which over 100,000 grid users are directly or indirectly connected and the specific regulatory authorities in the various federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, among other things, in charge of ensuring non-discriminatory third-party access to grids and monitoring the grid-use tariffs levied by the TSOs. 50Hertz Transmission and 50Hertz Offshore are subject to the authority of the Federal Network Agency.

9.2.3. Tariff setting in Germany

The current regulation mechanism is established in Germany by the ARegV. Under the ARegV, grid tariffs are defined to generate a pre-defined 'revenue cap' as determined by the Federal Network Agency for each TSO and for each regulatory period. The revenue cap is essentially based on the costs of a base year, and is fixed for the entire regulatory period, except when it is adjusted to account for specific cases provided for in the ARegV. System operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, with the third regulatory period starting on 1 January 2019 and ending on 31 December 2023. Tariffs are public and cannot be the subject of negotiations with customers. Only certain customers (under certain set circumstances laid down in the relevant legislation) are allowed to agree to individual tariffs under Article 19 of the StromNEV (for example, in the case of sole use of a grid asset). The Federal Network Agency has to approve such individual tariffs.

For the purposes of the revenue cap, the costs incurred by a system operator fall into two categories as follows:

- Permanently non-influenceable costs (PNIC): These costs are fully integrated into the 'revenue cap' and are fully recovered through the grid tariffs, albeit some of them with a two-year time lag.
- One cost position amongst the PNIC refers to investment measures, meaning costs resulting from new investments in onshore grid infrastructure. They include return on equity, imputed trade tax, cost of debt, depreciation and operational

costs (currently at a fixed rate of 0.8% of the capitalised investment costs of the respective onshore investments or 0.2 % for assets under construction within projects approved as of 2019). The cost of debt related to investment measures is reflected in the interest rate based on acquired debt for the TSO activity. Since 2012, the costs associated with these investment measures have been based on forecast values. The differences between the forecast values and the actual values are reflected in the settlement mechanism deferral account.

- In addition, PNIC include costs relating to ancillary services, grid losses and redispatch costs, as well as European initiatives and income from auctions. These costs and income are included in the revenue cap based on a procedural regulation mechanism set by the Federal Network Agency in accordance with Article 11(2) of the ARegV (FSV). The regulation process for costs relating to ancillary services and grid losses gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms. Since the revision of the ARegV in 2016, costs for the curtailment of renewable energy sources to relieve grid congestion have also been based on forecast values. Moreover, costs resulting from European projects of common interest (PCI) to which Germany is contributing can be included as PNIC, albeit with a two-year time lag.
- Temporarily non-influenceable costs (TNIC) and influenceable costs (IC): These costs include return on equity, depreciation, cost of debt, imputed trade tax and other operational expenses and are subject to an incentive mechanism set by the Federal Network Agency, which features an efficiency factor (only applicable to IC), a productivity improvement factor and an inflation factor (applicable to both TNIC and IC) over a five-year period. In addition, the current incentive mechanism provides for the use of a quality factor, but the criteria and implementation mechanism for this factor for TSOs are yet to be defined by the Federal Network Agency. The various defined factors give the TSOs the medium-term objective of eliminating what are deemed to be inefficient costs. As regards the cost of debt, the permitted cost of debt related to influenceable costs needs to be shown to be marketable.

As for return on equity, the relevant laws and regulations set out the provisions relating to the permitted return on equity, which is included in the TNIC/IC for assets belonging to the regulated asset base and the PNIC for assets approved in investment measures. In 2016, the BNetzA determined the return on equity applicable to the third and current regulatory period (2019-2023); the values were significantly down from the second regulatory period, namely to 5.12% (instead of 7.14%) for investments made before 2006 and 6.91% (instead of 9.05%) for investments made since 2016. The return on equity is calculated before corporate tax and after imputed trade tax.

Separately from the revenue cap, 50Hertz is compensated for costs incurred in connection with its renewable energy obligations, including EEG and CHP/KWK obligations and offshore liabilities and offshore grid connection. To this end, various surcharges (levies) have been implemented that are subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

In 2016, a revision of the ARegV entered into force implementing various relevant changes, especially regarding the regulatory system for distribution system operators. However, TSOs are also affected as the revised ARegV changes several aspects relevant to PNIC such as the methodology for determining replacement portions in new investment measures (the status quo will be preserved for investment measures that had already been approved or applied for before the entry into force of the revision), the consideration of costs from the curtailment of renewable energy sources based on forecast values, and the consideration of PCI costs. Moreover, the revised ARegV substantiates the methodologies that can be applied to measure the individual efficiency of the four German TSOs, only allowing an international benchmark or a relative reference grid analysis to be used for this purpose.

As of 31st December 2020, 50Hertz had received 88 approvals for an investment volume of approximately € 9.0 billion for the 99 active applications for approval of investment measures submitted since 2008.

TARIFFS

Grid access tariffs for 2020 were calculated based on the respective revenue cap and published on 11 December 2019. They have increased by an average of 7% from 2019. One key driver for lower tariffs was the removal of the offshore costs from the revenue cap mechanism into a new offshore tariff (see below). Furthermore, 50Hertz has actively and successfully advanced its grid extension projects; the commissioning of new lines made it possible to lower costs for redispatch and for curtailment of renewables and thus offset the persistently high costs of grid expansion and allow for a drop in tariffs.

In recent years, the grid access tariffs of the four German TSOs have developed differently. This has mainly been driven by the different volumes of renewable energies installed in the control areas, leading to significantly higher tariffs in those control areas with higher levels of renewable energies. The Act for Modernisation of Grid Tariffs (*Netzentgeltmodernisierungsgesetz*, NEMoG) came into force in July 2017. It envisages the gradual harmonisation of the four German TSOs' grid access tariffs from 2019 onwards, culminating in uniform transmission tariffs in 2023. Moreover, the NEMoG eliminates 'avoided grid fees' (vNNE) for volatile RES generation and creates a new system for offshore grid connections, shifting the related costs from the revenue-cap tariffs to an offshore revenue based on a fully fledged pass-through mechanism from 2019 onwards.

9.3. Regulatory framework for the Nemo Link interconnector

The key features of the NemoLink Ltd. regulatory framework can be summarised as follows:

- A specific regulatory framework will be applicable to the Nemo Link interconnector from the date of operation. The framework is part of the new tariff methodology issued on 18 December 2014 by the CREG. The cap and floor regime is a revenue-based regime with a term of 25 years. The national regulators in the UK and Belgium (OFGEM and the CREG respectively) will determine the levels of the cap and floor ex-ante and these will remain largely fixed for the duration of the regime. Consequently, investors will have certainty about the regulatory framework during the lifetime of the interconnector.
- Once the interconnector becomes operational, the cap and floor regime will start. Every five years the regulators will assess the cumulative interconnector revenues (net of any market-related costs) over the period against the cumulative cap and floor levels to determine whether the cap or floor is triggered. If a revenue earned above the cap, it will be returned to the TSO in the UK (National Electricity Transmission System Operator or 'NETSO') and to the TSO in Belgium on a 50/50 basis. The TSOs will then reduce the grid charges for grid users in their respective countries. If revenue falls below the floor then the interconnector owners will be compensated by the TSOs. The TSOs will in turn recover the costs through grid charges. National Grid performs the NETSO role in the UK and the Issuer, the Belgian TSO, in Belgium.
- Each five-year period will be considered separately. Cap and floor adjustments in one period will not affect adjustments for future periods, and total revenue earned in one period will not be taken into account in future periods.

- The high-level tariff design is as follows:

Regime length	25 years
Cap and floor levels	Levels are set at the start of the regime and remain fixed in real terms for 25 years from the start of operation. Based on applying mechanistic parameters to cost-efficiency: a cost of debt benchmark will be applied to costs to deliver the floor, and an equity return benchmark to deliver the cap.
Assessment period (assessing whether interconnector revenues are above/below the cap/floor)	Every five years, with within-period adjustments if needed and justified by the operator. Within-period adjustments will let operators recover revenue during the assessment period if revenue is below the floor (or above the cap) but will still be subject to true-up at the end of the five-year assessment period.
Mechanism	If revenue is between the cap and floor, no adjustment is made. Revenue above the cap is returned to end customers and any shortfall of revenue below the floor requires payment from grid users (via grid charges).

The cap and floor levels for Nemo Link will be decided when final project costs are known, whereupon they will be set for the length of the regime.

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

BDO Bedrijfsrevisoren CVBA The Corporate Village Da Vincilaan 9 – Box E.6 Elsinore Building 1930 Zaventem Belgium	EY Bedrijfsrevisoren BV De Kleetlaan 2 1831 Diegem Belgium
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Joint auditors’ report to the general meeting of Elia Group NV/SA for the year ended 31 December 2020

As required by law, we report to you as joint statutory auditors of Elia Group NV/SA (the “Company”) and its subsidiaries (together the “Group”). This report includes our opinion on the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2020 and the notes (all elements together the “Consolidated Financial Statements”) and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as joint statutory auditors by the shareholders meeting of 19 May 2020, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and on recommendation of the workers’ council. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ended 31 December 2022. The audit of the Consolidated Financial Statements of the Group was performed during respectively 19 consecutive years for EY Bedrijfsrevisoren BV and 1 year for BDO Bedrijfsrevisoren CVBA.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia Group NV/SA, which consists of the consolidated statement of the financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year ended 31 December 2020, and the notes, which show a consolidated balance sheet total of € 15,165.6 million and of which the consolidated income statement shows a profit for the year of € 307.9 million.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2020, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS”) and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the Consolidated Financial Statements” section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Calculation of net result

Description

As described in the notes 3.3.17. ‘Regulatory deferral accounts’, 6.20 ‘Accruals and deferred income’, 9.1.4 ‘Tariff Setting’ and 9.2.3 ‘Tariff Setting in Germany’ of the Consolidated Financial Statements, the net result of the Belgian and the German segments is determined by applying calculation methods set respectively by the Belgian federal regulator, the Commission for Electricity and Gas Regulation (the “CREG”) and the

Audit report dated 14 April 2021 on the Consolidated Financial Statements of Elia Group NV/SA as of and for the year ended 31 December 2020 (continued)

German federal regulator, the Federal Network Agency (the “BNetzA”) (together the “Tariff Mechanisms”).

Those tariff mechanisms are based on calculation methods that are complex and require the use of parameters (the Beta of Elia’s share, return on equity, ...), accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditure (“CAPEX”), subsidies received) and external operating data (such as hourly import capacity, consumer and producer surpluses).

Both Tariff Mechanisms make a distinction between income and expenses based on the control that the Group has over the expenses and income in each segment. The first type are the non-controllable elements for which deviations are fully passed on to future tariffs. The second type are the controllable elements that the Group can control, and for which under-and overspending is (partly) attributable to the shareholders.

Therefore, the calculation methods of the Group’s net result are complex and require judgement from management, more particularly related to the use of correct accounting data, operating data, and parameters imposed by the regulators. The use of incorrect accounting and operating data, and deviations in used assumptions, can have a material impact on the Group’s net result.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls relating to the calculation of the net result, including those related to (i) the completeness and accuracy of the underlying data used in the calculation and (ii) management review controls;
- Evaluating the adequate and consistent classification of income and expenses by nature (controllable and non-controllable) as described in the Tariff Mechanisms;
- Performing independent mathematical recalculations of the regulated results based on underlying internal documentation and external information, and taking into account the formulas as described in the Tariff Mechanisms;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG and the BNetzA;
- Assessing the adequacy of notes 3.3.17, 6.20, 9.1.4 and 9.2.3 of the Consolidated Financial Statements.

Capitalization of property, plant and equipment

Description

Given the current evolution in the electricity environment towards green energy production, Elia Group NV/SA has very significant investment projects ongoing to connect these new productions sites on Elia Group NV/SA’s network. The timely and on-budget progress of these investment projects is one of the key performance goals for management as set by the Board of Directors. The progress of these network projects is equally a key performance indicator for investors as a key driver of their return on investment is the maintenance and expansion of the network. It is also an important quantitative and qualitative measure for the regulators. This is further explained and evidenced in Note 6.1 ‘PPE’ and in Note 4 ‘Segment reporting’ of the Consolidated Financial Statements.

These assets are classified as Property, Plant and Equipment (“PP&E”), with a total capital expenditure of € 1,070.3 million in 2019 and a net book value of € 10,094.4 million as at 31 December 2020 or 66.6% of total balance sheet.

Elia Group NV/SA’s accounting policies describe that all maintenance expenses are considered to be operating expenses (“OPEX”) and all new project or replacement investments are considered capital expenditure “CAPEX”. As network projects can include both maintenance and investments, the classification as either OPEX or CAPEX requires judgement from management. Given this judgement, the importance of the amount of PP&E on the total balance sheet, and its relevance to the users of the financial statements as well as the prominence in Elia Group NV/SA’s communication in press releases and in investor presentations on the progress on new projects, this matter is considered a key audit matter.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls, including management review controls, over (i) the appropriate authorization of capitalization, (ii) the compliance of capitalization criteria used with the accounting policies and (iii) the correct classification of expenditure as CAPEX or OPEX;
- Assessing relevant IT application controls with the support of our IT specialists;

Audit report dated 14 April 2021 on the Consolidated Financial Statements of Elia Group NV/SA as of and for the year ended 31 December 2020 (continued)

- Performing substantive analytical procedures on CAPEX and OPEX by comparing current year figures with the budgeted figures as approved by the regulator at the level of asset classes and projects;
- Testing a selection of additions to PP&E, including those under construction, and assessing whether the expenditure met the criteria for capitalization under IFRS as adopted by the European Union and the Group’s accounting policies and whether the CAPEX were allocated to the correct projects, including the assessment of management judgement in case of a project including both maintenance and investments;
- Assessing the adequacy of note 4 and 6.1 of the Consolidated Financial Statements.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium as well as internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern. The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected

to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional scepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Directors’ use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause the Company or Group to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view; and

Audit report dated 14 April 2021 on the Consolidated Financial Statements of Elia Group NV/SA as of and for the year ended 31 December 2020 (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors’ report and other information included in the annual report.

Responsibilities of the joint auditors

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors’ report and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Directors’ report and other information included in the annual report

In our opinion, based on specific work performed on the Board of Directors’ report, the Board of Directors’ report is consistent with the Consolidated Financial Statements for the same financial year and has been prepared in accordance with article 3:32 of the Code of companies and associations.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors’ report contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported.

The non-financial information required by article 3:32 §2 of the Code of companies and associations is included in the chapter Sustainability reporting of the annual report. The Group has prepared this non-financial information based on the Global Reporting Initiative Standards (“GRI”). However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with the mentioned GRI. In addition, we do not express any form of assurance regarding the individual elements included in this non-financial information.

Independence matters

We, and our respective networks, have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and we have remained independent of the Company and the Group during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 3:65 of the Code of companies and associations have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

Audit report dated 14 April 2021 on the Consolidated Financial Statements of Elia Group NV/SA as of and for the year ended 31 December 2020 (continued)


Other communications

- This report is consistent with our additional report to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.


Brussels, 14 April 2021

The joint statutory auditors

EY Bedrijfsrevisoren BV
Represented by


Paul Eelen*
Partner
*Acting on behalf of a BV

BDO Bedrijfsrevisoren CVBA
Represented by


Felix Fank*
Partner
*Acting on behalf of a BV

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia Group NV/SA, drawn up in accordance with Belgian accounting standards, are given hereafter in abbreviated form.

Pursuant to Belgian company legislation, the full financial statements, the annual report and the joint auditors' report are filed with the National Bank of Belgium.

These documents will also be published on the Elia website [and](#) can be obtained on request from Elia Group NV/SA, Boulevard de l'Empereur 20, 1000 Brussels, Belgium. The joint auditors issued an unqualified opinion.

Statement of financial position after distribution of profits

ASSETS (in € million)	2020	2019
FIXED ASSETS	3,317.5	3,312.5
Financial fixed assets	3,317.5	3,312.5
Affiliated companies	3,317.5	3,312.5
Participating interests	3,317.5	3,312.5
Other enterprises linked by participating interests	0.0	0.0
Participating interests	0.0	0.0
Other participating interests	0.0	0.0
CURRENT ASSETS	92.3	161.4
Amounts receivable after more than one year	0.0	0.0
Trade receivables	0.0	0.0
Other amounts receivable	0.0	0.0
Inventories and contracts in progress	3.1	2.5
Contracts in progress	3.1	2.5
Amounts receivable within one year	3.1	45.3
Trade debtors	1.9	3.2
Other amounts receivable	1.2	42.1
Investments	0.0	0.0
Cash at bank and in hand	81.7	108.7
Deferred charges and accrued income	4.4	4.9
TOTAL ASSETS	3,409.8	3,473.9
EQUITY AND LIABILITIES (in € million)	2020	2019
CAPITAL AND RESERVES	2,282.8	2,310.9
Capital	1,714.0	1,712.3
Issued capital	1,714.0	1,712.3
Share premium account	262.4	259.1
Reserves	175.4	175.4
Legal reserve	173.0	173.0
Untaxed reserves	1.6	2.4
Available reserves	0.8	0.0
Profit carried forward	130.9	164.0
PROVISIONS, DEFERRED TAXES	0.0	0.0
Provisions for risks and charges	0.0	0.0
Other risks and charges	0.0	0.0
LIABILITIES	1,009.5	1,163.0
Amounts payable after one year	998.5	998.3
Financial debts	998.5	998.3
Subordinated debentures	700.0	699.9
Unsubordinated debentures	298.5	298.4
Credit institutions	0.0	0.0
Other loans	0.0	0.0
Amounts payable within one year	125.7	161.9
Current portion of amounts payable after more than one year	0.0	0.0
Financial debts	0.0	0.0
Credit institutions	0.0	0.0
Other loans	0.0	0.0
Trade debts	3.0	2.2
Suppliers	3.0	2.2
Advances received on contracts in progress	3.4	3.5
Amounts payable regarding taxes, remuneration and social security costs	0.5	1.2
Taxes	0.0	0.5
Remuneration and social security	0.5	0.6
Other amounts payable	118.7	155.0
Accrued charges and deferred income	2.8	2.8
TOTAL EQUITY AND LIABILITIES	3,409.8	3,473.9

Statement of profit or loss

(in € million)	2020	2019
OPERATING INCOME	7.1	751.5
Turnover	0.0	743.3
Increase/(decrease) in inventories of finished goods, works and contracts in progress	0.6	(1.4)
Other operating income	6.5	9.6
OPERATING CHARGES	(11.7)	(646.9)
Services and other goods	(10.6)	(608.7)
Remuneration, social security costs and pensions	(1.0)	(36.0)
Amounts written off stocks, contracts in progress and trade debtors: appropriations/(write-backs)	0.0	(2.1)
Provisions for liabilities and charges: appropriations/(uses and write-backs)	0.0	0.0
Other operating charges	(0.0)	(0.0)
OPERATING PROFIT	(4.5)	104.6
Financial income	113.9	118.6
Income from financial fixed assets	113.9	111.7
Income from current assets	0.0	6.9
Non-recurring financial income	0.0	0.0
Financial charges	(25.0)	(97.8)
Debt charges	(24.5)	(97.2)
Other financial charges	(0.5)	(0.6)
Non-recurring financial charges	0.0	0.0
PROFIT FOR THE PERIOD BEFORE TAXES	84.4	125.4
Income taxes	0.0	(2.2)
Income taxes	0.0	(2.2)
PROFIT FOR THE PERIOD	84.4	123.3
Transfer to untaxed reserves	0.8	(0.0)
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	85.2	123.3

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) in this document.

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
- Financial Leverage
- 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)
- Regulatory settlements linked to previous regulatory period in Germany

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.

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, amortisations and impairments, changes in provisions and other operating expense and plus the share of equity accounted investees – net and plus or minus adjusted items.

(in € million) – Year ended 31 December		2019		
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Results from operating activities	242.1	321.3	(2.0)	561.4
Share of profit of equity accounted investees (net of tax)	1.8	0.0	6.5	8.3
EBIT	243.9	321.3	4.5	569.7
Deduct:				
Regulatory compensation for acquisition	0.0	0.0	3.8	3.8
Corporate reorganisation	4.7	0.0	(2.5)	2.2
Adjusted EBIT	239.2	321.3	3.2	563.7

(in € million) – Year ended 31 December		2020		
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Results from operating activities	235.6	340.1	(6.5)	569.3
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	9.2
EBIT	237.5	340.1	0.9	578.5
Deduct:				
Regulatory compensation for acquisition	0.0	0.0	0.0	0.0
Corporate reorganisation	0.0	0.0	(0.3)	(0.3)
Adjusted EBIT	237.5	340.1	1.2	578.8

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		
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Profit for the period	125.0	177.5	6.6	309.1
Deduct:				
Regulatory compensation for acquisition	0.0	0.0	3.8	3.8
Corporate reorganisation	4.7	0.0	(2.5)	2.2
Corporate reorganisation fin. cost	(0.9)	0.0	(4.5)	(5.4)
Tax impact	(1.1)	0.0	3.4	2.3
Adjusted net profit	122.3	177.5	6.4	306.2

(in € million) – Year ended 31 December		2020		
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Profit for the period	124.8	192.6	(9.5)	307.9
Deduct:				
Regulatory compensation for acquisition	0.0	0.0	0.0	0.0
Corporate reorganisation	0.0	0.0	(0.3)	(0.3)
Corporate reorganisation fin. cost	0.0	0.0	0.0	0.0
Tax impact	0.0	0.0	0.1	0.1
Adjusted net profit	124.8	192.6	(9.3)	308.1

CAPEX (Capital Expenditures)

CAPEX (Capital Expenditures) = Acquisitions property, plant and equipment and intangible assets minus proceeds from sale of such items. 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 Regulated 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, amortisations and impairments, changes in provision and other operating expense and plus the share of equity accounted investees.

(in € million) – Year ended 31 December		2019		
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Results from operating activities	242.1	321.3	(2.0)	561.4
Share of profit of equity accounted investees (net of tax)	1.8	0.0	6.5	8.3
EBIT	243.9	321.3	4.5	569.7

(in € million) – Year ended 31 December		2020		
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Results from operating activities	235.6	340.1	(6.5)	569.3
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	9.2
EBIT	237.5	340.1	0.9	578.5

EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisations) = results from operating activities plus depreciations, amortisation 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, amortisation 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		
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Results from operating activities	242.1	321.3	(2.0)	561.4
Add:				
Depreciations, amortisations and impairments	159.3	215.0	0.3	374.6
Changes in provisions	(8.4)	(5.8)	0.0	(14.1)
Share of profit of equity accounted investees (net of tax)	1.8	0.0	6.5	8.3
EBITDA	394.8	530.5	4.8	930.2

(in € million) – Year ended 31 December		2020		
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Results from operating activities	235.6	340.1	(6.5)	569.3
Add:				
Depreciations, amortisations and impairments	187.3	245.1	0.2	432.6
Changes in provisions	1.1	(6.6)	0.0	(5.5)
Share of profit of equity accounted investees (net of tax)	1.9	0.0	7.4	9.2
EBITDA	425.8	578.6	1.1	1,005.6

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	2020	2019
Equity	4,500.0	4,332.1
Deduct:		
Non-controlling interests	326.8	309.9
Equity attributable to the owners of the company	4,173.2	4,022.3

Financial Leverage

Financial Leverage (D/E) = net financial debt divided by shareholders' equity (where both metrics include non-controlling interests and hybrid instruments). The Financial Leverage provides an indication of the extent to which the Group uses financial debt to finance its operations relative to equity financing. It is hence considered by investors as an indicator of solvency.

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.

(in € million)	2019			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
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)	2020			
	Elia Transmission	50Hertz Transmission	Non-regulated activities and Nemo Link	Elia Group
Net cash from operating activities	84.5	(796.3)	(24.6)	(736.6)
Deduct:				
Net cash used in investing activities	345.4	730.1	(134.2)	941.3
Free cash flow	(260.8)	(1,526.4)	109.6	(1,677.8)

Net finance costs

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

