

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

GRI 201-1 (Revenues, Operating costs, Employees wages and benefits)

(in million EUR)	Year ended 31 December	Notes	2018	2017 (restated *)
Continuing operations				
Revenue	(5.1)		1,822.8	808.2
Raw materials, consumables and goods for resale	(5.2)		(41.5)	(9.6)
Other income	(5.1)		109.0	59.0
Services and other goods	(5.2)		(945.7)	(344.4)
Personnel expenses	(5.2)		(229.3)	(147.2)
Depreciation, amortisation and impairment	(5.2)		(252.3)	(131.2)
Changes in provisions	(5.2)		4.4	0.4
Other expenses	(5.2)		(30.4)	(19.6)
Results from operating activities			437.0	215.5
Share of profit of equity-accounted investees (net of tax)	(6.3)		65.6	109.1
EBIT**			502.6	324.6
Net finance costs			(93.3)	(76.5)
Finance income	(5.3)		21.9	5.5
Finance costs			(115.2)	(81.9)
Profit before income tax			409.3	248.1
Income tax expense	(5.4)		(102.2)	(39.5)
Profit from continuing operations			307.1	208.6
Profit for the period			307.1	208.6
Profit attributable to:				
Equity holders of ordinary shares			275.2	208.6
Hybrid securities			6.2	0.0
Non-controlling interest			25.7	0.0
Profit for the period			307.1	208.6
Earnings per share (EUR)				
Basic earnings per share	(5.5)		4.52	3.42
Diluted earnings per share	(5.5)		4.52	3.42

* See Note 2.1 for details regarding the restatement as a result of a change in accounting policy.
** EBIT (Earnings Before Interest and Taxes) = Results from operating activities and share of profit of equity-accounted investees, net of income tax

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and comprehensive income

(in million EUR)	Year ended 31 December	Notes	2018	2017 (restated *)
Profit for the period			307.1	208.6
Other comprehensive income (OCI)				
Items that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges	(5.6)		(8.4)	9.4
Related tax			2.2	(3.2)
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefit obligations	(6.13)		0.8	(13.7)
Equity-accounted investees share of OCI			0.0	1.1
Effective portion of changes in fair value of investments	(5.6)		2.7	0.0
Related tax	(6.13)		(0.2)	2.3
Other comprehensive income for the period, net of tax			(2.9)	(4.1)
Total comprehensive income for the period			304.2	204.5
Total comprehensive income attributable to:				
Equity holders of ordinary shares			271.9	204.5
Hybrid securities			6.2	0.0
Non-controlling interest			26.1	0.0
Total comprehensive income for the period			304.2	204.5

* See Note 2.1 for details regarding the restatement as a result of a change in accounting policy.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

(in million EUR)	Notes	31 December 2018	31 December 2017 (restated *)
ASSETS			
NON-CURRENT ASSETS		11,362.8	6,079.1
Property, plant and equipment	(6.1)	8,456.2	3,202.4
Intangible assets and goodwill	(6.2)	2,502.3	1,738.6
Trade and other receivables	(6.3)	177.0	147.8
Equity-accounted investees	(6.4)	135.4	928.6
Other financial assets (including derivatives)	(6.5)	86.9	60.9
Deferred tax assets	(6.6)	5.0	1.0
CURRENT ASSETS		2,391.5	503.2
Inventories	(6.7)	19.2	13.6
Trade and other receivables	(6.8)	558.9	281.1
Current tax assets	(6.9)	3.6	3.8
Cash and cash equivalents	(6.10)	1,789.3	195.2
Deferred charges and accrued revenues	(6.8)	20.6	9.6
Total assets		13,754.3	6,582.3
EQUITY AND LIABILITIES			
EQUITY		3,748.9	2,564.4
Equity attributable to owners of the Company	(6.11)	3,447.5	2,563.3
Equity attributable to ordinary shares		2,741.3	2,563.3
Share capital		1,521.5	1,517.6
Share premium		14.3	11.9
Reserves		173.0	173.0
Hedging reserve		(6.2)	0.0
Retained earnings		1,038.7	860.8
Hybrid securities	(6.11)	706.2	0.0
Non-controlling interest		301.4	1.1
NON-CURRENT LIABILITIES		6,289.0	3,047.9
Loans and borrowings	(6.12)	5,773.8	2,834.7
Employee benefits	(6.13)	104.0	84.3
Derivatives	(8.1)	2.9	0.0
Provisions	(6.14)	96.9	20.8
Deferred tax liabilities	(6.6)	95.2	19.5
Other liabilities	(6.15)	216.2	88.5
CURRENT LIABILITIES		3,716.4	970.0
Loans and borrowings	(6.12)	621.1	49.5
Provisions	(6.14)	16.5	4.5
Trade and other payables	(6.16)	1,989.1	378.5
Current tax liabilities	(6.9)	93.1	2.9
Accruals and deferred income	(6.17)	996.6	534.6
Total equity and liabilities		13,754.3	6,582.3

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

The accompanying notes form an integral part of these consolidated financial statements.

2. Consolidated statement of changes in equity

GRI 201-1 (Economic value retained)

(in million EUR)	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	Equity attributable to ordinary shares	Hybrid securities	Equity attributable to the owners of the Company	Non-controlling interests	Total equity
Balance at 1 January 2017	1,517.2	11.8	(6.1)		173.0	815.5	2,511.4	0.0	2,511.4	1.2	2,512.6
Change in accounting policy (IFRS 15)						(56.9)	(56.9)		(56.9)		(56.9)
Restated balance at 1 January 2017	1,517.2	11.8	(6.1)		173.0	758.6	2,454.5	0.0	2,454.5	1.2	2,455.7
Profit for the period						208.6	208.6		208.6	0.0	208.6
Other comprehensive income net of tax			6.2		(10.3)	(4.1)	(4.1)		(4.1)		(4.1)
Total comprehensive income for the period			6.2			198.3	204.5		204.5	0.0	204.5
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Shares issued	0.2	0.1					0.3		0.3		0.3
Share-based payment expenses	0.1						0.1		0.1		0.1
Dividends						(96.2)	(96.2)		(96.2)		(96.2)
Total contributions and distributions	0.3	0.1				(96.2)	(95.8)		(95.8)		(95.8)
Total transactions with owners	0.3	0.1				(96.2)	(95.8)		(95.8)		(95.8)
Balance at 31 December 2017	1,517.6	11.9			173.0	860.8	2,563.3	0.0	2,563.3	1.1	2,564.4
Balance at 31 December 2017, as originally presented											
Balance at 31 December 2017, as originally presented	1,517.6	11.9			173.0	938.2	2,640.7	0.0	2,640.7	1.1	2,641.8
Change in accounting policy (IFRS 15)*						(77.4)	(77.4)		(77.4)	0.0	(77.4)
Restated balance at 31 December 2017	1,517.6	11.9			173.0	860.8	2,563.3	0.0	2,563.3	1.1	2,564.4
Change in accounting policy (IFRS 9)*						2.9	2.9		2.9	0.0	2.9
Restated balance at 1 January 2018	1,517.6	11.9			173.0	863.7	2,566.2	0.0	2,566.2	1.1	2,567.3
Profit for the period						281.6	281.6		281.6	25.7	307.3
Other comprehensive income, net of tax			(6.2)	0.0	2.8	(3.5)	(3.5)		(3.5)	0.5	(3.1)
Total comprehensive income for the period			(6.2)	0.0		284.4	278.2		278.2	26.1	304.2
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Shares issued	2.8	2.5					5.3		5.3		5.3
Share-based payment	1.0						1.0		1.0		1.0
Issue of hybrid securities						(3.2)	(3.2)	700.0	696.8		696.8
Distribution on hybrid securities						(6.2)	(6.2)	6.2	0.0		0.0
Tax on distribution on hybrid securities						(1.8)	(1.8)		(1.8)		(1.8)
Dividends						(98.7)	(98.7)		(98.7)	(20.0)	(118.7)
Total contributions and distributions	3.8	2.5				(109.9)	(103.6)	706.2	602.6	(20.0)	582.6
Changes in ownership interests:											
Non-controlling interest adjustments on EGI, due to acquisition						0.5	0.5		0.5	(0.5)	0.0
Acquisition				0.0		0.0	0.1		0.1	294.6	294.7
Total changes in ownership interests				0.0		0.5	0.5		0.5	294.1	294.7
Total transactions with owners	3.8	2.5		0.0		(109.4)	(103.1)	706.2	603.1	274.1	877.3
Balance at 31 December 2018	1,521.4	14.4	(6.2)	0.0	173.0	1,038.7	2,741.3	706.2	3,447.5	301.4	3,748.9

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

The accompanying notes form an integral part of these consolidated financial statements.

3. Consolidated statement of cash flows

(in million EUR) Year ended 31 December	Notes	2018	2017 (restated *)
Cash flows from operating activities			
Profit for the period		307.1	208.6
Adjustments for:			
Net finance costs	(5.3)	93.3	76.5
Other non-cash items		1.1	0.1
Current income tax expense	(5.4)	105.9	29.2
Profit or loss of equity-accounted investees, net of tax		(65.6)	(109.1)
Depreciation of PP&E and amortisation of intangible assets		249.5	131.4
Gain on sale of property, plant and equipment and intangible assets		12.6	6.5
Impairment losses of current assets		3.8	–
Change in provisions		(9.2)	(5.3)
Change in fair value of derivatives		1.3	1.1
Change in deferred taxes		(3.6)	10.4
Cash flow from operating activities		696.1	349.3
Change in inventories		(1.8)	9.3
Change in trade and other receivables		(50.5)	98.2
Change in other current assets		7.8	4.8
Change in trade and other payables		(12.9)	(12.3)
Change in other current liabilities		117.9	95.3
Changes in working capital		60.5	195.3
Interest paid		(141.8)	(88.4)
Interest received		5.7	1.7
Income tax paid		(103.8)	(27.6)
Net cash from operating activities		516.7	430.3
Cash flows from investing activities			
Acquisition of intangible assets		(23.2)	(10.6)
Acquisition of property, plant and equipment		(991.1)	(369.1)
Acquisition of equity-accounted investees		(23.8)	(57.2)
Acquisition of investment	(7.1)	(988.7)	0.0
Acquired cash from acquisition of subsidiary	(7.1)	1,902.7	0.0
Proceeds from sale of property, plant and equipment		2.4	1.5
Proceeds from sales of investments		0.2	0.0
Proceeds from capital decrease from equity-accounted investees		0.0	0.1
Dividend received		2.0	56.8
Loans and long-term receivables to joint ventures		(35.7)	(84.6)
Net cash used in investing activities		(155.2)	(463.1)
Cash flow from financing activities			
Proceeds from the issue of share capital	(6.11)	5.3	0.4
Expenses related to the issue of share capital	(6.11)	(0.1)	0.0
Dividends paid (-)	(6.11)	(98.7)	(96.2)
Repayment of borrowings (-)	(6.12)	0.0	(100.0)
Issuance of hybrid (+)	(6.11)	696.8	0.0
Proceeds from withdrawal of borrowings (+)	(6.12)	656.9	247.2
Non-controlling interests		(20.0)	0.0
Other cash flows from financing activities		(7.6)	0.0
Net cash flow from (used in) financing activities		1,232.6	51.4
Net increase (decrease) in cash and cash equivalents		1,594.1	18.6
Cash and cash equivalents at 1 January		195.2	176.6
Cash and cash equivalents at 31 December		1,789.3	195.2
Net variations in cash and cash equivalents		1,594.1	18.6

* See Note 2.1 for details regarding the restatement as a result of a change in accounting policy.

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Established in Belgium, Elia System Operator 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 2018 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: Elia Transmission in Belgium and 50Hertz Transmission, one of the four German transmission system operators, active in the north and east of Germany. Following the acquisition of an additional 20% stake in 50Hertz Transmission (Germany) in April 2018 (refer to Note 7.1), the Group acquired control over 50Hertz Transmission (Germany). Effective from the acquisition date, 50Hertz Transmission (Germany) is considered a subsidiary and its results and balance sheet are consolidated in full. The accounting policies of Elia Transmission (Belgium) and 50Hertz Transmission (Germany) were already aligned prior to the acquisition.

The Group also has a 50% stake in NemoLink 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 January 30th 2019, with a transfer capacity of 1000 MW.

With around 2,300 employees and a transmission grid comprising some 18,600 km of high-voltage connections serving 30 million consumers, the Elia Group is one of Europe's top five TSOs. It efficiently, reliably and securely transmits electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The Group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources. In addition to its system-operator activities in Belgium and Germany, the Elia Group offers businesses a range of consultancy and engineering services. The Group operates under the legal entity Elia System Operator, a listed company whose reference shareholder is municipal holding company Publi-T.

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 applicable to the Group's activities which are effective for financial years starting on 1 January 2018.

New and amended standards and interpretations

If a standard or amendment affects the Group, it is described hereunder, together its impact.

- IFRS 9: Financial Instruments** reflects all phases of the financial instruments project and replaces IAS 39: Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The Group elected to apply the exemption provided for in IFRS 9 with regard to transition for classification, measurement and impairment. Accordingly, it has not restated comparative periods in the year of initial application. Furthermore, in accordance with IFRS 9, the Group opted to recognise changes in the fair value of an equity investment that is not held for trading in OCI (aside from dividend income).

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

(i) Classification and measurement

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

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

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

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

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

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

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

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

(ii) Impairment

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

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

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

(iii) Hedge accounting

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

- **IFRS 15: Revenue from Contracts with Customers** (effective from 1 January 2018) establishes a new comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18: Revenue, IAS 11: Construction Contracts, IFRIC 18: Transfers of Assets from Customers, and IFRIC 13: Customer Loyalty Programmes.

The Group completed its assessment of the impact of the adoption of IFRS 15 on its consolidated financial statements and only identified an impact as a result of the application of IFRIC 18. The Group opted for full retrospective application of IFRS 15, which involved restating comparatives for the effect of IFRS 15. The Group also used the practical expedients for completed contracts, meaning that there was no restatement of completed contracts that started and ended in the same comparative period or of, those that were completed at the beginning of the earliest period presented.

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

Revenue bucket (per segment)	Revenue bucket (Group)	Contracts	Status analysis	Within the scope of IFRS 15	Change in accounting policy	Change in amount of revenue	Change in timing of revenue	Impact on opening equity on 1 January 2018 (net of tax)
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Elia Transmission (Belgium) revenues

Grid connection	Revenue	Connection contract	complete	yes	no	no	no	0.0
Management and development of grid infrastructure	Revenue	Access contract	complete	yes	no	no	no	0.0
Management of the electrical system	Revenue	Access contract	complete	yes	no	no	no	0.0
Compensation for imbalances	Revenue	ARP contract	complete	yes	no	no	no	0.0
Market integration	Revenue	ARP contract	complete	yes	no	no	no	0.0
International revenues	Revenue	Congestion revenues	complete	yes	no	no	no	0.0
Other income	Transfers of assets from customers	Customer contributions	complete	yes	yes	no	yes	(63.3)
Other income	Revenue	EGI contracts	complete	yes	no	no	no	0.0
Other income	Optimal use of assets	Telecom contracts	complete	yes	no	no	no	0.0

50Hertz Transmission (Germany) revenues (at 100%)

Vertical grid revenues	n/a	Grid use contract	complete	yes	no	no	no	0.0
Ancillary-services revenues	n/a	Contract for balancing	complete	yes	no	no	no	0.0
Other income	n/a	Customer contributions	complete	yes	yes	no	yes	(23.5)

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

Under IFRIC 18, customer contributions were recognised in full as revenue, whereas under IFRS 15, cash considerations should be presented as deferred revenue and will be recognised in revenue over the lifetime of the underlying asset.

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

Elia Transmission (Belgium) revenues – Period ended	31 December 2017 as reported	31 December 2017 under IFRS 15	31 December 2017 difference
Grid connection	42.2	42.2	0.0
Management and development of grid infrastructure	479.2	479.2	0.0
Management of the electrical system	118.5	118.5	0.0
Compensation for imbalances	170.7	170.7	0.0
Market integration	24.3	24.3	0.0
International revenue	47.3	47.3	0.0
Other income	81.7	61.4	(20.4)
Subtotal revenue and other income	963.9	943.6	(20.4)
Settlement mechanism: deviations from approved budget	(92.3)	(92.3)	0.0
Total revenues and other income	871.7	851.3	(20.4)

Period ended	as reported	under IFRS 15	Difference
Vertical grid revenues	1,241.4	1,241.4	0.0
Horizontal grid revenues	210.2	210.2	0.0
Ancillary services revenues	94.0	94.0	0.0
Other income	72.7	73.5	0.8
Subtotal revenue and other income	1,618.3	1,619.1	0.8
Settlement mechanism: deviations from approved budget	(288.9)	(288.9)	0.0
Total revenues and other income	1,329.4	1,330.2	0.8

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

Revenues – Period ended	31 December 2017 as reported	31 December 2017 under IFRS 15	31 December 2017 difference
Revenue	806.4	806.4	0.0
Transfers of assets from customers	22.1	1.7	(20.4)
Total revenue	828.5	808.2	(20.4)
Other operating income			
Services and technical expertise	(0.3)	(0.3)	0.0
Own production	25.5	25.5	0.0
Optimal use of assets	14.3	14.3	0.0
Other	18.5	18.5	0.0
Gain on sale PPE	1.0	1.0	0.0
Total other operating income	59.0	59.0	0.0

The companies included in the 50Hertz Transmission Germany segment are accounted for using the equity method (at 60%) as at 31 December 2017. As such, the impact of IFRS 15 on their revenue recognition is shown in the entry 'Share of profit of equity-accounted investees (net of income tax)' in the Group's results.

The summarised impact on the Group is detailed below:

Key figures – Period ended	31 December 2017 as reported	31 December 2017 under IFRS 15	31 December 2017 difference
Total revenues	887.5	867.1	(20.4)
Share of profit of equity-accounted investees (net of income tax)	108.7	109.1	0.4
Income tax expenses	(39.1)	(39.6)	(0.5)
Net profit	229.1	208.6	(20.6)
Total assets	6,596.5	6,582.3	(14.2)
Total equity	2,640.7	2,563.3	(77.4)
Key figures per share			
Basic earnings per share (EUR)	3.76	3.42	(0.34)
Equity per share (EUR)	43.36	42.09	(1.27)

The income tax expenses, as presented in the table above, include the combined effect of additional temporary differences accumulated throughout the financial year 2017 which has resulted in an increased deferred tax liability of €6.9 million, as well as an offsetting effect resulting from remeasuring the accumulated temporary differences at the lower tax rates, as enacted as part of the Belgian tax reform, and having an effect of €7.4 million.

- Overall effect of new, revised or amended IASB standards:** As a result of the changes in the entity's accounting policies for IFRS15 and IFRS 9, comparative figures and opening balances had to be restated. As indicated here above, IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet as at 1 January 2018.

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

Condensed consolidated statement of financial position

(in € million)	31 December 2017 (as originally reported)	IFRS 15	31 December 2017 (restated)	IFRS 9	1 January 2018 (restated)
ASSETS					
NON-CURRENT ASSETS	6,093.2	(14.1)	6,079.1	3.2	6,082.3
Property, plant and equipment	3,202.4	0.0	3,202.4	0.0	3,202.4
Intangible assets and goodwill	1,738.6	0.0	1,738.6	0.0	1,738.6
Trade and other receivables	147.8	0.0	147.8	0.0	147.8
Equity-accounted investees	942.7	(14.1)	928.6	3.1	931.7
Other financial assets (including derivatives)	60.9	0.0	60.9	0.0	60.9
Deferred tax assets	1.0	0.0	1	0.1	1.0
CURRENT ASSETS	503.2	0.0	503.2	(0.3)	502.9
Inventories	13.6	0.0	13.6	0.0	13.6
Trade and other receivables	281.1	0.0	281.1	(0.3)	280.8
Current tax assets	3.8	0.0	3.8	0.0	3.8
Cash and cash equivalents	195.2	0.0	195.2	0.0	195.2
Deferred charges and accrued revenues	9.6	0.0	9.6	0.0	9.6
Total assets	6,596.5	(14.1)	6,582.3	2.9	6,585.2
EQUITY AND LIABILITIES					
EQUITY	2,641.8	(77.4)	2,564.4	2.9	2,567.3
Equity attributable to owners of the Company	2,640.7	(77.4)	2,563.3	2.9	2,566.2
Share capital	1,517.6	0.0	1,517.6	0.0	1,517.6
Share premium	11.9	0.0	11.9	0.0	11.9
Reserves	173.0	0.0	173.0	0.0	173.0
Retained earnings	938.2	(77.4)	860.8	2.9	863.7
Non-controlling interest	1.1	0.0	1.1	0.0	1.1
NON-CURRENT LIABILITIES	2,984.6	63.3	3,047.9	0.0	3,047.9
Loans and borrowings	2,834.7	0.0	2,834.7	0.0	2,834.7
Employee benefits	84.3	0.0	84.3	0.0	84.3
Provisions	20.8	0.0	20.8	0.0	20.8
Deferred tax liabilities	40.9	(21.4)	19.5	0.0	19.5
Other liabilities	3.8	84.6	88.5	0.0	88.5
CURRENT LIABILITIES	970.0	0.0	970.0	0.0	970.0
Loans and borrowings	49.5	0.0	49.5	0.0	49.5
Provisions	4.5	0.0	4.5	0.0	4.5
Trade and other payables	378.5	0.0	378.5	0.0	378.5
Current tax liabilities	2.9	0.0	2.9	0.0	2.9
Accruals and deferred income	534.6	0.0	534.6	0.0	534.6
Total equity and liabilities	6,596.5	(14.1)	6,582.3	2.9	6,585.2

Condensed consolidated statement of profit or loss

(in € million) – 31 December 2017	2017 (as originally reported)	IFRS 15	2017 (restated)
Continuing operations			
Revenue	828.5	(20.4)	808.2
Raw materials, consumables and goods for resale	(9.6)	0.0	(9.6)
Other income	59.0	0.0	59.0
Services and other goods	(344.4)	0.0	(344.4)
Personnel expenses	(147.2)	0.0	(147.2)
Depreciation, amortisation and impairment	(131.2)	0.0	(131.2)
Changes in provisions	0.4	0.0	0.4
Other expenses	(19.6)	0.0	(19.6)
Results from operating activities	235.9	(20.4)	215.5
Share of profit of equity-accounted investees (net of tax)	108.7	0.3	109.1
EBIT	344.6	(20.1)	324.6
Net finance costs	(76.5)	0.0	(76.5)
Finance income	5.5	0.0	5.5
Finance costs	(81.9)	0.0	(81.9)
Profit before income tax	268.2	(20.1)	248.1
Income tax expense	(39.1)	(0.5)	(39.5)
Profit from continuing operations	229.1	(20.5)	208.6
Profit for the period	229.1	(20.5)	208.6
Profit attributable to:			
Owners of the Company	229.1	(20.5)	208.6
Non-controlling interest	0.0	0.0	0.0
Profit for the period	229.1	(20.5)	208.6

Condensed consolidated statement of profit or loss and other comprehensive income

(in € million) – 31 December 2017	2017 (as originally reported)	IFRS 15	2017 (restated)
Profit for the period	229.1	(20.5)	208.6
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	9.4	0.0	9.4
Related tax	(3.2)	0.0	(3.2)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(13.7)	0.0	(13.7)
Equity-accounted investees – share of OCI	1.1	0.0	1.1
Related tax	2.3	0.0	2.3
Other comprehensive income for the period, net of tax	(4.1)	0.0	(4.1)
Total comprehensive income for the period	225.0	(20.5)	204.5
Total comprehensive income attributable to:			
Owners of the Company	225.0	(20.5)	204.5
Non-controlling interest	0.0	0.0	0.0
Total comprehensive income for the period	225.0	(20.5)	204.5

Besides IFRS 9 and IFRS 15, a number of other standards, amendments and interpretations came in effect in 2018 with only limited or no impact for the Group:

- **Clarification of Classification and Measurement of Share-based Payment Transactions** (amendments to IFRS 2 – effective from 1 January 2018). The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. This amendment had no impact on the Group.
- **Foreign Currency Transactions and Advance Consideration** (IFRIC 22 – effective from 1 January 2018). The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. This amendment had no impact on the Group.
- **Transfers of Investment Property** (amendments to IAS 40 – effective from 1 January 2018). The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The Group was not impacted by this new treatment.
- **Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** (amendments to IFRS 4 – effective from 1 January 2018). The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.
- **Investments in Associates and Joint Ventures – Clarification That Measuring Investees at Fair Value Through Profit or Loss Is an Investment-by-investment Choice** (amendments to IAS 28 – effective from 1 January 2018). These amendments do not have any impact on the Group's consolidated financial statements.

Standards, amendments and interpretations that are not yet effective in 2018

The standards, interpretations or amendments listed hereafter had been published on the date of approval of these consolidated financial statements but are not yet effective, and the Group did not opt for early adoption:

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

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

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

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

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

Transition to IFRS 16

The Group plans to adopt IFRS 16 using the modified retrospective approach, i.e. it will apply the standard to its leases with the cumulative effect of initially applying the standard recognised at the date of initial application.

In accordance with the standard on lease contracts, the Group will elect to use following exemptions when applying IFRS 16 accounting:

- short-term leases, i.e. contract duration of less than one year;
- leases for which the underlying asset is of low value;
- intangible assets.

The most important judgements and assumptions in determining the lease asset and liability are to be located in the following areas:

- We made use of the practical expedients, i.e. a single discount rate per group of contracts, summarised per their duration. Those leases were assumed to have similar characteristics. No hindsight was used. The discount rate used is the Group's best estimation for the weighted average incremental borrowing rate.
- The Group assessed the non-cancellable period of each of the contracts in scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonable certain to exercise that option. Certainly where it relates to office rent contracts, the Group's made its best estimation of the non-cancellable period based on all information on which the Group disposes.

During 2018, the Group performed and completed a detailed impact assessment for IFRS 16. In summary, the expected impact of IFRS 16 adoption on the statement of financial position is as follows:

(in million EUR)	Impact of IFRS16 on 1 January 2019
Property, plant and equipment (right-of-use assets)	95.8
Lease liability	95.8

As the Group's assets are equal to liabilities at the date of transition, there will be no impact on the income statement at the adoption date.

The Group's operating lease commitments under the current standard IAS 17, as indicated in note 8.2, and the Group's leasing liability under IFRS16, presented here-above, can be reconciled as follows:

(in million EUR)	Reconciliation IAS 17 to IFRS 16
Minimum lease payments under operating leases IAS 17 as of 31 December 2018	53,7
Contracts considered not in scope for IFRS 16	(5,6)
Effect from discounting	(21,8)
Effect from lease term assumptions	69,5
Liabilities additionally recognized based on the initial application of IFRS16 as of 1 January 2019	95,8

Contracts considered out of scope for IFRS 16 are most often contracts where (i) no particular asset is to be identified, or where, (ii) an asset is to be identified in the contract, but over which no control can be exercised by the Group.

The effect from lease term assumptions comes from the estimation of the most probable end date of the contract under IFRS 16 which differs in certain cases from the end date stipulated in the contract:. This is often the case for contracts where it is probable that the contract will be prolonged.

- The following **standards, amendments and interpretations** had not yet taken effect in 2018. The changes in the below standards, amendments and interpretations are not expected to have a material impact on the annual accounts and are therefore not set out in more detail:
 - Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
 - IFRS 17: Insurance Contracts;
 - Annual Improvements to IFRS Standards 2015-2017 Cycle; specific focus on IFRS 3, IFRS 11, IAS 12 and IAS 23;
 - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
 - Amendments to IAS 28: Long-term interests in Associates and Joint Ventures;
 - IFRIC Interpretation 23: Uncertainty over Income Tax Treatment;
 - Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;
 - Amendments to IAS 1 and IAS 8, regarding the definition of materiality;
 - Amendments to References to the Conceptual Framework in IFRS Standards: Amendments to conceptual framework.

2.2. Functional and presentation currency

The consolidated financial statements are presented in million euro (the functional currency of the Company), rounded to the nearest hundred thousand, unless stated otherwise.

2.3. Basis of measurement

The consolidated financial statements have been prepared on a historical-cost basis, except for the derivative financial instruments, which are measured at fair value. Non-current assets are valued at the lowest of the carrying amount and the recoverable amount to sell. Employee benefits are valued at the present value of the defined benefit obligations, less the fair value of the plan assets. Changes in fair value of financial assets are recorded through OCI.

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 net result of the Belgian segment and the German segment is mainly determined by calculation methods set by, respectively, the Belgian federal regulator, the Commission for Electricity and Gas Regulation ('CREG') and the German federal regulator, the Federal Network Agency ('BNetzA'). For certain calculations, a level of judgement is needed. More disclosures are to be found in Notes 6.17, 9.1.4 and 9.2.3.
- Consolidation of entities in which the Group holds less than 20% of the voting rights but has significant influence: under IFRS 10, the Group assesses whether it has significant influence over its associates and therefore needs to consolidate them and reassesses this in each reporting period (see also Note 6.4).
- During the year, an additional stake was acquired in Eurogrid International SCRL, which is the holding company of 50Hertz Transmission (Germany). In accordance with IFRS 3 and its guidance for step acquisitions, the existing stake had to be revalued to its fair value at the date of the transaction. This required significant judgement. More details are to be found in Note 7.1.
- 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 6.6).
- 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 6.13:
 - The Group has defined-benefit plans and defined-contribution plans which are disclosed in Note 6.13. 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 impact 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 6.14).
- 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 the duration of the associated process/procedures (see Note 6.14).
- Goodwill impairment testing: the Group performs impairment tests on goodwill and on cash-generating units (CGUs) at the reporting date, and whenever there are indicators that the carrying amount might be higher than the recoverable amount. This analysis is based on assumptions such as market evolution, market share, margin evolution and discount rates (see Note 6.2).
- 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. To the extent that 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.

2.5. Approval by the Board of Directors

These consolidated financial statements were authorised for publication by the Board of Directors on 21 March 2019.

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 this 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 doing so results in a deficit balance of the non-controlling interests.

ASSOCIATED COMPANIES

Associated companies are those companies in which the Company exerts significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised profits and losses of associated companies on the basis of the equity method, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of the losses exceeds its interest in an associated company, 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 associated company.

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 recognised initially at cost price. 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 joint control 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. 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.

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 through other comprehensive income financial asset depending on the level of influence retained.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

Intra-Group balances and any unrealised gains or losses or revenue and expenses arising from intra-Group transactions are eliminated when preparing the consolidated financial statements.

Unrealised gains from transactions with associated companies 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, joint ventures and associates 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 bargain purchase gain 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.

Transactions 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 balance-sheet 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, (part of) cumulative translation adjustments are recognised in the profit or loss as part of the gain/loss of the sale.

3.3. Balance sheet items

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 the section 'Impairment'). The cost of self-produced assets comprises the cost of materials, of direct labour and, where relevant, of the initial estimate of the costs of dismantling and removing the assets and restoring the site where 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 the property, plant and equipment are reassessed annually and are prospectively adjusted as the occasion arises.

<ul style="list-style-type: none">• Administrative buildings• Industrial buildings• Overhead lines• Underground cables• Substations (facilities and machines)• Remote control• Dispatching• Other PPE (fitting out rented buildings)• Vehicles• Tools and office furniture• Hardware	<div>1.67% – 2.00%</div> <div>2.00 – 4.00%</div> <div>2.00 – 4.00%</div> <div>2.00 – 5.00%</div> <div>2.50 – 6.67%</div> <div>3.00 – 12.50%</div> <div>4.00 – 10.00%</div> <div>contractual period</div> <div>6.67 – 20.00%</div> <div>6.67 – 20.00%</div> <div>25.00 – 33.00%</div>

Impairment

The carrying amount of the Group's tangible assets 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.

An impairment loss is recognised whenever the carrying amount of 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.

Dismantling obligation

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 the asset 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 (which is 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

Goodwill

Goodwill is stated at cost, less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment (see the section 'Impairment'). In the case of associated companies, the carrying amount of goodwill is included in the carrying amount of the investment in the associated company.

Computer software

Software licences acquired by the Group are stated at cost, less accumulated amortisation (see below) and impairment losses (see the section '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 likely;
- the Group plans – and has sufficient resources – to complete development;
- the Group plans to use the software.

The capitalised expenditure includes 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.

Impairment

The carrying amount of the Group's intangible assets are 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 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 amortisation costs for the asset will be prospectively adjusted.

3.3.3. Trade and other receivables

Construction contracts in progress

Construction contracts in progress are stated at cost price, plus profit based on progress made to date, minus a provision for foreseeable losses and less progress billing. The cost price comprises all expenditure directly related to specific projects, plus an allocation of fixed and variable overheads incurred during the Group's contract activities based on normal operating capacity.

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.

Refer to Note 8.1, 'Credit risk', for a detailed description of the model.

3.3.4. 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.

3.3.5. 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.

3.3.6. Non-financial assets

The carrying amount of the Group's assets, excluding inventories and deferred taxes, are 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 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 to sell, or 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 reaps 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.

3.3.7. Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's 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.

Financial assets are managed with a view to holding them to maturity and collecting contractual cash flows. The financial assets that give rise to cash flows are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- financial assets at amortised cost (debt instruments)
- financial assets designated at fair value through OCI (equity instruments)

Financial assets at amortised cost

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 designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group irrevocably classifies its equity investments as equity instruments designated at fair value through OCI when the Group does not have significant influence and the assets are not held for trading. The 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 designated at fair value through OCI are not subject to impairment assessment.

The Group has elected to irrevocably classify non-listed equity investments for which the Group does not have significant influence in this category.

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.

3.3.8. 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 recognised initially at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the income statement. 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. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

Before 1 January 2018, the Group designated all forward contracts as hedging instruments. Any gains or losses arising from changes in the fair value of derivatives were taken directly to profit or loss, except for the effective portion of cash flow hedges, which were recognised in OCI and later reclassified to profit or loss when the hedge item affected profit or loss.

From 1 January 2018, the Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity 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.

3.3.9. 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.

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. The holders of the hybrid securities have limited ability to influence the outcome of a bankruptcy proceeding or a restructuring outside bankruptcy. Hybrid securities are perpetual instruments; the terms do not provide for any events of default nor entitle holders to demand repayment or redemption.

Subject to certain exceptions where accrued interest would be mandatorily payable (e.g. in the event that a dividend is paid on any ordinary shares), the Group may elect to defer payment of all of the interest which would otherwise be paid on an interest payment date. Any such failure to pay would not constitute a default for any purpose. 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.

3.3.10. Financial liabilities

Financial liabilities consist of interest-bearing loans and borrowings in the Group. They are recognised initially 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 cost price and redemption value being recognised in profit or loss over the period of the loans on an effective interest basis.

3.3.11. 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.

The Defined-Benefit Obligation (DBO) was determined following the Projected Unit Credit (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).

In Germany, the defined-benefit 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. The plan assets and plan liabilities have been determined by an 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 expected 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.

3.3.12. 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.

If the Group expects to recover some or all of the provisions from a third party, the compensation is only included as a separate asset if it is virtually certain that said compensation will be awarded. The cost connected to a provision is included in profit or loss, net of any compensation.

The total estimated cost of dismantling and disposal 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 of disposal 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.

3.3.13. Trade and other payables

Trade and other payables are stated at amortised cost.

3.3.14. 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 income statement on a systematic basis over the expected useful life of the related asset. Grants related to expense items are recognised in the income statement in the same period as the expenses for which the grant was received. Government grants are presented as other operating income in the income statement.

3.4. Income-statement items

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.

Revenue includes changes in the settlement mechanism (see Note 6.17).

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also sets out the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Group adopted IFRS 15 using the full retrospective method of adoption. The Group used the practical expedients for completed contracts.

Further details on the effect of the transition to IFRS 15 are to be found in Note 2.1.

Goods sold, services rendered and construction contracts in progress

Revenue from services and the sale of goods is recognised in profit or loss when performance obligations are satisfied, or when control of goods or services is transferred to the customer.

Construction contracts in progress are recognised using the same methodology as described above. An expected loss on a contract is immediately recognised in profit or loss.

Transfer of assets from customers

Transfer of assets from customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Other income

Other income is recognised when it is earned or when the related service is performed.

EXPENSES

Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received to conclude the leasing agreement are recognised in profit or loss as an integral part of the total lease expenses.

Other expenses

Property taxes are directly recognised in full as soon as ownership is certain (generally as of 1 January of the year in question). However, these costs, qualified as non-controllable costs in 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), 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 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.

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 decided to revise its segment structure from the structure in place last year. Owing to the increased stake in 50Hertz Transmission (Germany), the Group's internal reporting process has been reviewed, which ultimately resulted in amended segment reporting. The Group believes that this change results in a segment structure that more closely reflects the Group's operational activities and current internal reporting.

The Group has aligned its segment reporting in conformity with the different regulatory frameworks that currently exist within the Group. This reporting approach 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 System Operator NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/SA, Ampacimon 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 (incl. Nemo Link), comprising:
 - Eurogrid International CVBA;
 - the non-regulated activities of Elia System Operator NV/SA, Elia Asset NV/SA and Elia Engineering NV/SA. 'Non-regulated activities' refers to activities which are not directly related to the role of TSO (see Section 9.1). The most substantial of these are:
 - the holding activities in the 50Hertz Transmission (Germany) segment; and
 - 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 set up. See Section 9.3 for more details.
 - Atlantic Grid, comprising E-Offshore A LLC and Atlantic Grid Investment A Inc. Both are connected to the Atlantic Wind Connection project, which aims to develop the first high-voltage direct-current offshore grid off the East Coast of the United States;
 - EGI (Elia Grid International NV/SA, Elia Grid International GmbH and Elia Grid International LLC), 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.

The three operating segments have also been identified as the Group's three cash-generating units, as the group of assets managed by the segments independently generates cash flows.

The CODM has been identified by the Group as 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)

GRI 201-1 (TSO Belgium)

The table below shows the 2018 consolidated results of Elia Transmission (Belgium)

Elia Transmission key figures (in million EUR) – Year ended 31 December	2018	2017 (restated *)	Difference (%)
Total revenues and other income	959.4	851.3	12.7%
Depreciation, amortisation, impairment and changes in provisions	(140.2)	(130.8)	7.2%
Results from operating activities	227.1	217.0	4.7%
Share of profit of equity-accounted investees, net of tax	1.8	2.0	(10.0%)
EBIT	228.9	218.9	4.5%
EBITDA	369.1	349.7	5.5%
Finance income	0.6	1.9	(68.4%)
Finance costs	(66.0)	(79.0)	(16.5%)
Income tax expense	(48.6)	(38.8)	25.3%
Net profit	114.9	103.0	11.6%

Consolidated statement of financial position (in million EUR)	31 December 2018	31 December 2017 (restated *)	Difference (%)
Total assets	5,909.2	5,449.0	8.4%
Capital expenditure	600.7	388.1	54.8%
Net financial debt	2,825.1	2,511.9	12.5%

EBITDA (Earnings Before Interest and Taxes, Depreciations and Amortisations) = EBIT + depreciation/amortisation + changes in provisions

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

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

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

The tariff methodology approved by the regulator CREG on 26 November 2015 came into force in early 2016. The methodology is applicable for a four-year period (2016 – 2019). See Note 9.1 for more information about the new regulated framework.

Financial

Elia Transmission's revenues grew by 12.7% (to €959.4 million) on the same period the previous year. The revenue increase resulted from a higher allowed regulated net profit, higher depreciations and higher taxes that are passed on into revenues. These increases were partly offset by lower costs, mainly for ancillary services and financing, which are all passed on into revenues to the benefit of customers.

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

(in million EUR)	2018	2017 (restated *)	Difference (%)
Grid revenue	904.3	882.2	2.5%
Grid connection	42.6	42.2	0.9%
Management and development of grid infrastructure	472.7	479.2	(1.4%)
Management of the electrical system	116.2	118.5	(1.9%)
Compensation for imbalances	189.5	170.7	11.0%
Market integration	25.5	24.3	4.9%
International revenue	57.8	47.3	22.1%
Other income (including EGI revenues)	61.0	61.4	(0.6%)
Subtotal revenues and other income	965.3	943.6	2.3%
Settlement mechanism: deviations from approved budget	(5.9)	(92.3)	(93.6%)
Total revenues and other income	959.4	851.3	12.7%

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

Grid connection revenues increased slightly to €42.6 million (up 0.9%) mainly due to higher revenues from connection studies.

Revenues from **management and development of grid infrastructure** (down 1.4%) and **management of the electrical system** (down 1.9%) decreased slightly, mainly due to lower tariffs.

Services rendered in the context of energy management and individual balancing of balancing groups are paid within the revenues from **compensation for imbalances**. These revenues increased by €18.8 million to €189.5 million, largely due to the tariff increase for management of power reserves and black-start based on offtake (up €15.0 million), a volume decrease for management of power reserves and black-start based on injection (down €11.8 million) and higher revenues from compensation of imbalances (up €15.6

million). The increase in imbalance revenues resulted from the fact that imbalance prices were generally higher in 2018, especially in March due to an unexpected cold snap, and high imbalance price peaks occurred in the second half of 2018.

Finally, the last section of the tariff revenues encompasses the services provided by Elia Transmission within the context of **market integration**; this item increased by 4.9% to €25.5 million, mainly driven by a tariff rise.

International revenue increased by €10.5 million (up 22.1%) due to higher congestion income on the southern border as a result of improved nuclear availability in France combined with low nuclear availability in Belgium throughout 2018.

Other income remained in line with previous years at €61.0 million and mainly derived from customer contributions and income from own work capitalised.

The **settlement mechanism** (€5.9 million) encompasses both deviations in the current year from the budget approved by the regulator (+€52.9 million) and the settlement of net surpluses from the prior tariff period (-€47.0 million). The operating surplus, in relation to the cost and revenue budget authorised by the regulator, must be returned to the consumers and therefore does not form part of the revenues. The operating surplus compared to the budget is primarily a result of higher tariff sales (€5.1 million), increased cross-border revenues (€15.7 million), lower costs for ancillary services (€24.6 million) and lower financial charges (€28.8 million). This was partly offset by a higher regulated net profit (€7.3 million) and higher taxes compared to the budget (€18.6 million).

The **EBITDA** (up 5.5%) and **EBIT** (up 4.5%) were mainly impacted by increased regulated net profit, higher depreciations, lower financing costs and higher current taxes to be passed on in the tariffs, partly offset by the lower result of equity-accounted investments.

Net **finance costs** (down 15.2%) fell by €11.7 million from the previous year. In the course of 2018, interest-rate swap contracts which matured at the end of 2017 were renewed at lower interest rates, thus making the most of the low-interest-rate environment. The lower lending costs are entirely to the benefit of consumers, in accordance with the regulatory framework.

The **net profit** increased by 11.5% to €114.9million, mainly due to the following factors:

Increase in the **fair remuneration** (up €2.9 million): The higher average OLO compared to 2017 (up 0.07%) and the increase in equity due to the reservation of part of the 2017 result (€45 million) led to a fair remuneration of €44.0 million.
Decrease in the **incentives** realised (down €1.8 million): strong operational performance, primarily on the incentive linked to import capacity (up €3.4 million), welfare (up €1.1 million) and continuity of supply (up €0.6 million), was offset by lower performance on the influenceable incentive (down €2.1 million), lower incentive on timely completion of the investment programme as no project was due to go into operation in 2018 (down €1.0 million) and lower efficiency (down €1.7 million). In addition, the higher average tax rate negatively impacted the net contribution from incentives (down €2.2 million).
Higher **mark-up** for strategic investments (up €11.1 million) accounted for €42.2 million.
No major damage to electrical installations compared to 2017 (up €2.5 million).
Regulatory settlement for the previous year (up €1.7 million).
Others (up €0.2 million): mainly a higher bad debt allowance for trade receivables with the adoption of IFRS 9 and deferred tax effects.

Total **assets** increased by €460.2 million to €5,909.2 million, mainly as a result of the investment programme. The regulated **net financial debt** increased to €2,825.1 million (up 12.5%), as Elia's CAPEX programme was mainly financed by cash flows generated from operating activities, the drawing of €100 million EIB loan contracted in 2017 and commercial paper totalling €50 million.

The **equity** increased mainly as a result of the reservation of the 2018 profit and the capital increase of €5.3 million reserved for personnel, minus the contribution of the regulated activities to the 2017 dividend payment.

4.3. 50Hertz Transmission (Germany)

GRI 201-1 (TSO Germany)

The table below shows the 2018 consolidated results for 50Hertz Transmission (Germany) system operator activities in Germany:

50Hertz Transmission key figures (in million EUR) – Year ended 31 December	2018	2017 (restated *)	Difference (%)
Total revenues and other income	1,364.9	1,330.2	2.6%
Depreciation, amortisation, impairment and changes in provisions	(89.6)	(149.9)	(40.2%)
EBIT	385.4	322.6	19.5%
EBITDA	475.0	472.4	0.5%
Finance income	2.5	1.9	31.6%
Finance costs	(48.1)	(56.2)	(14.4%)
Income tax expense	(101.9)	(85.6)	19.1%
Profit attributable to the owners of the Company	169.2	109.6	54.4%
Consolidated statement of financial position (in million EUR)	31 December 2018	31 December 2017 (restated *)	Difference (%)
Total assets	6,752.1	6,188.1	9.1%
Capital expenditure	511.0	478.1	6.9%
Net financial debt	1,272.9	1,442.3	(11.7%)

EBITDA (Earnings Before Interest and Taxes, Depreciations and Amortisations) = EBIT + depreciation/amortisation + changes in provisions

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

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

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

50Hertz Transmission's revenues increased by 2.6% compared to the same period last year. This was the result of revenue growth following the ongoing CAPEX programme, partially offset by lower passed-on energy costs and a reduced allowance for offshore operational costs.

Total revenues are detailed in the table below:

Total revenues and other income (in million EUR)	2018	2017 (restated *)	Difference (%)
Grid revenue:	1,402.6	1,545.6	(9.3%)
Vertical grid revenues	1,047.3	1,241.4	(15.6%)
Horizontal grid revenues	233.8	210.2	11.2%
Ancillary-services revenues	121.5	94.0	29.3%
Other income	68.4	73.5	(6.9%)
Subtotal revenues and other income	1,471.0	1,619.1	(9.1%)
Settlement mechanism: deviations from approved budget	(106.1)	(288.9)	n.r.
Total revenues and other income	1,364.9	1,330.2	2.6%

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

Vertical grid revenues (tariffs to end customers) declined by €194.1 million (down 15.6%) from 2017, primarily driven by the decrease in the total allowed revenues under the regulatory framework. Compensation for non-controllable energy costs shrank by €272.6 million, mainly as a result of the settlement of previous years. In 2017 a tariff deficit was recovered (caused by high energy costs in 2015), while in 2018 a tariff surplus is paid back to the customers (caused by low energy costs in 2016). Furthermore, regulatory remuneration generated from the asset base increased as a consequence of the onshore and offshore investments made (up €11.9 million). Finally, the revenues were positively impacted by higher third-party offshore costs passed on to customers (up €40.9 million).

Horizontal grid revenues (tariffs to other TSOs) increased by €23.6 million (up 11.2%), mainly driven by a higher allowance for offshore costs (up €21.2 million). In Germany, all offshore connection costs are shared across the four German transmission system operators. This means that 50Hertz bears around 20% of these costs and passes on 80% of its own connection costs to the other three TSOs. Due to rising offshore investments, which in 2018 pertained mainly to the offshore grid connection for Ostwind 1 and Ostwind 2, the cost recovery charged horizontally to the other TSOs rose and thus impacted horizontal revenues.

Ancillary-services revenues increased by €27.5 million (up 29.3%) compared to 2017. Due to a new cost-sharing agreement between the German TSOs, more redispatch costs can be charged to other TSOs. Thus redispatch revenues increased (up €10.2 million), even though total redispatch requirements were reduced by the expansion of the grid (Southwest Coupling line) plus efficient management. Furthermore, the new cost-sharing mechanism for reserve power plants generated revenues for the first time in 2018 (up €13.7 million).

The **settlement mechanism** includes both the annual offsetting of deficits and surpluses accounted for before 2018 (+€120.8 million) and the net surplus generated in 2018 between the costs allowed to be passed on in the tariffs and the actual costs (-€226.9 million). The adjustment for 2018 is strongly driven by the fact that actual redispatch costs were far below this year's revenue cap allowance (-€166.5 million). Furthermore, the grid revenues (horizontal and vertical) are based on an offshore OPEX allowance of 3.4% on invested capital. With the transition towards a cost-plus mechanism starting in 2019, there is a strong feeling that only incurred offshore costs will be accepted in 2018 (pass-on approach). The difference between the allowance in the revenues and the actual costs is to be paid back to the customer, resulting in the recognition of a liability for offshore costs (-€72.8 million).

EBITDA increased slightly by €2.6 million to €475.0 million (up 0.5%). The total investment remuneration decreased (down €25.9 million), as the higher onshore (up €17.5 million) and offshore (up €14.0 million) remuneration driven by the ongoing investment programme, was more than offset by the lower regulatory allowance for offshore OPEX (down €57.4 million). The regulatory revenues from the Base Year mechanism decreased (down €3.3 million) from the annual adjustment for inflation and efficiency targets linked to the application of the regulatory framework. OPEX and other costs slightly decreased with €2.4 million. The efficiency programme implemented in 2017 resulted in a further drop in several operational expenses, such as maintenance and insurance, while own-work-capitalised revenues increased due to a higher allocation of personnel costs to new investments. This was only partially offset by higher personnel costs, driven by both an increase in collectively agreed wages and additional staff requirements for the expanding investment programme.

EBIT (up 19.5%) was further impacted by the release of a provision for legal claim easements (up €72.1 million). This provision was established after German reunification to cover possible legal claims by landowners in Eastern Germany. Following a reassessment driven by a tax audit, part of the provision was released. This was partly offset by increased depreciations resulting from the commissioning of the Southwest Coupling line and the North Ring in the second half of 2017 and the partial commissioning of Ostwind 1 in 2018 (down €11.8 million). Considering revenues linked to the partial commissioning of the Ostwind project (€33.3 million) and a bonus for the efficient management of renewable energies (€0.1 million), partially offset by the regulatory settlement of previous years (-€2.8 million), the **EBIT** came in at €385.4 million.

The **net profit** increased to €237.9 million, of which €169.2 million (up 54.4%) was attributable to the owners of the Company as a result of the following:

1. Growing asset base leading to higher investment remuneration (up €31.5 million);
2. Lower Offshore OPEX remuneration (down €57.4 million);
3. Lower Base Year revenues (down €3.3 million);
4. Lower OPEX and other costs (up €2.4 million);
5. Release of provision (up €72.1 million);
6. Increased depreciation (down €11.8 million) driven by commissioning of investments;
7. Reduced net finance costs (up €7.4 million), mainly due to a reduction of interest on tax risk (up €3.8 million) and lower interest on the legal claim easement provision after the release (up €2.6 million);
8. Increased income tax expense (down €7.2 million)

Total assets increased by € 564.0 million to €6,752.1 million (up 9.1%), mainly driven by the investments made and a further increase of the cash position. 2018 showed a positive **free cash flow** of €278.7 million, of which €84.3 million generated by the EEG mechanism.

The ongoing investment programme has been financed by operating cash flow and working capital. No new long-term debt has been issued by Eurogrid GmbH in 2018. The **net financial debt** consequently decreased to €1,272.9 million compared to the end of 2017. It includes an EEG cash position of €859.4 million.

4.4. Non-regulated activities (incl. Nemo Link)

GRI 201-1 (Non-regulated activities)

The table below shows the 2018 consolidated results of the 'Non-regulated activities (incl. Nemo Link)' segment:

Other key figures (in million EUR) – Year ended 31 December	2018	2017 (restated *)	Difference (%)
Total revenues and other income	13.9	19.8	(29.8%)
Depreciation, amortisation, impairment and changes in provisions	(1.0)	(0.3)	233.3%
Results from operating activities	(9.3)	(1.6)	481.3%
Share of profit of equity-accounted investees (net of income tax)	0.3	(1.4)	n.m.
EBIT	(8.9)	(3.0)	196.7%
EBITDA	(7.9)	(2.6)	203.8%
Finance income	19.1	3.6	430.6%
Finance costs	(17.8)	(3.0)	493.3%
Income tax expenses	4.1	(2.5)	n.m.
Profit attributable to the owners of the Company	(2.8)	(4.1)	(31.7%)
Consolidated statement of financial position (in million EUR)	31 December 2018	31 December 2017 (restated *)	Difference (%)
Total assets	1,677.9	594.4	182.3%
Capital expenditure	0.0	0.0	n.r.
Net financial debt	507.6	171.4	196.1%

EBITDA (Earnings Before Interest and Taxes, Depreciations and Amortisations) = EBIT + depreciation/amortisation + changes in provisions

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

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

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

The **non-regulated revenues** decreased by 29.8% from 2017. The fall is mainly due to EGI revenues, which decreased from €13.2 million to €9.5 million, as fewer owner engineering services were delivered than in 2017. The 2018 sale of the Training and Research Centre for Power Systems Security (GridLab) to DNV GL also resulted in lower revenues (down €1.0 million).

An **operating loss (EBIT)** of €8.9 million was generated (up >100%) due to higher non-regulated costs and the lower contribution from EGI. This was partially offset by a limited contribution from Nemo Link, as it was not yet in operation in 2018. The main driver for the non-regulated costs was the acquisition of Eurogrid, which generated expenses of €3.3 million related to legal and advisory fees.

The **net finance income** increased to €1.3 million, primarily as a result of the acquisition of an additional stake in Eurogrid, which is considered to be non-regulated financing and therefore does not impact tariffs. The remeasurement to fair value of the Group's initial 60% shareholding in Eurogrid resulted in the recognition of a financial non-recurring gain of €9.2 million, partly offset by the financial costs of financing this transaction. First, a bridge loan of €968.1 million was taken out, which was successfully refinanced in August through the issue of a €300 million senior bond (coupon 1.50%) and a €700 million hybrid securities (coupon 2.75%). While the hybrid bond has no impact on profit (accrued dividends are directly accounted in equity), the costs for the bridge loan and the senior securities amount to €4.4 million of financial cost. In addition, the mid-swap rate for both the senior and hybrid securities was fully hedged. The unwinding of the hedge linked to the hybrid securities resulted in a non-recurring financial loss of €3.2 million

The **net loss** amounted to €3.5 million, of which €2.8 million (down 41.7%) was attributable to the owners of the Company, as a result of:

- Lower result for **EGI** (down €0.5 million) due to write-offs of deferred tax assets recognised on the results of previous years;
- Financing costs linked to the **acquisition of Eurogrid** (down €3.5 million), mainly consisting of financing expenses related to the bridge financing, the senior bond and the rating of the bond;
- Higher result for **Nemo Link** (up €1.1 million) thanks to a small outperformance on the financing of the subsidiary and its first positive contribution as an associate;
- The effect resulting from the Eurogrid acquisition, as the remeasurement to fair value of the Group's initial stake in Eurogrid (up €9.2 million) was partially offset by acquisition-related expenses and non-recurring financing and hedging costs (down €4.9 million).

Total **assets** increased by €1,083.5 million to €1,677.9 million, mainly as a result of the further investments in Nemo Link and the increased stake in Eurogrid. Goodwill of €703.3 million was recognised (see Note 7.1 for details) on this acquisition. Consequently, the **net financial debt** increased to €507.6 million and reflects the senior bond contracted to finance the additional 20% stake in Eurogrid. The issued hybrid securities has been qualified as equity under IFRS, considering the option to defer coupons at the issuer's discretion.

4.5. Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in million EUR) – Year ended 31 December	2018 Elia Transmission (Belgium) (a)	2018 50Hertz Transmission (Germany) (b)	2018 Non-regulated activities (incl. Nemo Link) (c)	2018 Consolidation entries and intersegment transactions (d)	2018 Elia Group (a)+(b)+(c)+(d)
Total revenues and other income	959.4	1,364.9	13.9	(406.4)	1,931.8
Depreciation, amortisation, impairment and changes in provisions	(140.2)	(89.6)	(1.0)	(17.1)	(247.9)
Results from operating activities	227.1	385.4	(9.3)	(166.2)	437.0
Share of profit of equity- accounted investees, net of tax	1.8	0.0	0.3	63.5	65.6
EBIT	228.9	385.4	(8.9)	(102.8)	502.6
EBITDA	369.1	475.0	(7.9)	(85.7)	750.5
Finance income	0.6	2.5	19.1	(0.3)	21.9
Finance costs	(66.0)	(48.1)	(17.8)	16.7	(115.2)
Income tax expense	(48.6)	(101.9)	4.1	44.2	(102.2)
Profit attributable to the owners of the Company	114.9	169.2	(2.8)	0.1	281.4

Consolidated statement of financial position (in million EUR)	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018	31 Dec 2018
Total assets	5,909.2	6,752.1	1,677.9	(584.9)	13,754.3
Capital expenditure	600.7	511.0	0.0	(20.8)	1,090.9
Net financial debt	2,825.1	1,272.9	507.6	0.0	4,605.6

Consolidated results (in million EUR) – Year ended 31 December *	2017 Elia Transmission (Belgium) (a)	2017 50Hertz Transmission (Germany) (b)	2017 Non-regulated activities (incl. Nemo Link) (c)	2017 Consolidation entries and intersegment transactions (d)	2017 Elia Group (a)+(b)+(c)+(d)
Total revenues and other income	851.3	1,330.2	19.8	(1,334.2)	867.1
Depreciation, amortisation, impairment and changes in provisions	(130.8)	(149.9)	(0.3)	150.2	(130.8)
Results from operating activities	217.0	322.6	(1.6)	(322.5)	215.5
Share of profit of equity- accounted investees, net of tax	2.0	0.0	(1.4)	108.5	109.1
EBIT	218.9	322.6	(3.0)	(213.9)	324.6
EBITDA	349.7	472.4	(2.6)	(364.1)	455.4
Finance income	1.9	1.9	3.6	(1.9)	5.5
Finance costs	(79.0)	(56.2)	(3.0)	56.3	(81.9)
Income tax expense	(38.8)	(85.6)	(2.5)	87.3	(39.6)
Profit attributable to the owners of the Company	103.0	109.6	(4.0)	0.0	208.6

Consolidated statement of financial position (in million EUR)	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017
Total assets	5,449.0	6,188.1	594.4	(5,649.2)	6,582.3
Capital expenditure	388.1	478.1	0.0	(478.1)	388.1
Net financial debt	2,511.9	1,442.3	171.4	(1,436.5)	2,689.1

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

There are no significant intersegment transactions.

The Group has no concentration of customers in either of the operating segments.

5. Items in the consolidated statement of profit or loss and other comprehensive income

During the financial year, Elia obtained full control over Eurogrid by acquiring an additional 20% stake in Eurogrid International, resulting in a change of consolidation method from equity pickup to full consolidation method. There were no changes in the basis of preparation and therefore no restatements of figures from previous years were required.

5.1. Revenue and other income

(in million EUR)	2018	2017*
Grid revenue	1,811.7	790.0
Transfers of assets from customers	2.6	1.7
Other revenue	8.5	16.4
Other income:	109.0	59.0
Services and technical expertise	1.6	(0.3)
Own production	53.9	25.5
Optimal use of assets	16.3	14.3
Other	36.8	18.5
Gain on sale PPE	0.5	1.0
Total revenue	1,931.8	867.1

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

See the segment reports, which contain a detailed analysis of the Group's recognised revenues at segment level. The Elia Transmission (Belgium) segment reported revenues of €959.4 million (Note 4.2), the 50Hertz Transmission (Germany) segment reported revenues of €1,364.9 million (Note 4.3) and the 'Non-regulated activities (incl. Nemo Link)' segment reported revenues of €13.9 million (Note 4.4). The aforementioned reported revenues of €1,931.8 million have been corrected for the effect of inter-segment revenues, for an amount of €3.8 million, and for German segment revenues which were recognised in the period from January to April (when equity accounting applied), for an amount of €402.6 million.

The Group's own production relates to time of own personnel and who have worked on investment projects.

The Group has recognised €11.5 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period. The Group did not recognise any substantial revenues in the reporting period where performance obligations were in previous periods.

5.2. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in million EUR)	2018	2017
Raw materials, consumables and goods for resale	41.5	9.6
Purchase of ancillary services	500.2	140.2
Services and other goods (excl. purchase of ancillary services)	445.5	204.2
Total	987.2	354.0

The Group's costs for 'Raw materials, consumables and goods for resale' were relatively low at the end of financial year 2017 and were attributable to Elia Transmission (Belgium) for an amount of €5.3 million and EGI for an amount of €4.3 million. Whereas costs attributable to Elia Transmission (Belgium) remained stable in 2018 (€5.6 million), EGI's raw material costs have reduced significantly in the year to €0.5million, mainly due to a drop in realised EPC contracts. In 2018, 50Hertz Transmission (Germany) has contributed to these costs in the amount of €35.4 million due to raw material costs of €54.2 million for the full year (of which the four first months have been reversed). Raw material costs for the German segment remained more or less in line with financial year 2017, when the cost base was € 56.8 million.

'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 2018 by Elia Transmission (Belgium) increased to €199.2 million (from €140.2 million in 2017) because of the unexpected unavailability of some nuclear units in the last quarter of 2018, which caused very high reservation prices on the market. 50Hertz Transmission (Germany) incurred costs of €296.6 million, corresponding to all costs incurred from the date of acquisition to the end of 2018.

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy, and others. The increase from the previous year is mainly driven by 50Hertz Transmission (Germany)'s contribution in the year for an amount of €222.4 million.

PERSONNEL EXPENSES

GRI 201-1 (Payments to government: social security contributions)

(in million EUR)	2018	2017
Salaries and wages	159.5	101.6
Social security contributions	36.1	26.2
Pension costs	17.0	7.2
Other personnel expenses	4.8	9.9
Share-based payment	1.1	0.1
Employee benefits (excl. pensions)	10.8	2.2
Total	229.3	147.2

In December 2018, Elia Group gave its employees in Belgium the chance to subscribe to an Elia System Operator SA capital increase. The capital increase resulted in the creation of 114,039 additional shares without nominal value. The Group's employees were granted a 16.66% reduction on the quoted share price, which resulted in a €1.1 million reduction overall. The transaction resulted in a €2.8 million capital increase and a €2.5 million increase in the share premium.

Total 2018 personnel expenses for the Belgian and non-regulated activities amounted to €157.7 million (up from €147.2 million the previous year) due to a higher number of FTEs (1,390.6) than in 2017 (1,332.2). 50Hertz Transmission (Germany) accounted for €71.6 million of the Group's personnel expenses for 2018.

For more information about pension costs and employee benefits, see Note 6.13, 'Employee benefits'

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in million EUR)	2018	2017
Amortisation of intangible assets	16.5	8.0
Depreciation of property, plant and equipment	233.1	123.4
Total depreciation and amortisation	249.5	131.3
Impairment of inventories and trade receivables	2.8	(0.3)
Total impairment	2.8	(0.3)
Other provisions	(3.1)	1.3
Environmental provisions	(1.3)	(1.6)
Changes in provisions	(4.4)	(0.4)
Total	247.9	130.8

The amount of impairment on trade receivables is explained in Note 8.1, 'Financial risk and derivative management'.

A detailed description is provided in other sections for 'Intangible assets' (see Note 6.2), 'Property, plant and equipment' (see Note 6.1) and 'Provisions' (see Note 6.14).

OTHER EXPENSES

GRI 201-1 (Payments to government: taxes other than income tax)

(in million EUR)	2018	2017
Taxes other than income tax	13.9	11.9
Loss on disposal/sale of property, plant and equipment	13.5	7.5
Impairment on receivables	0.4	0.0
Other	2.6	0.3
Other operating expenses	30.4	19.6

Taxes other than income tax mainly consist of property taxes.

Losses on disposal for property, plant and equipment total €11.2 million for Elia Transmission (Belgium), compared with €7.5 million the previous year, and €2.2 million for 50Hertz Transmission (Germany).

50Hertz Transmission (Germany)'s total share of the Group's other expenses in 2018was €6.6 million.

5.3. Net finance costs

(in million EUR)	2018	2017
Finance income	21.9	5.5
Interest income on cash and cash equivalents and granted loans	7.1	3.6
Other financial income	14.8	1.9
Finance costs	(115.2)	(81.9)
Interest expense on eurobonds and other bank borrowings	(95.8)	(68.1)
Interest expense on derivatives	(4.4)	(9.3)
Other financial costs	(15.0)	(4.5)
Net finance costs	(93.2)	(76.5)

Finance income has increased from €5.5 million in 2017 to €21.9 million in 2018. 50Hertz Transmission (Germany)'s contribution to finance income amounts to €2.2 million for 2018. Interest income includes €6.3 million (2017: €3.6 million) of interest from a loan agreement between Elia System Operator and Nemo Link Ltd. See Note 6.4.1 for more details. Other financial income also includes a €9.2 million remeasurement gain to fair value of the Group's initial 60% shareholding in Eurogrid. See Note 4.4.

The interest expenses on eurobonds and other bank borrowings increased, due to a number of factors. Elia Transmission (Belgium) incurred a net €67.6 million interest expense on borrowings in the year, which is comparable with the previous year. The slightly increased interest paid on borrowings is mainly due to an increased nominal amount of outstanding debt, which was driven by the €300 million senior bond issued in September 2018, the €100 million EIB loan, and the €210 million dedicated loan taken out in December 2018. This slight increase is, however, offset by the higher level of capitalised borrowing costs in the year, at €9.0 million (2017: €8.3 million) the rise in capitalised borrowing costs being due to the roll-out of a number of larger projects. 50Hertz Transmission (Germany)'s share of interest expenses on borrowings amounted to €28.2 million.

The interest expense on derivatives decreased significantly due to a number of interest-rate swaps which ended in financial year 2017 and were partially replaced in 2018 with interest-rate swaps at low market interest rates.

Other financial costs have increased due to a number of one-off financial costs that arose in connection with the acquisition of the 20% stake in 50 Hertz Transmission (Germany).

For more details of net debt and loans, see Note 6.12.

5.4. Income taxes

GRI 201-1 (Payments to government by country: corporate income taxes)

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in million EUR)	2018	2017 (restated *)
Current year	82.6	28.5
Adjustments for prior years	23.2	0.7
Total current income tax expenses	105.9	29.2
Origination and reversal of temporary differences	(3.7)	10.4
Total deferred taxes	(3.7)	10.4
Total income taxes recognised in profit and loss	102.2	39.6

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

Total income tax expenses were higher in 2018 than in 2017. The full consolidation of 50Hertz Transmission (Germany) in the last eight months of 2018 resulted in a €57.8 million increase in total income tax. The remaining increase in tax expenses is driven, among other factors, by a significant limitation of the effects of the Notional Interest Deduction (NID) in 2018. This had a substantial positive tax effect in 2017.

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 EUR)	2018	2017 (restated *)
Profit before income tax	409.3	268.2
Income tax expense	102.2	39.1
Income tax, using the domestic corporate income tax rate	121.0	91.2
Domestic corporate income tax	29.58%	33.99%
Effect of the foreign tax rate**	(0.1)	(0.2)
Share of profit of equity-accounted investees	(19.4)	(37.0)
Non-deductible expenses	5.3	2.6
Adjustments for prior years (net of deferred tax impact)	0.5	0.7
Tax incentives (notional interest deduction)	0.0	(13.1)
Tax credit for R&D	(0.5)	(2.3)
Effect of NID carried forward on regulatory balance	0.0	7.9
Tax reform: deferred income tax adjustments	(0.4)	(12.4)
Other	(4.2)	1.3
Income tax expense	102.2	39.6

1 DTA = Deferred tax asset; NID = Notional Interest Deduction

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

** The nominal tax rate in Germany amounts to 29.59%

The Belgian notional interest deduction (NID) had a considerable effect on the income tax for financial year 2017. Since all remaining stock in notional interest deduction was used in 2017, the positive effects of notional interest deduction were no longer felt in 2018.

Deferred income taxes are discussed further in Note 6.6.

5.5. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company (€275.2 million) by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares	2018	2017
Ordinary shares issued on 1 January	60,901,019	60,891,158
Impact of the shares issued in March 2017		7,646
Impact of the shares issued in December 2018	3,437	
Weighted average number of shares on 31 December	60,904,456	60,898,804

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 €44.9 per share on 31 December 2018, compared with a value of €42.1 per share at the end of 2017.

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.

Changes in fair value

Cash flow hedges

The negative effect in fair value of cash flow hedges was mainly due to the negative fair value at settlement date of the pre-hedge on the senior bond issued in September 2018 in connection with the acquisition of the 20% stake in 50Hertz. The hedging reserve is described in detail in Note 8.1.

Fair value on investments through OCI

Investments previously measured at amortised cost are measured through OCI with the adoption of IFRS 9 (to the extent that the investment is not categorised under IFRS 12). This had a positive effect of €2.7 million in OCI.

Remeasurements

The OCI on post-employment obligations had a limited impact of €0.8 million (€0.6 million net of tax). See Note 6.13 for more details. The effect in the previous year effect mainly resulted from experience adjustments.

6. Items in the consolidated statement of financial position

6.1. Property, plant and equipment

(in million EUR)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction	Total
ACQUISITION VALUE						
Balance at 1 January 2017	199.8	4,904.2	162.2	14.8	448.9	5,729.9
Additions	3.5	46.3	8.8	0.1	318.6	377.3
Disposals	(0.3)	(43.2)	(1.7)	(0.2)	(0.1)	(45.6)
Transfers from one heading to another	2.9	357.9	0.0	4.6	(365.5)	0.0
Balance at 31 December 2017	205.9	5,265.1	169.3	19.3	401.9	6,061.6
Balance at 1 January 2018	205.9	5,265.1	169.3	19.3	401.9	6,061.6
Acquisition business combinations	207.0	2,713.3	68.6	0.0	1,504.4	4,493.4
Additions	6.1	162.5	20.1	0.1	841.4	1,030.1
Disposals	(4.1)	(68.6)	(6.3)	0.0	(22.2)	(101.1)
Transfers from one heading to another	2.7	1,087.1	10.4	5.7	(1,105.9)	0.0
Balance at 31 December 2018	417.6	9,159.3	262.2	25.2	1,619.7	11,483.9
DEPRECIATION AND IMPAIRMENT						
Balance at 1 January 2017	(22.8)	(2,613.7)	(125.7)	(11.3)	-	(2,773.4)
Depreciation	(1.9)	(110.8)	(8.6)	(2.1)	-	(123.5)
Disposals	0.1	35.6	1.7	0.2	-	37.6
Transfers from one heading to another	0.0	3.0	0.0	(3.0)	-	0.0
Balance at 31 December 2017	(24.7)	(2,685.9)	(132.6)	(16.1)	-	(2,859.2)
Balance at 1 January 2018	(24.7)	(2,685.9)	(132.6)	(16.1)	-	(2,859.2)
Depreciation	(4.4)	(207.2)	(21.2)	(0.9)	0.0	(233.7)
Disposals	2.8	56.4	6.0	0.0	0.0	65.2
Transfers from one heading to another	0.0	5.7	(0.3)	(5.3)	0.0	0.0
Balance at 31 December 2018	(26.3)	(2,831.0)	(148.1)	(22.3)	0.0	(3,027.7)

CARRYING AMOUNT						
Balance at 1 January 2017	177.0	2,290.5	36.5	3.5	448.9	2,956.5
Balance at 31 December 2017	181.2	2,579.3	36.7	3.2	401.9	3,202.4
Balance at 1 January 2018	181.2	2,579.3	36.7	3.2	401.9	3,202.4
Balance at 31 December 2018	391.3	6,328.3	114.1	2.9	1,619.7	8,456.2

The largest additions in Belgium relate to major interconnection projects such as Brabo (€47.2 million) and ALEGrO (€101.0 million). Major additions were also made in connection with upgrading the Mercator-Horta high-voltage line (€43.1 million), and €111.4 million was invested in the Modular Offshore Grid.

In Germany, a total of €219.5 million was invested in onshore projects, while offshore investments totalled €272.0 million. The most significant onshore investments were connected with the modernisation of the telecommunications network (€24.2 million), the reinforcement of high-voltage pylons to improve operational safety (€15.1 million), the restructuring and reinforcement of the overhead line from Wolmirstedt to Güstrow (€11.3 million), and the reinforcement of the overhead line from Wolmirstedt to Helmstedt (€10.3 million). Offshore investments were mainly made for the offshore grid connection of Ostwind 1 (€126.8 million), Ostwind 2 (€98.7 million) and the offshore interconnector project Kriegers Flak Combined Grid Solution (€43.8 million).

During 2018, €16.3 million of borrowing costs were capitalised on 2018 acquisitions. €8.8 million (€8.2 million in 2017), based on an average interest rate of 2.68% (3.21% in 2017), originates from the Elia Transmission segment. An amount of €7.5 million, based on an average interest rate of 1.25% comes from the 50Hertz Transmission segment.

Outstanding capital expenditure commitments are described in Note 8.2.

6.2. Intangible assets and goodwill

(in million EUR)	Goodwill	Development costs of software	Licences/concessions	Total
ACQUISITION VALUE				
Balance at 1 January 2017	1,707.8	90.2	3.4	1,801.3
Additions	0.0	10.5	0.3	10.8
Disposals	0.0	0.0	(0.1)	(0.1)
Balance at 31 December 2017	1,707.8	100.7	3.6	1,812.1
Balance at 1 January 2018	1,707.8	100.7	3.6	1,812.1
Acquisition through business combinations	0.0	30.8	21.8	52.6
Additions	703.3	24.3	0.0	727.6
Disposals	0.0	(0.5)	0.0	(0.5)
Balance at 31 December 2018	2,411.1	155.3	25.4	2,591.8
DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2017	(0.0)	(63.3)	(2.2)	(65.5)
Amortisation	0.0	(7.6)	(0.4)	(8.0)
Balance at 31 December 2017	(0.0)	(70.9)	(2.6)	(73.5)
Balance at 1 January 2018	(0.0)	(70.9)	(2.6)	(73.5)
Amortisation	0.0	(15.1)	(1.3)	(16.4)
Disposals	0.0	0.4	0.0	0.4
Balance at 31 December 2018	(0.0)	(85.7)	(3.9)	(89.5)

CARRYING AMOUNT				
Balance at 1 January 2017	1,707.8	26.9	1.1	1,735.8
Balance at 31 December 2017	1,707.8	29.8	1.0	1,738.6
Balance at 1 January 2018	1,707.8	29.8	1.0	1,738.6
Balance at 31 December 2018	2,411.1	69.6	21.5	2,502.3

Software comprises both IT applications developed by the Company for operating the grid and software for the Group's normal business operations.

During 2018, €0.2 million in borrowing costs were capitalised on 2017 acquisitions (compared with €0.2 million in 2017 on that year's acquisitions), based on an average interest rate of 2.68% (3.21% in 2017).

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 EUR)	2018	2017
Acquisition Elia Asset - 2002	1,700.1	1,700.1
Acquisition Elia Engineering - 2004	7.7	7.7
Acquisition Eurogrid International – 2018 *	703.4	0.0
Total	2,411.2	1,707.8

*See Note 7.1 for a detailed description and calculation of the goodwill related to the acquisition of the 20% stake in Eurogrid International

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

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 Elia 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 therefore, the difference could not be allocated to specific assets and was considered unallocated. This difference has therefore 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 to be one cash-generating unit.

As a result, the Company assigned the carrying amount of the goodwill to one unit, the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and have not resulted in recognition of any impairment losses. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually as the higher of their fair value less cost to sell or value in use, applying the assumptions below and using the following valuation methods.

The impairment test was conducted by an independent expert. This impairment test is based on a number of different valuation methods and which are subject to different assumptions. The most important valuation methods used in this impairment test are:

- Discounting of future cash flows (DCF-models): A number of different DCF-variants have been used throughout the impairment test which, amongst each other, predominately differ in the method used to determine the terminal value. Considering the particularities of the Group's business, preference is given to the Regulated Asset Base (RAB)-model as the basis for the estimation of the terminal value;
- Discounting of future dividends;
- Market valuations, which are based upon market multiples taken from comparable companies;
- Valuations which are based upon multiples derived from recent transactions.

Future cash flows and future dividend methods are based on the business plan for the period 2019-2028. The following overall key assumptions were used:

- a tax rate of 25% as from 2020;
- a perpetual growth rate of 1.5%;
- Market-risk premium of 5.5%.

Particularly referring to the above valuation methods, the following key assumptions were used:

- 1) DCF based models:
- Risk-free rate: 0.8%;
 - Levered beta of 0.7;
 - The levered beta calculated based on the target debt ratio of 60%;
 - Cost of equity: 7.3%;
 - Cost of debt pre-tax: 2.4%;
 - WACC: 3.99%.
- 2) Discounting of future dividends:
- Dividends and anticipated capital increases are taken into accounting in this model;
 - Cost of equity: 7.3%.
- 3) Market valuations:
- Observed Enterprise Value / EBIT: 15.6;
 - Observed P/E: 12.8;
 - Observed Enterprise Value / RAB: 1.5.
- 4) Valuations, based upon recent transactions
- Observed Enterprise Value / EBIT: 18.7.

The independent analysis and sensitivity analysis did not result in the identification of an impairment of goodwill in the financial year 2018. With regard to the assessment of the recoverable amount, management believes, based on the analysis of the external expert and on current knowledge, that no reasonably possible change in any of the above key assumptions would cause material impairment losses.

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 positive consolidation difference of €703.4 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.

6.3. Non-current trade and other receivables

(in million EUR)	2018	2017
Loans to third parties	2.6	0.0
Loans to joint ventures	174.4	147.8
Total	177.0	147.8

As mentioned in Note 5.1, the Group has a 50% stake in Nemo Link Ltd. This company is financed by both shareholders through equity and loans. As a result, at 31 December 2018 a non-current receivable to the amount of €174.4 million is outstanding on Nemo Link Ltd. This is accounted for as an unsecured loan instrument with a fixed interest rate and a maturity of 25 years after the commercial operations date of the interconnector (see Note 6.4).

Besides the loan to Nemo Link, the Group has also a receivable outstanding to a third party for an amount of €2.6 million. This receivable was granted for the financing of a joint project with Elia.

See Note 8.1 for a detailed analysis of the incurred credit risk linked to these loans.

6.4. Equity-accounted investees

6.4.1. Joint ventures

Eurogrid International CVBA

In April 2018, the Group acquired an extra 20% stake and control in Eurogrid International CVBA. As a result, from the date of acquisition, Eurogrid International CVBA is no longer accounted for as a Joint Venture, but a fully consolidated entity. The share of profit of equity-accounted investees in the first four months of 2018 for Eurogrid International CVBA was €63.5 million. See Note 7.1.

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, which will allow electricity to flow in either direction between the two countries and will give 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.

Both shareholders have provided funding to Nemo Link Ltd since 2016 via equity contributions and loans (divided on a 50/50 basis).

In 2018, Elia provided €59.5 million, bringing the Company's total funding to €290.7 million, of which 40% came via equity contributions and 60% via loans. The figures of this joint venture are incorporated into the 'Non regulated activities (Incl. NemoLink)'-segment. See Note 4.4.

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 EUR)	2018	2017
Percentage ownership interest	50.0%	50.0%
Non-current assets	606.3	490.7
Current assets	35.5	63.7
Non-current liabilities	381.2	297.1
Current liabilities	27.4	72.3
Equity	233.2	185.0
Group's carrying amount for the interest	116.6	92.5
Revenues and other income	0.0	0.0
Depreciation and amortisation	0.0	0.0
Net finance result	0.6	(0.1)
Profit before income tax	0.6	(0.1)
Income tax	0.0	(2.6)
Profit for the year	0.6	(2.7)
Total comprehensive income for the year	0.6	(2.7)
Group's share of profit for the year	0.3	(1.4)
Dividends received by the Group	0.0	0.0

6.4.2. Associates

The Group has four associates, all of which are equity-accounted investees.

The Group has a 12.5% interest 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 representative of the Group has been appointed a member of Enervalis's Board of Directors. The Group therefore considers itself as having a significant influence and Enervalis is, as such, accounted for using the equity method.

The Group has a 20.5% interest in Ampacimon SA, a Belgian company working on developing innovative monitoring systems for TSOs and distribution system operators (DSOs) so that they can more quickly anticipate on changes in energy supply and demand.

Following the acquisition of a 20% stake in 50Hertz, the Group's interest in Coreso NV/SA increased to 22.2%. Coreso NV/SA is a company which provides coordination services aimed at facilitating the secure operation of the high-voltage electricity system 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', enabling the Group to have 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 2018, the Group received a dividend of €2.0 million from HGRT (€0.9 million in 2017).

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 EUR)	Enervalis		Ampacimon		Coreso		HGRT	
	2018	2017	2018	2017	2018	2017	2018	2017
Percentage ownership interest	12.5%	12.5%	20.5%	20.5%	22.2%	20.6%	17.0%	17.0%
Non-current assets	0.3	0.3	0.3	0.2	4.4	3.1	93.7	93.0
Current assets	1.4	1.4	2.2	5.8	2.2	2.5	6.3	7.2
Non-current liabilities	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Current liabilities	0.3	0.3	0.0	2.8	4.5	3.2	0.4	0.1
Equity	1.3	1.3	2.5	3.1	2.7	2.4	99.6	100.2
Group's carrying amount for the interest	0.7	0.7	0.5	0.6	0.6	0.4	16.9	17.0
Revenues and other income	0.0	0.8	0.0	2.6	13.7	10.5	0.0	0.0
Profit before income tax	0.0	(1.1)	(0.6)	0.7	0.6	0.5	10.8	11.0
Income-tax expense	0.0	0.0	0.0	(0.3)	(0.3)	(0.2)	0.1	(0.2)
Profit for the year	0.0	(1.1)	(0.6)	0.4	0.3	0.2	10.9	10.8
Total comprehensive income for the year	0.0	(1.1)	(0.6)	0.4	0.3	0.2	10.9	10.8
Group's share of profit for the year	0.0	0.0	(0.1)	0.1	0.0	0.0	1.9	1.8

6.5. Other financial assets

(in million EUR)	2018	2017
Immediately claimable deposits	7.0	7.1
Other shareholdings	27.7	0.2
Reimbursement rights	52.2	53.6
Total	86.9	60.9

Immediately claimable deposits are measured at fair value. The risk profile of these investments is discussed in Note 8.1.

As of 2018, 'Other shareholdings' predominantly consist of the shareholdings owned by 50Hertz Transmission, which explains the increase compared to 2017.

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 tariff benefits for retired staff members. See Note 6.13: '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 tariff benefits of retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The decrease in the carrying value of this asset is disclosed in Note 6.13: 'Employee benefits'.

6.6. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million EUR)	2018		2017 (restated) *	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	3.3	(157.4)	1.2	(10.1)
Intangible assets	0.0	(8.2)	0.0	(8.4)
Non-current trade and other receivables	1.7	0.0	0.0	0.0
Interest-bearing loans and other non-current financial liabilities	2.2	(4.0)	0.0	(1.2)
Employee benefits	26.2	(13.9)	7.5	0.0
Provisions	40.6	0.0	0.0	0.0
Deferred revenue	9.4	(2.9)	0.0	0.0
Regulatory liabilities	19.6	0.0	0.0	0.0
Deferred tax on investment grants	0.0	(1.1)	0.0	(1.2)
Losses carried forward	2.5	0.0	0.0	0.0
Other items	0.7	(9.0)	0.8	(7.3)
Tax asset/liability before offsetting	106.3	(196.5)	9.6	(28.2)
Offsetting of tax	(101.3)	101.3	(8.6)	8.6
Net tax asset/(liability)	5.0	(95.2)	1.0	(19.6)

*As a result of the adoption of IFRS 15, the opening balance of the deferred tax liability of PPE has been restated downwards by € 21.4 million. See note 2.1 for detailed information.

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 EUR)	Opening balance	Business Combinations	Recognised in profit or loss	Recognised in OCI	Other	Closing balance
2017						
Property, plant and equipment *	(31.4)		1.6	20.9	0.0	(8.8)
Intangible assets	(9.2)		0.8			(8.4)
Interest-bearing loans and other non-current financial liabilities	1.7		0.3	(3.2)		(1.2)
Employee benefits	5.6		(0.3)	2.3		7.5
Notional interest deduction carried forward - previous	11.9		(11.9)			0.0
Deferred tax on investment grants					(1.2)	(1.2)
Other items	(6.5)		(0.1)			(6.5)
Total	(27.9)	0.0	(9.5)	20.0	(1.2)	(18.6)

2018

Property, plant and equipment	(8.8)	(157.6)	12.4			(154.1)
Intangible assets	(8.4)		0.2			(8.2)
Non-current trade and other receivables	0.0	1.8	(0.1)			1.7
Interest-bearing loans and other non-current financial liabilities	(1.2)	(3.2)	0.4	2.2		(1.8)
Employee benefits	7.5	4.2	0.7	(0.2)		12.3
Provisions	0.0	54.4	(13.8)			40.6
Deferred revenue	0.0	6.3	0.2			6.5
Regulatory liabilities	0.0	18.1	1.5			19.6
Losses carried forward	0.0		2.5			2.5
Deferred tax on investment grants	(1.2)		0.1			(1.1)
Other items	(6.5)	0.5	(0.4)		(1.8)	8.2
Total	(18.6)	(75.5)	3.7	2.0	(1.8)	(90.2)

*As a result of the adoption of IFRS 15, the opening balance of the deferred tax liability of PPE has been restated downwards by € 21.4 million. See note 2.1 for detailed information.

The line 'Other items' contains an amount of €1.8 million in deferred tax on distribution of hybrid securities, which did not have an impact on OCI or profit and loss.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES

As at 31 December 2018, there is an unrecognised deferred tax asset of € 0.5 million relating to tax losses carried forward originating from EGI NV.

6.7. Inventories

(in million EUR)	2018	2017
Raw materials and consumables	34.0	27.6
Write-downs	(14.8)	(14.0)
Total	19.2	13.6

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 included work-in-progress balances.

The increase of inventories is due to the acquired inventory of 50Hertz Transmission.

Write-downs are recorded following the non-utilisation of stock items based on their underlying rotation. These were slightly higher than in 2017.

6.8. Current trade and other receivables, deferred charges and accrued revenues

(in million EUR)	2018	2017
Construction contracts in progress	3.6	3.9
Trade and other receivables and advance payments	417.9	227.2
Levies	38.9	20.6
VAT and other taxes	50.5	24.2
Other	48.0	5.2
Deferred charges and accrued revenues	20.5	9.5
Total	579.4	290.6

Trade receivables are non-interest-bearing and generally have payment terms of 15 to 30 days.

Construction contracts in progress decreased slightly from €3.9 million in the previous year to €3.6 million at year-end. Construction contracts in progress mainly arise from EGI's business.

The increase in levies is mainly due to:

- an increase of €27.2 million relating to Flemish green certificates; mainly due to the increased number of certificates sold to Elia by producers at the minimum guaranteed price in 2018;
- partly offset by the levies for strategic reserve, which decreased from a receivable position of €9.3 million to a payable position of €7.5 million. This was because lower costs were incurred for strategic reserve as no reserve had to be established for winter 2018/2019.

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 EUR)	2018	2017
Not past due	389.7	218.7
Past due 0-30 days	6.6	0.8
Past due 31-60 days	(0.6)	2.9
Past due 61 days - one year	23.6	2.8
More than one year	0.5	1.6
Total (excl. impairment)	419.8	226.8
Doubtful amounts	170.2	1.7
Amounts of write-offs	(169.8)	(1.3)
Provision for expected credit losses	(2.3)	0.0
Total	417.9	227.2

See Note 8.1 for a detailed analysis of the credit risk incurred in connection with these trade receivables.

6.9. Current tax assets and liabilities

(in million EUR)	2018	2017
Tax receivables	3.6	3.8
Tax liabilities	(93.1)	(2.9)
Net tax asset / (liability)	(89.5)	0.9

Tax receivables have remained in line with the previous year. The €3.6 million in tax receivables at 31 December 2018 mainly relates to 2018 advances on corporation tax to be recovered in the financial year 2019.

6.10. Cash and cash equivalents

(in million EUR)	2018	2017
Short-term deposits	1,356.2	55.2
Balance at bank	433.1	140.0
Total	1,789.3	195.2

Cash and cash equivalents have increased significantly as a result of the acquisition of 50Hertz Transmission (Germany). The cash held by those companies was previously accounted for using the equity method. The cash and cash equivalents held by 50Hertz Transmission (Germany) amounts to €1.590 million at the end of 2018.

The acquisition of an additional 20% stake in Eurogrid (see Note 7.1) and the expanded capital expenditure programme (see Note 6.1) were financed through the issuance of a hybrid securities (see Note 6.10.2) and additional loans (see Note 6.12), resulting in a cash position which remained stable in comparison with the previous year (i.e. not considering the effect of the additional cash obtained through 50Hertz (Transmission)).

Short-term deposits are invested for periods varying from a few days and a few weeks to several months (generally not exceeding three months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for the short-term deposits. The interest rate of interest-bearing investments at the end of the reporting period varies from -0.4% to 1.0%.

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 €29.9 million held by Elia RE. These deposits are subject to regulatory restrictions and are therefore not directly available for general use by the other entities within the Group.

'Balance at bank' includes an amount of €0.1 million in restricted cash. This relates to a prepayment received on EU funding for a consortium, of which 50Hertz Transmission manages the syndicate account.

6.11. Shareholders' equity

6.11.1. Equity attributable to the owners of the Company

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2018	2017
Outstanding on 1 January	60,901,019	60,891,158
Issued against cash payment	114,039	9,861
Number of shares (end of period)	61,015,058	60,901,019

The extraordinary shareholders' meeting of 17 May 2016 decided to execute a capital increase in two steps/periods (one in 2016 for a maximum of €5.3 million and the other in 2017 for a maximum of €0.7 million) for a total maximum amount of €6.0 million for its Belgian employees. The second tranche of this capital increase (tax tranche) for the Group's Belgian employees was implemented in March 2017 and involved €0.4 million, consisting of a €0.3 million capital increase and a €0.1 million increase in share premium. As part of this second tranche, 9,861 new shares were issued.

The extraordinary shareholders' meeting of 15 May 2018 decided to mandate the executive committee to initiate a capital increase for an amount of €5.3 million for its Belgian employees.

In December 2018, the Elia Group gave its employees in Belgium the opportunity to subscribe to an Elia System Operator SA capital increase (tax and non-tax tranches) which resulted in a €3.8 million increase in the share capital (including the cost of the capital increase, amounting to €1.1 million) and a €2.5 million increase in the share premium. The number of shares outstanding rose by 114,039 shares without nominal value.

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 2018 the Group's legal reserve amounts to €173.0 million and represents 10% of the capital.

The Board of Directors can propose the payout of a dividend to shareholders up to a maximum of the available reserves plus the profit carried forward from previous financial years of the Company, including the profit for the financial year ended 31 December 2018. 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

GRI 201-1 (Payments to providers of capital)

After the reporting date, the Board of Directors will put forward the dividend proposal indicated below.

Dividend	2018	2017
Per ordinary share entitled to dividend	1.66	1.62

At the General Meeting of Shareholders on 15 May 2018, the Board of Directors proposed the payout of a gross dividend of €1.62 per share, which yields a net dividend of €1.134 per share, yielding a total amount of €98.7 million.

The Board of Directors' meeting of 21 February 2019 proposed a gross dividend of €1.66 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 21 May 2019 and is not included as a liability in the consolidated financial statements of the Group.

The total dividend, calculated based on the number of shares outstanding on 21 February 2019, corresponds to a total of €101.3 million.

6.11.2. Hybrid securities

GRI 201-1 (Payments to providers of capital)

In September 2018, the Group issued hybrid securities for the financing of the additional 20% stake in 50Hertz Transmission (Germany). The issue resulted in an increase in the Group's equity for an amount of € 700 million.

The hybrid securities bear an optional, cumulative coupon of 2.75%, payable at the Group's discretion annually on 5 December of each year, starting from 5 December 2019. As at 31 December 2018, the unpaid cumulative dividend amounts to € 6.2 million, relating to the period 5 September 2018 to 31 December 2018.The hybrid securities have an initial call date in December 2023 with a reset every five years thereafter.

The hybrid securities have received an instrument rating of BBB- from S&P. The hybrid securities are structured as perpetual instruments, have junior ranking to all the senior debt and will be recorded as equity in the Group's accounts pursuant to IFRS.

(in million EUR)	2018	2017
Non-current borrowings	5,773.8	2,834.7
Subtotal non-current borrowings	5,773.8	2,834.7
Current borrowings	549.9	0,0
Accrued interest	71.1	49.5
Subtotal current loans and borrowings	621.1	49.5
Total	6,394.9	2,884.2

The tables below disclose the changes in the Group's liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(in million EUR)	Current interest-bearing loans and borrowings	Non-current interest-bearing loans and borrowings	Total
Balance 1 January 2017	147.5	2,586.4	2,733.9
Cash flow: interest paid	(88.4)	0.0	(88.4)
Cash flow: repayment of borrowings	(100.0)	0.0	(100.0)
Cash flow: proceeds from withdrawal borrowings	0.0	247.4	247.4
Interest accruals	90.4	0.0	90.4
Other	0.0	0.9	0.9
Balance 31 December 2017	49.5	2,834.7	2,884.2
Balance 1 January 2018	49.5	2,834.7	2,884.2
Acquisition through business combination	28.5	2,829.9	2,858.4
Cash flow: interest paid	(141.8)	0.0	(141.8)
Cash flow: repayment of borrowings	0.0	0.0	0.0
Cash flow: proceeds from withdrawal borrowings	50.0	606.9	656.9
Interest accruals	135.0	0.0	135.0
Other	499.9	(497.7)	2.3
Balance 31 December 2018	621.1	5,773.8	6,394.9

The net increase in interest-bearing loans and borrowings is predominantly explained by the issuance of a new €300-million senior bond in September 2018 as part of the financing of the acquisition of Eurogrid, the issuance of a dedicated amortised term loan of €210 million for the financing of the investment in Nemo Link, and the use of the €100 million credit line with the European Investment Bank.

'Other' in the financial year 2018 mainly relates to reclassifications of long-term debt to short-term debt in accordance with when instruments become due.

Information concerning the terms and conditions of the outstanding interest-bearing loans and borrowings is given below:

(in million EUR)	Matu- rity	Amount	Interest rate before hedging	Interest rate after hedging	Current proportion - fixed	Current proportion - variable
Eurobond issues 2004/15 years	2019	499.9	5.25%	5.25%	100.00%	0.00%
Eurobond issues 2013/15 years	2028	547.6	3.25%	3.25%	100.00%	0.00%
Eurobond issues 2013/20 years	2033	199.4	3.50%	3.50%	100.00%	0.00%
Eurobond issues 2014/15 years	2029	346.8	3.00%	3.00%	100.00%	0.00%
Eurobond issues 2015/8.5 years	2024	498.7	1.38%	1.38%	100.00%	0.00%
Eurobond issues 2017/10 years	2027	247.7	1.38%	1.38%	100.00%	0.00%
Senior bond 2018/10 years	2028	297.3	1.50%	1.50%	100.00%	0.00%
Shareholders' loan	2022	42.1	0.89%	0.89%	60.51%	39.49%
Other loans	2022	453.7	0.89%	0.89%	60.51%	39.49%
Amortized term loan	2033	209.7	1.80%	1.80%	100.00%	0.00%
European Investment Bank	2025	100.0	1.08%	1.08%	100.00%	0.00%
Dematerialised treasury notes	2019	50.0	(0.23%)	(0.23%)	100.00%	0.00%
Bond as part of Euro Medium Term Note program 2010	2020	499.1	3.88%	3.875%	100.00%	0.00%
Bond as part of Debt Issuance Programme 2015	2025	497.5	1.88%	1.875%	100.00%	0.00%
Bond as part of Debt Issuance Programme 2015	2023	748.4	1.62%	1.625%	100.00%	0.00%
Bond as part of Debt Issuance Programme 2015	2030	139.1	2.63%	2.625%	100.00%	0.00%
Bond as part of Debt Issuance Programme 2016	2028	746.7	1.50%	1.500%	100.00%	0.00%
Registered bond 2014	2044	50.0	3.00%	3.000%	100.00%	0.00%
Unsecured bank loan	2026	150.0	0.90%	0.900%	100.00%	0.00%
Total		6,323.8			92.16%	7.84%

The above €6,323.8 million is to be increased with €71.1 million of interest accruals to reconstitute the overall debt of €6,394.9 million.

The following covenants are required for the Eurobonds issued under the €3-billion EMTN programme and the back-up facilities:

- The company will not grant any security interest (i.e. any mortgage, charge, pledge, lien or other form of encumbrance or security interest; a personal guarantee or suretyship does not constitute a 'security interest') to secure any relevant debt of any person or to secure any guarantee of or indemnity in respect of any relevant debt of any person.
- The Company shall ensure that none of its material subsidiaries grant any security interest to secure any relevant debt of any person or to secure any guarantee of or indemnity in respect of any relevant debt of any person.
- The Company will and shall ensure that its material subsidiaries will ensure that no other person grants any security interest to secure any of the company's, or any of its material subsidiaries', relevant debt or to secure any guarantee of or indemnity in respect of any of the Issuer's, or any of its material subsidiaries', relevant debt.
- The Company will retain at least a 75% participation in Elia Asset SA/NV.
- The Company will keep its licence as a transmission system operator.

Information concerning the maturity profile of the Group's financial liabilities based on contractual undiscounted payments is given in Note 8.1 'Liquidity risk'.

6.13. 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 EUR)	2018			2017		
	Belgium	Germany	Total	Belgium	Germany	Total
Defined-benefit plans	20.3	20.6	40.8	21.2	n.r.	21.2
Post-employment benefits other than pensions	62.2	2.4	64.6	63.1	n.r.	63.1
Total provisions for employee benefits	82.5	22.9	105.4	84.3	n.r.	84.3

Of the €105.4 million in employee benefit provisions recognised at the end of financial year 2018, €104.0 million is presented in the long term and €1.4 million in the short term (Note 6.14).

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 attributed to 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 the 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.

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 Pensiobel – 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 recognized 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 as from 2003):** individual contractual pension obligations based on an agreement with representatives;
- **Pension obligations for executives (agreement with staff representatives as from 19 August 2008):** 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 as well as in the event of 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 from 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 EUR)	Pensions		Other	
	2018	2017	2018	2017
Present value of funded defined-benefit obligation	(247.8)	(224.3)	(85.8)	(63.7)
Fair value of plan assets	207.0	203.1	21.2	0.6
Net employee benefit liability	(40.8)	(21.2)	(64.6)	(63.1)
Movement in the present value of the defined benefit obligation (in million EUR)	Pensions		Other	
	2018	2017	2018	2017
At the beginning of the period	(224.3)	(192.1)	(63.7)	(63.6)
Acquisition through business combinations	(19.0)	0.0	(17.1)	0.0
Current service cost	(9.1)	(6.9)	(4.5)	(1.7)
Interest cost/income	(3.2)	(3.2)	(1.2)	(1.0)
Contributions from plan participants	0.3	(1.2)	2.2	0.0
Cost of early retirement	(0.1)	0.1	0.0	0.0
Including remeasurement gains/(losses) in OCI and in Statement of profit or loss, arising from				
Changes in demographic assumptions	(0.5)	1.7	0.0	0.7
Changes in financial assumptions	2.2	(0.7)	0.9	(0.6)
Changes from experience adjustments	6.4	(16.5)	0.6	(0.2)
Taxes on contributions paid during the year	(0.7)	1.2	(0.0)	0.0
Past service cost	0.0	0.0	0.0	0.0
Payments from the plan	15.1	11.8	0.2	2.7
Settlements	0.0	0.0	0.0	0.0
Transfers	(14.9)	(18.5)	(3.2)	0.0
At the end of the period	(247.8)	(224.3)	(85.8)	(63.7)
Movements in the fair value of the plan assets (in million EUR)	Pensions		Other	
	2018	2017	2018	2017
At the beginning of the period	203.1	179.9	0.6	0.6
Acquisition through business combinations	0.1	0.0	14.8	0.0
Interest income	3.1	2.8	0.0	0.0
Remeasurement gains/losses in OCI arising from:			0.0	
Return of plan assets (excluding interest income on plan assets)	(10.1)	2.4	(0.2)	(0.0)
Contributions from employer	11.1	9.9	5.3	1.1
Contributions from plan participants	1.3	1.2	0.0	0.0
Benefit payments	(16.3)	(11.8)	(2.5)	(1.1)
Transfers	14.9	18.5	3.2	0.0
At the end of the period	207.0	203.1	21.2	0.6

Amounts recognised in Profit and Loss or OCI (in million EUR)	Pensions		Other	
	2018	2017	2018	2017
Service cost				
Current service cost	(9.1)	(6.9)	(4.5)	(1.7)
Cost of early retirement	(0.1)	0.1	0.0	0.0
Past service cost	0.0	0.0	0.0	0.0
Settlements	0.0	0.0	0.1	0.0
Actuarial gains/(losses) on defined benefit obligation	0.0	0.0	0.8	0.5
Net interest on the net defined benefit liability/(asset)	(0.1)	(0.4)	(1.2)	(1.0)
Interest cost on defined benefit obligation	(3.2)	(3.2)	(1.2)	(1.0)
Interest income on plan assets	3.1	2.8	0.0	0.0
Other	(0.2)	0.0	(0.3)	0.0
Defined benefit costs recognised in profit or loss	(9.5)	(7.2)	(5.0)	(2.2)

Actuarial gains(losses) on defined obligation arising from:				
1/ Changes in demografic assumptions	(0.5)	1.7	0.0	0.2
2/ Changes in financial assumptions	2.2	(0.7)	0.7	0.2
3/ Changes from experience adjustments	6.4	(16.5)	0.0	(1.0)

Return on plan assets (excluding interest income on plan assets)	(10.1)	2.4	(0.2)	0.0
Remeasurements of net defined-benefit(liability)/asset recognised in Other Comprehensive Income (OCI)	(2.0)	(13.1)	0.5	(0.6)
Total	(11.6)	(20.3)	(4.5)	(2.8)

(in million EUR)	2018	2017
Breakdown of defined-benefit obligation by type of plan participants	(333.6)	(288.0)
Active plan participants	(251.8)	(215.5)
Terminated plan participants with def.-benefit entitlements	(15.1)	(10.9)
Retired plan participants and beneficiaries	(66.7)	(61.6)
Breakdown of defined-benefit obligation by type of benefits	(333.6)	(288.0)
Retirement and death benefits	(253.7)	(224.3)
Other post-employment benefits (medical and tariff reductions)	(65.0)	(45.0)
Seniority payments	(14.8)	(18.7)

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 the ones 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:

Fair value of the plan assets per major category	2018	2017
Investments quoted in an active market	73.54%	80.74%
Shares - Eurozone	14.40%	15.35%
Shares - outside Eurozone	19.34%	20.90%
Government bonds - Eurozone	0.96%	5.10%
Other bonds - Eurozone	25.67%	31.25%
Other bonds – outside Eurozone	13.17%	8.14%
Unquoted investments	26.46%	19.26%
Qualifying insurance contracts	7.72%	0.00%
Property	2.54%	3.77%
Cash and cash equivalents	3.01%	1.04%
Other	13.19%	14.44%
Total (in %)	100.00%	100.00%

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 debt investments, 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 2005G 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)	2018 Belgium	2017 Belgium	2018 Germany
Discount rate			
- Pensions - defined-benefit plans and cash balance - best off plans	1.39%	1.31%	2.00%
- Pensions - defined-contribution plans	1.72% to 1.79%	1.77% to 1.87%	-
- Other	1.80%	1.72%	2.00%
Expected average salary increase (excluding inflation)	1.00%	1.00%	1.75%
Expected inflation	1.75%	1.75%	2.00%
Expected increase in health benefits (including inflation)	2.75%	2.75%	2.25%
Expected increase in tariff advantages	1.75%	1.75%	-
Average assumed retirement age			
- Employee	63	63	65
- Manager	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	20.1
Life expectancy for a 65 year old female	23.6	24.0	23.6

*Mortality tables used: IABE in Belgium, 2005G Heubeck in Germany

(in years)	2018 Belgium	2017 Belgium	2018 Germany
Weighted average duration of the defined-benefit obligation	8.95	9.58	23.90
Weighted average duration of the defined-contribution plans	16.82	18.43	n.r.
Weighted average duration of the post-employment benefits other than pensions	13.47	14.03	12.47

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.

The actual return on plan assets in % for 2018 was in the range of -2.49% to -7.75% (compared with a range of 3.31% to 5.86% in 2017).

Below is an overview of the expected cash outflows for the DB plans:

Future expected cash outflows (per bucket)	< 12 months	1-5 years	6-10 years
- Pensions	(0.9)	(6.0)	(6.4)
- Other	(4.4)	(15.7)	(13.8)
Total (in million EUR)	(5.4)	(21.7)	(20.2)

There is a certain 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 EUR)	Belgium Increase (+) / decrease	Germany Increase (+) / decrease
Impact on the net defined-benefit obligation of an increase in:		
Discount rate (0.5% movement)	12.6	4.9
Average salary increase - excl. inflation (0.5% movement)	(8.3)	(0.2)
Inflation (0.25% movement)	(4.8)	(0.3)
Increase in healthcare benefits (1.0% movement)	(4.4)	n.r.
Increase in tariff advantages (0.5% movement)	(1.6)	n.r.
Life expectancy of pensions (1 year)	(3.1)	(1.0)

REMEASUREMENTS OF POST-EMPLOYMENT BENEFIT OBLIGATIONS

(in million EUR)	2018	2017
Cumulative amount at 1 January	(22.1)	(11.8)
Acquisition through business combinations	(0.7)	0.0
Recognised in the period	0.6	(10.3)
Cumulative amount at 31 December	(22.1)	(22.1)

The above remeasurements of post-employment benefits include 50Hertz Transmission (Germany). The cumulative amount includes a net €3.1 million cumulative remeasurement for 50Hertz Transmission (Germany).

REIMBURSEMENT RIGHTS (BELGIUM)

As described in Note 6.5, 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 the retired Elia population. 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 reimbursement rights (in million EUR)	Pensions		Other	
	2018	2017	2018	2017
At the beginning of the period	(28.0)	(31.8)	(25.6)	(26.3)
Current service cost	3.3	3.7	1.2	1.6
Interest cost/income	(0.3)	(0.4)	(0.5)	(0.5)
Actuarial gains/(losses) on defined obligation arising from:				
1) Changes in demographic assumptions	0.0	0.0	0.0	0.0
2) Changes in financial assumptions	0.2	(0.1)	0.4	0.1
3) Changes from experience adjustments	(0.3)	0.2	(2.6)	(0.5)
Taxes on contributions paid during the year	0.0	0.5	0.0	0.0
At the end of the period	(25.1)	(28.0)	(27.1)	(25.6)

6.14. Provisions

(in million EUR)	Environment	Elia Re	Easement provision	Dismantling obligations	Employee benefits	Other	Total
Balance at 1 January 2017	16.2	7.1				2.5	25.8
Increase in provisions	3.0	1.6				0.3	4.3
Reversals of provisions	(4.0)	0.0				(0.1)	(4.1)
Utilisation of provisions	(0.6)	(0.6)				(0.1)	(0.7)
Balance at 31 December 2017	14.6	8.1				2.6	25.3
Long-term portion	10.1	8.1				2.6	20.8
Short-term portion	4.5	0.0				0.0	4.5
Balance at 1 January 2018	14.6	8.1	0.0	0.0	0.0	2.6	25.3
Acquisition through business combinations	3.4	0	15.0	66.8	1.5	4.8	91.6
Increase in provisions	0.7	1.3	0.0	2.4	0.0	0.3	4.7
Reversals of provisions	(0.7)	(1.3)	(2.9)	0.0	(0.1)	(0.3)	(5.3)
Utilisation of provisions	(2.3)	(0.1)	(0.1)	0.0	0.0	(0.2)	(2.7)
Discounting of provisions	(0.3)	0.0	(0.1)	0.3	0.0	0.0	(0.1)
Balance at 31 December 2018	15.3	8.0	12.0	69.5	1.4	7.2	113.4
Long-term portion	10.8	8.0	6.0	69.5	0.0	2.6	96.9
Short-term portion	4.5	0.0	6.0	0.0	1.4	4.5	16.5

The Group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination. The €15.3 million provision mainly relates to the Belgian segment, with only a €2.0 million provision relating to the German segment. This explains the limited increase in provision from €14.6 million at the end of 2017 to €15.3 million as at 31 December 2018.

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 Region and Walloon Region, 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 €8.0 million is included at year-end for Elia Re, a captive reinsurance company. €3.5 million of this is linked to claims for overhead facilities, €3.2 million to electrical facilities and €1.3 million to liability cases (as opposed to €3.8 million for overhead facilities, €2.9 million for electrical facilities and €1.4 million for liability cases in 2017). 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 are 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.

Dismantling provisions: As part of the Group’s CAPEX program, 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 2018 was €69.5 million and fully relates to the German segment. The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

Employee benefits: See Note 6.13, 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.

6.15. Other non-current liabilities

(in million EUR)	2018	2017 (restated *)
Investment grants	85.8	3.8
Non-current deferred income	129.8	84.6
Other	0.6	0.0
Total	216.2	88.5

* See Note 2.1 for details regarding restatement as a result of a change in accounting policy.

€82.1 million of the investment grants relates to 50Hertz Transmission (Germany). These are released in profit and loss when entitlement to the grants is acquired. The amount has increased from €10.0 million at the end of 2017 for the investment grants received for the Southwest Coupling line.

The increase in other non-current liabilities is mainly due to the acquisition of a 20% stake in 50Hertz. The deferred income relates to received customer contributions, which are recognised in profit or loss in accordance with the useful life of the respective asset. The liability arose as part of the adoption of IFRS15 which is further detailed in Note 2.1. At the end of 2018, a liability of €87.4 million was recognised within Elia Transmission (Belgium) and a liability of €42.3 million was recognised within 50Hertz Transmission (Germany).

6.16. Trade and other payables

(in million EUR)	2018	2017
Trade debts	602.4	220.8
VAT and other taxes	19.4	8.9
Remuneration and social security	31.3	28.1
Dividends	1.2	1.2
Levies	1,137.7	108.0
Other	137.9	11.1
Accrued liabilities	59.2	0.4
Total	1,989.1	378.5

The amount for levies can be split between levies related to 50Hertz Transmission (€1,029.2 million) and levies related to Elia Transmission (€108.5 million).

The levies for Elia Transmission are stable compared to previous year (increase of €0.5 million). These levies include federal levies, which total €43.4 million at 31 December 2018 and have remained unchanged from 2017. Levies for the Walloon government have decreased slightly to €45.9 million, from €49.1 million at the end of 2017. The remaining balance consists of federal green certificates (€11.4 million) and strategic reserves (€7.6 million).

The levies for 50Hertz Transmission consist mainly of EEG (€865.5 million), KWK (€31.6 million), §19 StromNEV (€96.3 million) and Offshore contributions (€33.7 million).

6.17. Accruals and deferred income

(in million EUR)	2018	2017
Accruals and deferred income	19.3	8.5
Settlement mechanism Belgian regulatory framework	532.9	526.1
Settlement mechanism German regulatory framework	444.5	0.0
Total	996.7	534.6

The settlement mechanism is described in Note 9. The amounts linked to the settlement mechanism are detailed in Note 4.

The settlement mechanism at 31 December 2018 is set out in the table below:

(in million EUR)	Belgian regulatory framework	German regulatory framework
To be refunded to the tariffs in the current regulatory period	110.5	0.0
To be refunded to the tariffs in the next regulatory period	422.4	444.5
Settlement mechanism	532.9	444.5

As the current German regulatory framework comes to an end in 2018, all amounts to be refunded are for the next regulatory period.

The Group operates in a regulated environment in which tariffs are meant to make it possible to realise total revenue consisting of:

1. a reasonable return on invested capital;
2. 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 to cover all reasonable costs of the system operator and to provide shareholders with a reasonable profit margin on their investment.

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 could have been respectively lower or higher (and vice versa). A surplus or deficit arising from the settlement mechanism is therefore not reported in profit or loss, or as an item under equity.

On a cumulative basis, it could be argued that the public has made an advance payment (= surplus) for its future use of the grid. As such, the surplus (deficit) is not a commission for a future loss (recovery) of income but instead a deferred/accrued revenue for (with regard to) consumers. On the basis of the regulatory framework, the Group believes that the surplus (deficit) does not represent an item of revenue (cost). Consequently, these amounts are netted and reported under 'Accruals and deferred income'. These surpluses or deficits are verified and approved by the regulator in the next accounting year.

See Note 9.1 for more details.

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 EUR)	Carrying amount					Fair value			
	Fair Value through P&L	Fair Value through OCI	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017									
Other financial assets	7.3				7.3	7.1		0.2	7.3
Trade and other receivables			428.9	0.0	428.9				0.0
Cash and cash equivalents			195.2	0.0	195.2				0.0
Interest-rate swaps used for hedging		0.0			0.0		0.0		0.0
Unsecured financial bank loans and other loans				(545.3)	(545.3)		(545.3)		(545.3)
Unsecured bond issues				(2,338.9)	(2,338.9)		(2,621.2)		(2,621.2)
Trade and other payables				(378.5)	(378.5)				
Total	7.3	0.0	624.1	(3,262.7)	(2,631.3)	n.r	n.r	n.r	n.r
31 December 2018									
Other financial assets	7.0	27.7			34.7	7.0		27.7	34.7
Trade and other receivables			736.0		736.0				
Cash and cash equivalents			1,789.3		1,789.3				
Foreign-currency rate swaps used for hedging		2.9			2.9		2.9		2.9
Unsecured financial bank loans and other loans				(1,076.9)	(1,076.9)		(1,076.9)		(1,076.9)
Unsecured bond issues				(5,318.0)	(5,318.0)		(5,603.1)		(5,603.1)
Trade and other payables				(1,989.0)	(1,989.0)				
Total	7.0	30.6	2,525.3	(8,383.9)	(5,821.0)	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.

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 balance sheet at fair value, 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 it is 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) are based upon valuation reports issued by third parties.

The fair value of the 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.

FAIR-VALUE HIERARCHY

The fair value of 'sicavs' falls into level 1, i.e. valuation is based on the (unadjusted) 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 other prices 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 market prices on active markets for such instruments; 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 2018, 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 been estimated to be close to zero as well.

Interest-bearing loans

The fair value is calculated on the basis of the discounted future redemptions and interest payments.

7. Group structure

7.1. Business combinations and acquisition of non-controlling interests

On 26 April 2018, the Group completed the acquisition of an additional 20% stake in Eurogrid International SCRL ('Eurogrid'), the holding company which holds the 50Hertz Transmission (Germany) segment. Following this transaction, Elia owns 80% of Eurogrid and has full control over 50Hertz Transmission (Germany).

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

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

Assets acquired and liabilities assumed

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

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

Trade receivables include a €89.9 million allowance for doubtful receivables.

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

Assets acquired	Valuation conclusion
Property, plant and equipment	<p>The vast majority of all property, plant and equipment are held by the entity 50Hertz Transmission - the TSO for the region - for an indefinite period. The fair value of property, plant and equipment was considered to be very close to its book value for the following reasons:</p> <ul style="list-style-type: none">Due to the very specific nature of the assets, no market exists or is available in which the assets could be traded. Hence, it is not possible to reliably estimate the value for which knowledgeable parties would trade these assets. The Group is therefore of the opinion that there is no better estimate of the assets’ fair value than their existing book value.The value of the Company is mainly driven by an ‘expected increase’ in the RAB value (Regulated Asset Base). These expected increases are mainly driven by future cash outflows. It would therefore be inappropriate to (already) assume uplifts in the value of assets, considering that this value will only be realised through a continued capital programme to be carried out in the future.The useful lives of the fixed assets are chosen so as to obtain the best possible match with the actual depreciation of each asset. Depreciation of property, plant and equipment is calculated based on the useful lives recognised by the Federal Network Agency for regulatory purposes; it believes that these values represent the best possible approximation of actual events in terms of economic utilisation. <p>Considering this, the Group considers that the book value of 50Hertz Transmission (Germany)’s property, plant and equipment is the best estimation of the fair value.</p>
Trade and other receivables	<p>The fair value is determined by considering open outstanding receivables, minus adjustments for non-collectability.</p>
Cash and cash equivalents	<p>The book value of cash and cash equivalents was considered equal to their fair value, so no adjustments to the book value needed to be made.</p>
Loans and borrowings	<p>Eurobonds are valued at amortised cost, which at the date of acquisition give a very close approximation of their fair value.</p>
Trade and other payables	<p>The fair value is determined by considering open outstanding payables.</p>

Goodwill arising from the acquisition

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

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

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

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

The provisional goodwill is mainly attributable to the skills and technical expertise of 50Hertz Transmission (Germany)’s work force and the synergies expected to be achieved from further integrating the German segment in to the Group’s activities. The Group will continue to assess such expertise and synergies in 2019, so to assure that the amount of goodwill recognised is appropriate,

None of the goodwill recognised is expected to be deductible for tax purposes.

In case the acquisition would have happened on 1 January 2018, the Group’s net profit would be €42.3 million higher. This €42.3 million profit relates to 40% of Eurogrid International’s profits as realised from 1 January 2018 to 26 April 2018 (with half of it to be allocated to non-controlling interests).

Purchase consideration

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

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

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

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

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

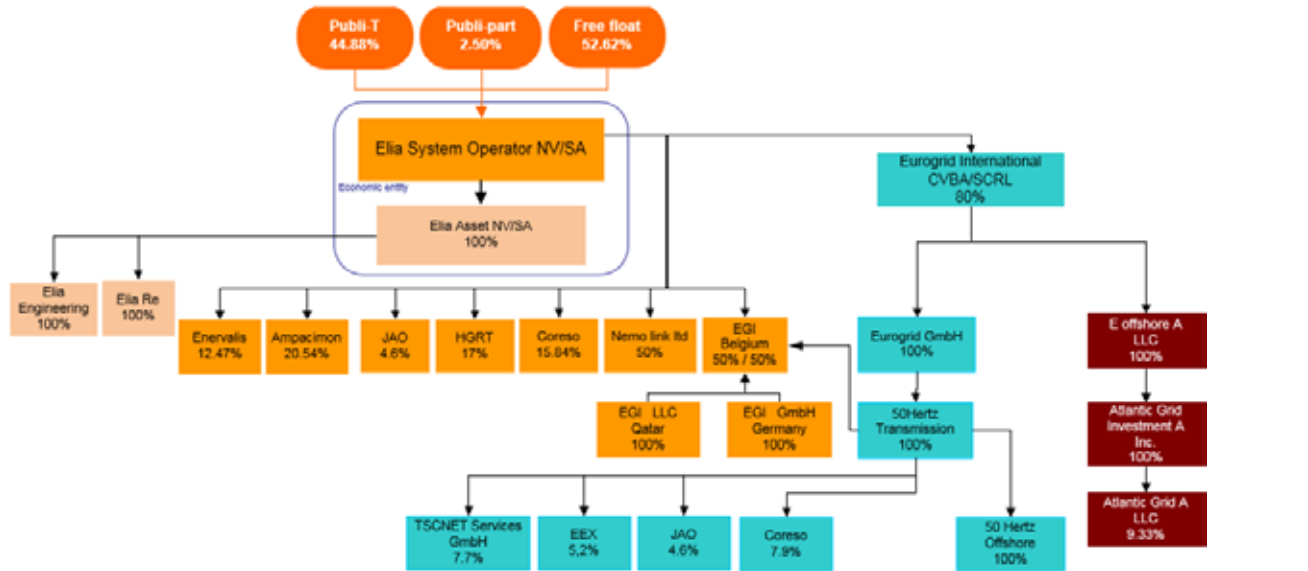
Contingent consideration

No contingent consideration has been agreed in the purchase agreement

7.2. Subsidiaries, joint ventures and associates

GRI 102-45

OVERVIEW OF GROUP STRUCTURE



SUBSIDIARIES

Elia System Operator NV/SA has direct and indirect control of the subsidiaries listed below.

All the entities keep their accounts in euros (except E-Offshore A LLC, Atlantic Grid Investment A Inc. and Atlantic Grid A LLC, whose accounts are held in US dollars) and have the same reporting date as Elia System Operator NV/SA (except Eurogrid International CVBA/SCRL).

On 31 August 2018, the participating interest in GridLab GmbH was sold to DNV GL Energy Advisory GmbH for a total purchase price of €200,000. GridLab is included in the German segment up to the transaction's closing date.

Name	Country of	Headquarters	Stake %	
			2018	2017
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	80.00
Elia Grid International GmbH	Germany	Heidestraße 2, 10557 Berlin	90.00	80.00
Elia Grid International LLC	Qatar	Office 905, 9th Floor, Al Fardan Office Tower, Westbay - Doha	90.00	-
Eurogrid International CVBA/SCRL *	Belgium	Bd de l'Empereur 20, 1000 Brussels	80.00	60.00
Eurogrid GmbH *	Germany	Heidestraße 2, 10557 Berlin	80.00	60.00
50Hertz Transmission GmbH *	Germany	Heidestraße 2, 10557 Berlin	80.00	60.00
50Hertz Offshore GmbH *	Germany	Heidestraße 2, 10557 Berlin	80.00	60.00
E-Offshore A LLC *	U.S.	874, Walker Road, Suite C, 19904 Dover, Delaware	80.00	60.00
Atlantic Grid Investment A Inc *	U.S.	1209 Orange Street, 19801 Wilmington, Delaware	80.00	60.00
Joint arrangements				
Gridlab GmbH	Germany	Mittelstraße 7, 12529 Schönefeld	-	60.00
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
Associated companies accounted for				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso NV/SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	22.16	20.58
Ampacimon SA	Belgium	Rue de Wallonie 11, 4460 Grâce-Hollogne	20.54	20.54
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	12.47	12.47
Other shareholdings				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	8.28	8.00
Atlantic Grid A LLC	U.S.	4445, Willard Av, Suite 1050, 20815 Chevy Chase,	7.46	5.86
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 04109 Leipzig	4.16	4.32
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	6.16	4.62

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 the risk analysis 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 EUR)	2018	2017
Loans and receivables – long term	177.0	147.8
Loans and receivables – short term	558.9	281.1
Cash and cash equivalents	1,789.3	195.2
Immediately claimable deposits	7.1	7.1
Interest-rate swaps used for hedging:		
Liabilities	(2.9)	-
Total	2,529.5	631.2

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

(in million EUR)	Bad debtors	Impairment losses	Remaining balance
Opening balance	1.3	(1.1)	0.2
Changes during the year	0.4	(0.2)	0.2
Balance at 31 December 2017	1.7	(1.3)	0.4
Opening balance	1.7	(1.3)	0.4
Changes during the year	168.6	(168.5)	0.1
Balance at 31 December 2018	170.3	(169.8)	0.5

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 underlying customers' 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 2018 or 1 January 2018 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 the historical credit losses to be a good proxy for future (expected) credit losses.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee. This percentage is multiplied by the outstanding trade receivables.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

1 January 2018	Not past due	0-30 days past due	31-60 days past due	61 days - 1 year past due	1 year - 2 years	> 2 year	Total
Expected loss rate	0.0%	0.2%	0.4%	2.8%	35.2%	100.0%	
Carrying amount - trade receivables	131.9	7.8	7.8	3.2	0.3	0.0	151.1
Loss given default	97.2%	97.2%	97.2%	97.2%	97.2%	97.2%	
Loss allowance	0.0	0.0	0.0	0.1	0.1	0.0	0.3

31 December 2018	Not past due	0-30 days past due	31-60 days past due	61 days - 1 year past due	1 year - 2 years	> 2 year	Total
Expected loss rate	0.0%	1.4%	6.0%	10.8%	72.2%	100.0%	
Carrying amount - trade receivables	406.7	3.6	0.5	20.8	0.3	0.2	432.2
Loss given default	91.2%	83.3%	78.8%	78.0%	86.1%	78.0%	
Loss allowance	0.1	0.1	0.0	1.7	0.2	0.2	2.3

The carrying amount of trade receivables presented in the tables above only includes the receivables which are subject to impairment. The overall outstanding receivables have been adjusted for, amongst others, recoverable VAT upon debtor insolvency and invoices yet to be issued.

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 foreign investments or activities and less than 1% of its costs are expressed in currencies other than the 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 2013, 2014, 2015, 2017 and 2018 and loan contracts signed with EIB and other banks in 2018, proves that the Group has access to different sources of funding.

(in million EUR)	Face Value	Closing balance	Expected cash out-flows	6 months or less	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	3,273.8	3,262.7	(3,814.7)	(452.6)	(2.2)	(576.4)	(644.8)	(2,138.7)
Unsecured bond issues	2,350.0	2,338.9	(2,919.6)	(71.9)	0.0	(571.9)	(137.1)	(2,138.7)
Unsecured financial bank loans and interest	545.3	545.3	(566.1)	(51.7)	(2.2)	(4.4)	(507.8)	0.0
Trade and other payables	378.5	378.5	(378.5)	(378.5)				
Derivative financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest-rate swaps used for hedging	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total at 31 December 2017	3,273.8	3,262.7	(3,864.2)	(502.1)	(2.2)	(576.4)	(644.8)	(2,138.7)
Non-derivative financial liabilities	8,406.0	8,384.0	(9,372.5)	(2,709.8)	(45.6)	(619.0)	(1,537.7)	(4,460.4)
Unsecured bond issues	5,340.0	5,318.0	(6,212.1)	(592.5)	(41.2)	(607.6)	(1,014.6)	(3,956.2)
Unsecured financial bank loans and interest	1,076.9	1,076.9	(1,171.3)	(128.2)	(4.4)	(11.4)	(523.1)	(504.2)
Trade and other payables	1,989.1	1,989.1	(1,989.1)	(1,989.1)	0.0	0.0	0.0	0.0
Derivative financial liabilities	n.r.	2.9	(2.9)	(0.3)	(0.3)	(0.6)	(1.7)	0.0
Interest-rate swaps used for hedging	n.r.	2.9	(2.9)	(0.3)	(0.3)	(0.6)	(1.7)	0.0
Total at 31 December 2018	8,406.0	8,386.9	(9,375.4)	(2,710.1)	(45.9)	(619.6)	(1,539.4)	(4,460.4)

In 2018, Elia Transmission Belgium issued a 10-year senior bond of €300 million. In addition, an EIB-loan and a dedicated loan were signed for a value of €100 million and €210 million, respectively.

Details of the used and unused back-up credit facilities are set out below:

(in million EUR)	Maturity	Available amount	Average basic interest	Amount used	Amount not used
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0.0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0.0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0.0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0.0	110.0
Confirmed credit line	08/07/2021	110.0	Euribor + 0.30%	0.0	110.0
Confirmed credit line	08/07/2021	100.0	Euribor + 0.30%	0.0	100.0
Belgian dematerialised treasury notes	unlimited	350.0	Euribor + margin when concluding deal	50.0	300.0
Straight Loan EGI	unlimited	2.5	Euribor + 0.75%	0.0	2.5
Confirmed credit line	24/03/2022	750.0	Euribor + 0.275%	0.0	750.0
Confirmed credit line	unlimited	150.0	av. 1M-Euribor +0.275%	0.0	150.0
Confirmed credit line	14/12/2026	150.0	0.90%	150.0	0.0
Total		2,052.5		200.0	1,852.5

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.

The Group manages its interest rate risk by having a balanced portfolio of fixed- and variable-rate loans and borrowings. To manage this, the Group could engage in interest-rate swaps, which would entail the Group agreeing to exchange, at specified intervals, the difference between fixed- and variable-rate interest amounts calculated based on an agreed notional principal amount. These swaps are allocated to hedge underlying debt obligations. As at 31 December 2017, the Group had no interest-rate swaps outstanding. As at 31 December 2018, interest-rate swaps were outstanding to cover a nominal debt amount of € 300 million.

The table (see Note 6.12) shows the average interest rate.

SENSITIVITY ANALYSIS

Changes in interest rates will not affect the consolidated result in the short or long term as the Group operates within a regulatory framework where the consequences of fluctuations in financial expenses are mainly recovered in tariffs, except for the items which are directly recognised through OCI.

FAIR VALUE SENSITIVITY ANALYSIS FOR INTEREST RATE SWAPS

A change of 100 basis points in interest rates would have increased (decreased) other comprehensive income by the amounts shown below:

(in million EUR)	100 bp increase	100 bp decrease
Interest rate swaps - Impact in equity	10.3	(10.3)

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 income statement, 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

In June 2018, the Group entered into a pre-hedge interest rate swap to hedge the interest rate risk relating to the emission of the hybrid security. Under IFRS 9, a condition to apply hedge accounting is that the hedged transaction could affect profit or loss. As the dividends of the hybrid security will never affect profit and loss, the Group could not apply hedge accounting on the derivative, resulting in a profit or loss impact, upon settlement of the derivative in September of €3.3mio upon unwinding of the instrument.

Derivatives designated as hedging instruments

The Group decided to hedge the interest rate risk In the context of 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 the interest rate risk, the Group entered into a pre-hedge interest rate swap agreement in June 2018 in order to lock in interest market 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, 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 will be recycled into profit and loss over the lifetime of the underlying hedged instrument, i.e. the senior bond with 10-year maturity.

For a loan of €496 million, the interest rate is variable and Elia had covered the risk by entering into interest rate swaps. As the swaps came to maturity at the end of 2017, the Group contracted three interest-rate swaps with a total nominal amount of €300.0 million. All

three interest-rate swaps are designated as cash flow hedges under IFRS 9. The negative net fair value of these interest rate swaps at 31 December 2018 is €2.9 million.

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 the employees the opportunity to subscribe to capital increases that are exclusively reserved for them.

8.2. Commitment and contingencies

OPERATING LEASE COMMITMENTS – GROUP AS A LESSEE

The Group has entered into agreements to obtain passage rights for both underground and above-ground cables. These rights are often obtained in the form of usufruct rights or concessions. The terms and conditions of these contracts vary depending on the counterparty as well as when the contract was entered into.

The Group has also entered into commercial leases on motor vehicles, IT equipment and office buildings. The leases related to cars and IT equipment have an average term of three years. The contracts regarding the buildings have a normal term of nine years, with the option of renewing the lease after that. Renewals are decided on by the specific entity that holds the lease. Normal conditions for renewal of lease contracts are applicable.

Future minimum rental payables under non-cancellable operating leases are as follows:

(in million EUR)	< 1 year	1–5 years	> 5 years
Use of land	0.5	1.9	7.2
Buildings	2.4	0.6	0.0
Cars, IT equipment and others	7.3	10.9	0.0
Balance at 31 December 2017	10.2	13.4	7.2
Use of land	0.3	0.9	5.1
Buildings	3.6	6.5	10.0
Cars, IT equipment and others	12.1	15.2	0.1
Balance at 31 December 2018	15.9	22.6	15.2

The following expenses related to these lease contracts were recognised in the profit or loss:

(in million EUR)	2018	2017
Use of land	0.3	1.7
Buildings	4.4	2.5
Cars, IT equipment and others	11.9	6.4
Total	16.6	10.6

OPERATING LEASE COMMITMENTS – GROUP AS A LESSOR

The Group has entered into commercial property leases on certain items of property, plant and equipment, mainly consisting of optimising the use of sites and high-voltage pylons. Future minimum rental receivables are as follows:

(in million EUR)	< 1 year	1–5 years	> 5 years
Telecom	14.4	6.5	0.0
Land and buildings	0.6	0.2	0.0
Balance at 31 December 2017	15.0	6.7	0.0
Telecom	15.9	6.4	4.3
Land and buildings	0.3	0.0	0.0
Balance at 31 December 2018	16.2	6.4	4.3

The following revenue related to these lease contracts was recognised in the income statement:

(in million EUR)	2018	2017
Telecom	16.7	14.3
Land and buildings	1.0	0.6
Total	17.7	14.9

CONTINGENT RENTS, PURCHASE OPTIONS AND RESTRICTIONS

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 to the use of the respective asset.

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2018, the Group had a commitment of €1,586.8 million relating to the purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2018, the Group had a commitment of €147.4 million relating to purchase contracts for general expenses, maintenance and repair costs.

Elia System Operator also provided a parent-company guarantee in the amount of €113.7 million to its joint venture Nemo Link Ltd; this related to the EPC contracts and was granted so that Nemo Link Ltd could build the relevant interconnector.

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. 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. CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost and any expense for repurchase of 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 AwAC as from 2022, 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 Walloon Agency for Air and Climate, or AwAC) which resulted in a net cash inflow of €43.3 million. Similarly as for the transaction in September 2017, Elia might be required to buy back a portion of the certificates sold as from 2023. Any repurchase will be covered through the tariffs for levies.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia System Operator is Publi-T and remained unchanged from 2017. Other than the yearly dividend payment, no transactions occurred with the core shareholder in 2018.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include Elia's Board of Directors and Elia's Management Committee. Both Elia's Board of Directors and Elia's Management Committee have a significant influence across the entire Elia Group.

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

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. Eurogrid International CVBA'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.

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

(in million EUR)	2018	2017
Short-term employee benefits	4.8	2.6
Basic remuneration	4.1	1.8
Variable remuneration	0.7	0.8
Post-employment benefits	0.7	0.4
Other variable remuneration	1.2	0.7
Total gross remuneration	6.7	3.7
Number of persons (in units)	12	8
Average gross remuneration per person	0.6	0.5
Number of shares (in units)	24,331	20,005

In addition, 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-presidents of the Management Committee, etc.).

There were some significant transactions in 2018 with various distribution system operators. The total value of realised sales came to €54.3 million, while the total value of expenses amounted to €4.8 million. As at 31 December 2018, there was an outstanding trade-receivable position of €4.5 million and an outstanding trade-debt position of €0.2 million.

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATED COMPANIES

Transactions between the Company and subsidiaries that are related parties were eliminated during consolidation and therefore are not recognised in this note.

There were no transactions with E-Offshore, Atlantic Grid Investment or Enervalis in the financial year 2018.

Transactions with joint ventures and associated companies were not eliminated, and therefore details of transactions with other related parties are shown below:

(in million EUR)	2018	2017
Transactions with joint ventures and associated companies	6.5	23.2
Sales of goods	2.5	33.3
Purchases of goods	(2.5)	(14.7)
Interest and similar revenue	6.5	4.6
Outstanding balances with joint ventures and associated companies	196.6	134.9
Long-term debtors	174.7	147.7
Trade debtors	10.5	4.2
Trade debts	(0.2)	(11.7)
Accruals and deferred income	(11.6)	(5.3)

Prior to the acquisition of the additional 20% stake in 50Hertz Transmission (Germany) (see Note 7.1), all transactions with the companies making up the German segment were disclosed in this Note. As the additional 20% stake gave the Elia Group control over this segment, the entities within the 50Hertz Transmission (Germany) segment are now subsidiaries and are thus no longer included.

‘Long-term debtors’ and ‘Accruals and deferred income’ relate to shareholder funding provided by Elia System Operator for its joint venture Nemo Link Limited. The increase in these items compared to last year can be ascribed to the additional funding contracted during the year. See also Note 8.2, which details the guarantees issued by Elia System Operator for its joint venture Nemo Link Ltd

The significant increase in long-term debtors is a result of the funding provided to Nemo Link in 2018 – see Note 6.3 for more details.

The Group also has an outstanding loan with its shareholder PubliPart for an amount of €42.1 million. We refer to Note 6.12 for more details.

8.4. Subsequent events

With regard to the Belgian new tariff methodology applicable for the period 2020-2023, Elia lodged in 2018 and appeal against a new provision defining the impact on regulated tariffs of loans contracted to finance non-regulated activities. According to this provision, the financing of non-regulated activities is valorised on terms equivalent to a financing that would be fully ensured by equity. On January 10, Elia received a copy of the judgment of the ‘Markets Court’, which declares its appeal admissible but unfounded. The subject matter of this judgment is limited to this provision of the tariff methodology 2020-2023 which remains in force as approved and published on 28 June 2018 and thus applicable from 2020. Based on a detailed analysis of this judgement, Elia remains convinced that this judgement has no significant impact on our current investments in non-regulated activities. Should elements arise in the future that would lead to substantially different consequences, then Elia will analyse them and take a position in due time, including possible legal and other mitigating remedies.

8.5. Miscellaneous

Impact of the United Kingdom leaving the European Union

The Group has conducted an analysis of the potential impact on the Group’s financial statements in the event of a hard or a soft Brexit. The most significant risk identified related to its joint venture Nemo Link Ltd.

The Group’s analysis concluded that Nemo Link Ltd is prepared for both a soft and a hard Brexit scenario. A soft Brexit would see the UK remain in the Internal Energy Market (IEM), whereas a hard Brexit would see it leave the IEM.

The Group has successfully completed a consultation resulting in the approval by both regulators of the IEM access rules have been approved by both regulators for the event that a soft Brexit occurs. Similarly, non-IEM access rules have been sent out for consultation for the event that a hard Brexit occurs.

From the all feedback obtained and the analysis performed, the overall conclusion is that Nemo Link would remain operational under both a soft and a hard Brexit. Profitability on 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.

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 KPMG Bedrijfsrevisoren BCVBA (represented by Mr. Alexis Palm) and Ernst & Young Bedrijfsrevisoren BCVBA (represented by Mr. Patrick Rottiers) for the audit of the consolidated financial statements of Elia System Operator NV/SA and the audit of the statutory financial statements of Elia System Operator NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Grid International NV/SA and Eurogrid International CVBA.

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 and 50Hertz Offshore GmbH. KPMG GmbH was appointed for the audit of Elia Grid International GmbH.

The following table sets out the fees of the joint auditors and their associated companies in connection with services delivered with respect to the financial year 2018:

in EUR	Belgium	Germany	Total
Statutory audit	169,692	239,000	408,692
Audit related	65,771	26,000	91,771
Income tax	2,220	75,375	77,595
Indirect tax	17,062	0	17,062
Other advisory	85,700	0	85,700
Total	340,445	340,375	680,820

REGULATORY FRAMEWORK AND TARIFFS

1. Regulatory framework in Belgium

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 3rd 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 the federal level.

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 3rd European package applying to them. The regional decrees have been complemented by various other rules and regulations on matters such as public service obligations, renewable energy and authorisation procedures for suppliers.

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 the 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 grid operator when calculating the various tariffs applying to grid users;
- certifying that the grid 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 grids with voltages of 70 kV and less falls under the jurisdiction of the respective regional regulators. Each of them may require any operator (including Elia if it operates such grids) 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 grids.

1.4. Tariff setting

TARIFF REGULATIONS

On 18 December 2014, CREG adopted a decree setting out the calculation methods used to establish tariffs applying to users of electricity grids performing a transmission function. Elia used this methodology as a basis for its tariff proposal for 2016-2019, which was submitted on 30 June 2015. This tariff proposal, adjusted following the discussions between Elia and CREG in the course of the second half of 2015, was approved by the regulator on 3 December 2015.

TARIFF REGULATIONS APPLYING IN BELGIUM

As the operator of grids performing a transmission function (covering the transmission grid and the local and regional transmission grids in Belgium), Elia makes most of its income from the regulated tariffs charged for use of these grids (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. 2017 was therefore the second year of the third four-year regulatory period.

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 the 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. It is based on the average annual value of the regulated asset base (RAB), calculated annually, taking into account new investments, depreciations and changes in working capital.

In this context, fair remuneration is calculated based on a formula that allocates a different return to equity accounting for up to 33% of the RAB (Part A) and to equity exceeding this ratio (Part B). This formula is as follows:

Fair remuneration = A + B where:

- A = [33% x average RAB of the year n x [(OLO n) + (beta x risk premium)] x illiquidity premium]; plus
- B = [(S – 33%) x average RAB x (OLO n + 70 base points)]; where:
- OLO n is the interest rate for Belgian 10-year linear bonds for the year in question;
- S = consolidated capital and reserves/average RAB, in accordance with Belgian accounting standards (BE GAAP);
- beta (β) is calculated based on Elia share prices, compared with the BEL 20 index, over a three-year period; the value of beta cannot be lower than 0.53;
- the risk premium is fixed at 3.5%;
- the illiquidity premium is fixed at 1.10.

PART A

The rate of remuneration (in %) as set by CREG for year ‘n’ is equal to the sum of the risk-free rate, i.e. the average rate of Belgian 10-year linear bonds and a premium for share-market risk, weighted using the applicable beta factor.

The reference ratio of 33% is applied to Elia's average regulated asset base (RAB) to calculate Elia's reference equity.

By means of this ratio, CREG encourages the proportional share between equity and regulated asset base to be as close as possible to 33%. As a consequence, Part B (applicable to the reference equity exceeding 33% of the RAB) is remunerated at a lower rate.

PART B

If the actual proportional share of Elia's actual equity exceeds the reference ratio, the surplus amount is balanced out with a rate of remuneration calculated as follows: [(OLO n + 70 base points)].

The Electricity Act also provides for the possibility of the regulator setting higher remuneration rates for capital that is invested to finance projects of national or European interest (see 'Other incentives' below).

Non-controllable costs and revenues

This category of costs and revenues over which Elia has no direct control is not subject to the incentive mechanisms offered by CREG, and is allocated in its entirety to the calculation of the revenue to be covered by tariffs. The tariffs are set on the basis of the forecast values of these costs, and the difference from the actual values is allocated ex post to the tariff calculation for the subsequent period.

The main non-controllable costs are: depreciation of tangible fixed assets, ancillary services (except for the reservation costs of ancillary services excluding black start, which are referred to as 'influenceable costs'), costs related to line relocation imposed by a public authority, and taxes. They also include financial charges to which the embedded debt principle applies. As a consequence, all actual and reasonable financial costs related to debt financing are included in the tariffs. Some revenues are also non-controllable. These include cross-border congestion revenues and financial revenues.

Controllable costs and revenues

The costs and revenues over which Elia has direct control are subject to incentive regulation mechanisms, meaning that Elia is encouraged to reduce these costs and increase these revenues. Therefore, Elia's efficiency efforts (and conversely any inefficiency) are divided equally between Elia profits and future tariffs (50% each).

Influenceable costs

The reservation costs of ancillary services, except for black start, are categorised as 'influenceable costs', meaning that Elia's profits are partially affected (to the tune of 15%) by increases and reductions in these costs, within certain limits (ranging from -€2 million to €6 million).

Other incentives

- *Market integration:* This incentive consists of three components: (i) enhancement of Belgium's import capacity; (ii) increase of social welfare generated by regional market coupling: both elements only have a positive impact on the net profit, with a maximum of €6 million for import capacity and a maximum of €11 million for social welfare (pre-tax). (iii) the profit (dividends and capital gains) resulting from Elia's financial participation in various other companies contributing to market integration (CASC, Coreso, HGRT, APX-ENDEX) - This is shared between Elia (60%) and future tariffs reductions (40%).
- *Investment programme:* This incentive is related to three objectives: (i) Elia's ex ante/ex post justification of the costs involved in each investment (this objective makes a contribution of up to €2.5 million to pre-tax profits); (ii) adherence to the planned dates for commissioning of the Stevin, Brabo, ALEGrO and fourth phase-shifting transformer (PST) projects (€1 million pre-tax per project commissioned on time); and (iii) production of a list of selected strategic projects, especially investments aimed at consolidating European integration (the "mark-up' incentive). The mark-up is calculated based on the actual cumulative amounts spent, whereby it must however be borne in mind that there are annual and project caps on amounts invested and that the incentive is calculated on the basis of the actual amounts invested. The mark-up applies in full when the OLO rate is 0.5% or less. It is reduced if the OLO rate is greater than 0.5% and decreases to 0 for an OLO rate of 2.16% or more. It should be noted that 10% of the mark-up amount obtained for each project must be repaid if the project is not completed by the stipulated deadlines or if the availability levels provided by the project after commissioning are unsatisfactory.
- *Continuity of supply:* Elia is entitled to an incentive calculated based on the Average Interruption Time (AIT) measured in the course of a year. The allocated sum is capped at €2 million (pre-tax).
- *Innovation:* This incentive is calculated based on the total costs incurred in obtaining innovation subsidies, up to a maximum sum corresponding to 50% of the amount of subsidies received or €1 million (pre-tax).
- *Discretionary incentive:* Each year, CREG sets the objectives Elia is expected to meet to receive this incentive. These mainly relate to the implementation of projects and mechanisms aimed at balancing supply and demand on the electricity market. This incentive contributes to the profit to the tune of up to €2 million (pre-tax).

Regulatory framework for the Modular Offshore Grid

The CREG approved 29th March 2018 the tariff methodology to include specific rules applicable to the investment in the Modular Offshore Grid. The main features are (i) a specific premium risk to be applied to this investment, (ii) the depreciation rate applicable to MOG assets, (iii) certain costs specific to the MOG being classified differently to the costs for onshore activities, (iv) the setting of the level of the costs will be defined based on the characteristics of the MOG assets and finally (v) dedicated incentives relative to management and operation of the offshore assets.

Settlement mechanism: deviations from budgeted values

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 and this deviation from budgeted values creates a regulatory debt (or a regulatory receivable) which will be used to calculate the tariffs for the subsequent tariff period. Regardless of deviations between the forecast parameters for tariffs setting (Fair remuneration, Non-controllable elements, Controllable elements, Influencable costs, Incentive components, Cost and revenue allocation between regulated and non-regulated activities) and effective incurred costs or revenues related to these parameters, the CREG takes the final decision as to whether the incurred costs/revenue are deemed reasonable to be borne by the tariffs. This decision may result in the rejection of elements incurred and, in the event that such elements incurred are rejected, the amount will not be taken into account for the setting of tariffs for the next period. Despite the fact that 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 Elia's financials.

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2016-2019 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 the impact on Belgian grid users of Elia's financial participation in other companies which CREG does not consider part of the RAB (such as stakes in regulated or non-regulated activities outside Belgium, for example its shareholding in 50Hertz or EGI) is neutral.

2. Regulatory framework in Germany

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 supported 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, inter alia, principles and methods for the grid-tariff calculations and other obligations applying to grid operators;
- the Ordinance on Electricity Network Access (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzzugangsverordnung – StromNZV)*), which, inter alia, sets out further detail of how to grant access to the transmission systems (and other types of grids) 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 set out 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.

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, inter alia, 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.

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 principally 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. The grid operators are not allowed to retain revenue in excess of their individually determined revenue cap. Each regulatory period lasts five years, with the second regulatory period starting on 1 January 2014 and ending on 31 December 2018. 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 grid 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 by the grid tariffs, albeit usually with a two-year time lag. 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) for what are called investment measures. The cost of debt related to investment measures is currently capped at the lower value of the actual cost of debt and the cost of debt as calculated in accordance with published Federal Network Agency guidelines. 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 regulatory account. In addition, Permanently non-influenceable costs 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 relating to ancillary services and grid losses costs gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms. Since the revision of the ARegV in 2016, also costs for the curtailment of renewable energy sources to relieve grid congestion are based on forecast values. Moreover, costs resulting from European projects of common interest (PCI) where a cost contribution of Germany has been decided can be included as PNIC, albeit with a two-year time lag.
- Temporary 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 as 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 regulatory asset base and the PNIC for assets approved in investment budgets. For the second regulatory period (2014-2018), the return on equity is set at 7.14% for investments made before 2006 and 9.05% for investments made since 2006, based on 40% of the total asset value being regarded as 'financed by equity' with the remainder being treated as 'quasi-debt'. In 2016, the BNetzA determined the return on equity applicable for the third regulatory period (2019-2023); the values were significantly down from the second regulatory period, namely to 5.12% for investments made before 2006 and 6.91% 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 related to its renewable energy obligations, including EEG and CHP/KWKG obligations and offshore liabilities. For this purpose, various surcharges 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 have already been approved or applied for), 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 at 31 December 2018, 50Hertz had obtained approval for 94 of the 127 active investment-measure requests made since 2008.

Based on the total investment-budget request volume of €15 billion, the approved investment budget for the same date amounts to €10.4 billion.

TARIFFS

Grid access tariffs were calculated based on the respective revenue cap and published on 11 December 2018 for 2019. They have decreased by an average of 23% from 2018. One key driver for lowering the tariffs was the removal of the offshore costs into a new offshore surcharge (see section below). Furthermore, 50Hertz has actively and successfully proceeded with 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 for the persistently high costs of grid expansion and allow a decrease 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. In July 2017, the Act for Modernisation of Grid Tariffs (*Netzentgeltmodernisierungsgesetz* – NEMoG) came into force. The NEMoG envisages the gradual harmonisation of the grid access tariffs of the four German TSOs as of 2019, 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 tariffs to a surcharge from 2019.

3. Regulatory framework for NemoLink 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 of 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. Any revenue earned above the cap would 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 would then reduce the grid charges for grid users in their respective countries. If revenue falls below the floor then the interconnector owners would 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 the 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 and will then be set for the length of the regime.

JOINT AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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Joint auditors’ report to the general meeting of Elia System Operator NV/SA for the year ended 31 December 2018

As required by law, we report to you as joint statutory auditors of Elia System Operator NV/SA (the “Company”) and its subsidiaries (together the “Group”). This report includes our opinion on the consolidated statement of the financial position as at 31 December 2018, 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 2018 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 16 May 2017, 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 ending 31 December 2019. We performed the audit of the Consolidated Financial Statements of the Group during respectively 18 consecutive years for KPMG Bedrijfsrevisoren CVBA and 17 consecutive years for Ernst & Young Bedrijfsrevisoren CVBA.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia System Operator NV/SA, which consists of the consolidated statement of the financial position as at 31 December 2018, 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 2018 and the notes, which show a consolidated balance sheet total of € 13,754.3 million and of which the consolidated income statement shows a profit for the year of € 307.1 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 2018, 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 6.17 ‘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

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Audit report dated 5 April 2019 on the Consolidated Financial Statements of Elia System Operator as of and for the year ended 31 December 2018 (continued)

“CREG”) and the 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 (average interest rate on governmental bonds, 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 the completeness and accuracy of the underlying data used in the calculation, including 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 6.17, 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 has very significant investment projects ongoing to connect these new productions sites on Elia’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’ of the Consolidated Financial Statements and in Note 4 ‘Segment reporting’.

These assets are classified as Property, Plant and Equipment (“PP&E”), with a total capital expenditure of € 1,030.1 million in 2018 and a net book value of € 8,456.2 million as at 31 December 2018 or 61.5% of total balance sheet.

Elia’s accounting policies describe that all maintenance expenses are considered to be operating expenses (“OPEX”) and all new project or replacement investments are considered 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’s communication in its press releases and in investor’s 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 the appropriate authorization of capitalization, the compliance of capitalization criteria used with the accounting policies, the correct classification of expenditures either as CAPEX or as OPEX as well as relevant IT application controls with the support of our IT specialists;
- 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

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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;

- We have assessed 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 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 Director's 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
- 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 with the Audit Committee within the Board of Directors, we determine

Audit report dated 5 April 2019 on the Consolidated Financial Statements of Elia System Operator as of and for the year ended 31 December 2018 (continued)

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

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 Director's report and other information included in the annual report, the compliance with the legal and regulatory requirements regarding bookkeeping, as well as compliance with the Belgian Companies Code and with the Company's by-laws.

Responsibilities of the joint auditors

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report and other information included in the annual report, as

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, based on specific work performed on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements for the same financial year and has been prepared in accordance with article 119 of the Belgian Companies Code.

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 Director's report and other information included in the annual report, being:

- Key figures 2018 (pg 18-19) included in the Activity report
- Management discussion (pg 112-119) included in the Activity report

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you. In addition, we do not express any form of reasonable assurance regarding the individual elements included in the annual report.

The non-financial information required by article 119 §2 of the Companies' Code has been included in the board of directors' s annual report on the consolidated financial statements, which 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-

describe these matters in our report, unless the law or regulations prohibit this.

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 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 134 of the Belgian Companies Code have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

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, 5 April 2019

The joint statutory auditors

Ernst & Young Bedrijfsrevisoren CVBA
Represented by

Patrick Rottiers
Partner*

*Acting on behalf of a BVBA

KPMG Bedrijfsrevisoren CVBA
Represented by

Alexis Palm
Partner

INFORMATION ABOUT THE PARENT COMPANY

Extracts from the statutory annual accounts of Elia System Operator 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 System Operator 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 EUR)	2018	2017
FIXED ASSETS	4,690.3	3,677.8
Financial fixed assets	4,690.3	3,677.8
Affiliated companies	4,560.9	3,572.3
Participating interests	4,560.9	3,572.3
Other enterprises linked by participating interests	129.4	105.6
Participating interests	129.2	105.4
Other participating interests	0.2	0.2
CURRENT ASSETS	2,397.2	1,893.9
Amounts receivable after more than one year	174.9	147.8
Trade receivables	0.0	8.8
Other amounts receivable	174.9	139.0
Inventories and contracts in progress	6.9	4.9
Contracts in progress	6.9	4.9
Amounts receivable within one year	2,052.0	1,585.3
Trade debtors	221.4	215.6
Other amounts receivable	1,830.6	1,369.8
Investments	0.0	30.0
Other term deposits	0.0	30.0
Cash at bank and in hand	143.1	117.9
Deferred charges and accrued income	20.4	8.0
TOTAL ASSETS	7,087.5	5,571.7

EQUITY AND LIABILITIES (in million EUR)	2018	2017
CAPITAL AND RESERVES	1,868.3	1,762.8
Capital	1,521.8	1,519.0
Issued capital	1,521.8	1,519.0
Share premium account	14.3	11.9
Reserves	175.4	174.7
Legal reserve	173.0	173.0
Untaxed reserve	2.4	1.6
Profit carried forward	156.7	57.2
PROVISIONS, DEFERRED TAXES	0.4	0.4
Provisions for risks and charges	0.4	0.4
Other risks and charges	0.4	0.4
LIABILITIES	5,218.8	3,808.5
Amounts payable after one year	3,648.1	2,839.2
Financial debts	3,648.1	2,839.2
Subordinated debentures	699.9	0.0
Unsubordinated debentures	2,142.3	2,343.4
Credit institutions	310.0	0.0
Other loans	495.8	495.8
Amounts payable within one year	875.1	391.9
Current portion of amounts payable after more than one year	500.0	0.0
Financial debts	50.0	0.0
Credit institutions	50.0	0.0
Other loans	8.3	4.3
Trade debts	252.3	186.4
Suppliers	242.9	179.3
Advances received on contracts in progress	9.4	7.1
Amounts payable regarding taxes, remuneration and social security costs	9.2	8.7
Taxes	0.6	0.7
Remuneration and social security	8.6	8.0
Other amounts payable	156.7	192.5
Accrued charges and deferred income	594.3	577.4
TOTAL EQUITY AND LIABILITIES	7,087.5	5,571.7

Income statement

(in million EUR)	2018	2017
OPERATING INCOME	922.7	799.4
Turnover	908.0	792.2
Increase/(decrease) in inventories of finished goods, works and contracts in progress	2.0	(0.9)
Other operating income	12.7	8.1
OPERATING CHARGES	(840.0)	(704.7)
Services and other goods	(798.7)	(666.5)
Remuneration, social security costs and pensions	(41.2)	(38.1)
Amounts written off stocks, contracts in progress and trade debtors: appropriations/(write-backs)	(0.1)	(0.2)
Provisions for liabilities and charges: appropriations/(uses and write-backs)	0.0	0.0
Other operating charges	(0.0)	(0.0)
OPERATING PROFIT	82.7	94.8
Financial income	221.9	98.0
Income from financial fixed assets	212.3	90.4
Income from current assets	9.6	7.6
Non-recurring financial income	0.0	0.0
Financial charges	(102.5)	(88.9)
Debt charges	(93.8)	(86.7)
Other financial charges	(8.7)	(2.2)
Non-recurring financial charges	0.0	0.0
PROFIT FOR THE PERIOD BEFORE TAXES	202.2	103.8
Income taxes	(0.6)	(6.9)
Income taxes	(0.6)	(6.9)
PROFIT FOR THE PERIOD	201.6	96.9
Transfer to untaxed reserves	(0.7)	(0.8)
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	200.9	96.1