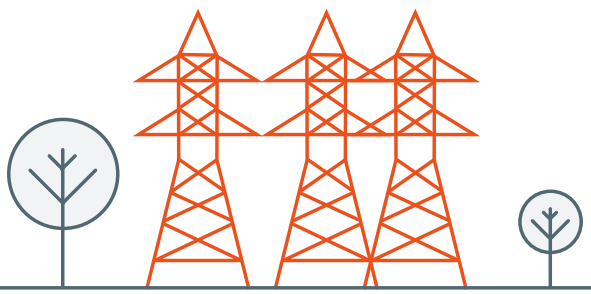
Annual report 2017
IN THE INTEREST OF SOCIETY

elia group | 50hertz | elia

In the interest of society

How can Elia guarantee round-the-clock, year-round power for my business?

How can I be sure I'm in the best role at every stage of my career?



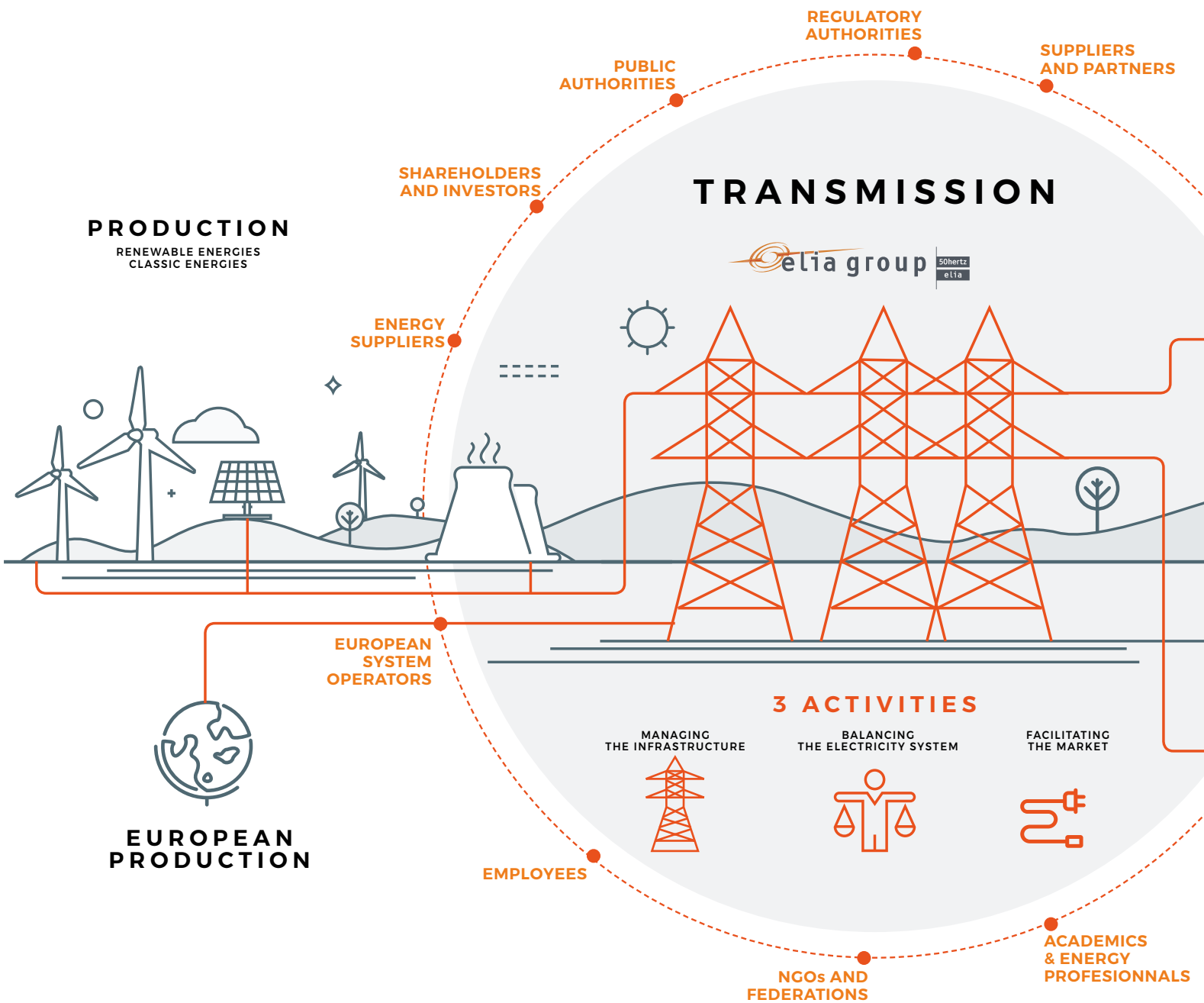
At Elia Group, we are helping to make the energy transition happen. That involves many challenges. We are delivering the transmission infrastructure of the future. We are having to rethink our infrastructure and the way we keep the electricity system balanced, with safety as a top priority. We are also helping the market to evolve by developing new tools and processes, and strengthening our collaborations with all market players.

The energy world is changing. New technologies and societal developments are emerging every day. The Elia Group incorporates these elements into its strategy and is already developing new methods to upgrade its grid, taking the latest trends into account.

We anticipate the needs of society and the expectations of our stakeholders and we make sure we are ready to take on new tasks - all this while maintaining an affordable, reliable and secure grid. Put simply: at Elia Group, we work in the interest of society.

Discover our corporate video
https://youtu.be/d_cR6En2Jtg

In the interest of stakeholders GRI 102-40



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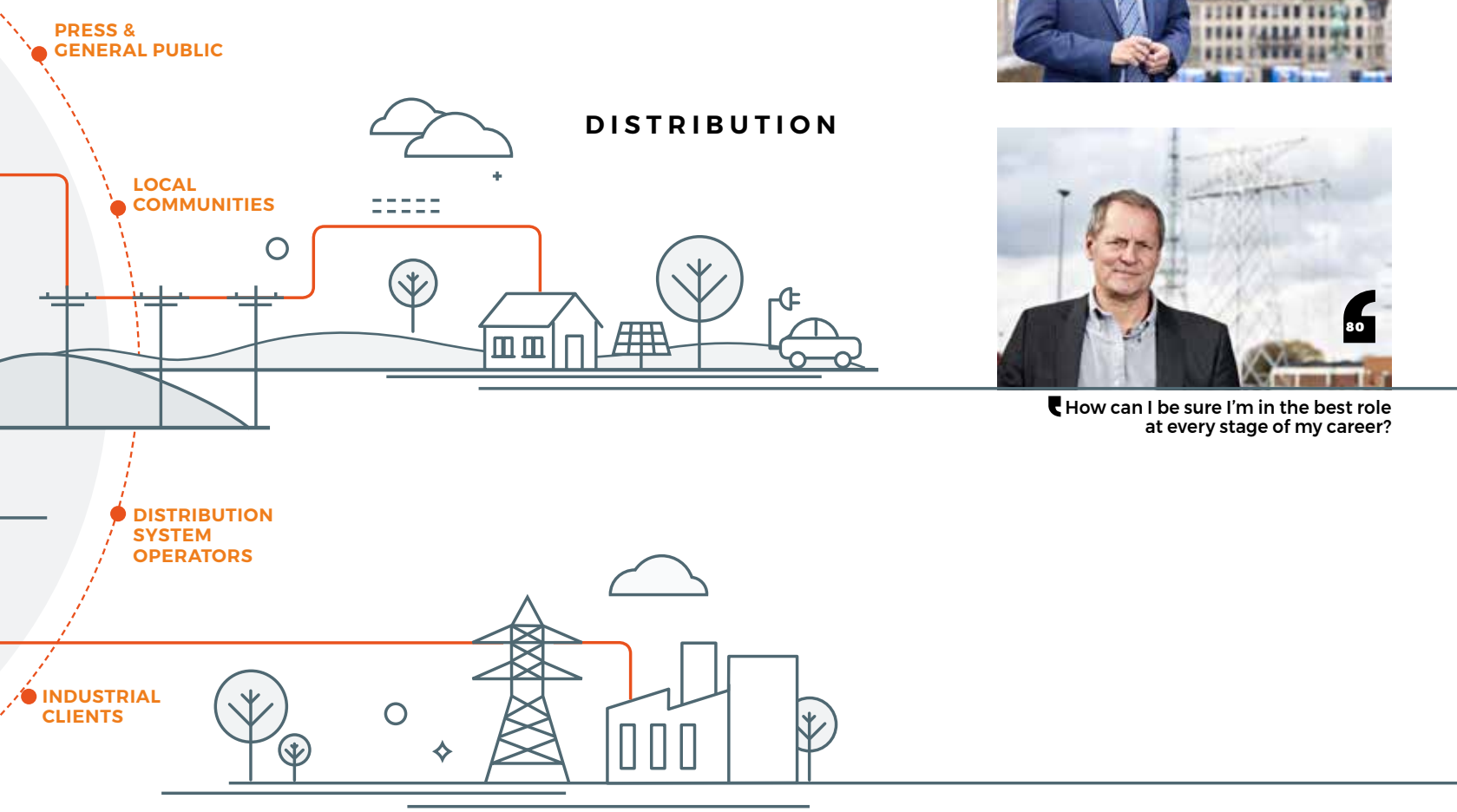


CONTENTS

How can Elia integrate large quantities of renewable energy?

How will Elia return our beach to its former glory once the cable works have been completed?

How does Elia stay up-to-date with technological developments to make the energy transition happen?

* These chapters form the annual report cf. article 119 of the Belgian company code.

Time to accelerate in the interest of society

The Elia Group can look back on a successful 2017. The annual results reflect its efforts to continuously enhance the performance of its core activities. In Belgium, Elia is delivering major investment projects on time, within budget and with the required quality. In Germany, 50Hertz has seen a strong improvement in operational efficiency, due in part to the commissioning of new infrastructure. The changes wrought by the energy transition are becoming more and more tangible, leading to a new dynamic within the company. It is time to accelerate.

Chris Peeters
CEO of the Elia Group

Bernard Gustin
Chairman of the Elia Group

Chris Peeters

"IN 'ELECTRICITY SCENARIOS FOR BELGIUM TOWARDS 2050', WE DID EXACTLY WHAT ELIA IS EXPECTED TO DO, NAMELY SUPPORT POLICYMAKING. WE CRYSTALLISED THE CHALLENGES IN WHAT IS A HIGHLY TECHNICAL AND COMPLEX DEBATE."

€486 mio

INVESTMENTS (ELIA)

€461 mio

INVESTMENTS (50HERTZ)

The large-scale infrastructure works being undertaken by the Elia Group must feature in any review of 2017. With total investments of €486 million at Elia and €461 million at 50Hertz, some important milestones were reached, such as the commissioning of the Stevin project in Belgium and the South-West Interconnector in Germany.

How do you see the investment programme evolving?

Chris Peeters, CEO of the Elia Group: "The changing backdrop of the energy transition requires a new configuration for the power grid. As we integrate more and more variable renewable energy generation and as electricity exchanges at European level increase, our investment programme is vitally important to guarantee a reliable, affordable and sustainable energy system in the future. For example, now that the Modular Offshore Grid has been given the go-ahead and work has started on the subsea interconnector with the UK, Belgium will soon have its first offshore power grid. The experience that 50Hertz has in this field is a great help to us. At the same time, we're also looking to the longer term and examining what our needs will be further down the line."

Hence the study that Elia published in late 2017?

Chris Peeters : "In 'Electricity Scenarios for Belgium towards 2050', we did exactly what Elia is expected to do, namely support policymaking. We crystallised the challenges in what is a highly technical and complex debate, drawing on numerous interactions with our various stakeholders and Belgium's four energy ministers. Together with the sector, we are thinking about how our energy system should evolve. This isn't just about doing our own homework and then pointing the finger at others for failing to grasp the technicalities of the issues involved. Our role has evolved, in other words, and that is being recognised - which is a positive thing."

Bernard Gustin, Chairman of the Elia Group: "I agree entirely with Chris's analysis. Elia isn't just an industrial company, it also has an important role as an advisor. It's our social responsibility to say what the situation is. We could have waited until the problems materialised, but then we'd have had to take steps that would have been viewed very negatively. Elia tackled the problem proactively and in an extremely professional way. That's important for our credibility and image, because, at the end of the day, responsibility for security of supply lies with us. In my view, Elia is one of Belgium's most strategically important companies, especially with all the challenges heading our way."

Does keeping the lights on feel less easy than it once did?

Chris Peeters: "A prolonged cold spell in early 2017 led to a very tense situation on the European electricity market, which lasted for several days. If temporary shortages go unnoticed by consumers, it's because our people work with immense passion, dedication and expertise to ensure security of supply in today's changing world. This is emblematic of our company's culture, in which people put their heart and soul into their work."

Bernard Gustin : "As well as the great sense of responsibility and professionalism, another thing that surprises me about the Elia Group is its internationalism. We are one of the few European transmission system operators to operate in two countries. That gives another dimension to the company. It's not just Elia, but the Elia Group. The idea of being a group is very important because it allows us to share experiences. We must absolutely value and preserve that international dimension."

Bernard Gustin

"WE ARE ONE OF THE FEW EUROPEAN TRANSMISSION SYSTEM OPERATORS TO OPERATE IN TWO COUNTRIES. IT'S NOT JUST ELIA, BUT THE ELIA GROUP. THAT IDEA OF BEING A GROUP IS VERY IMPORTANT BECAUSE IT ALLOWS US TO SHARE EXPERIENCES. WE MUST ABSOLUTELY VALUE AND PRESERVE THAT INTERNATIONAL DIMENSION."

Interview with Chris Peeters and Bernard Gustin,
CEO and Chairman of the Elia Group

Chris Peeters

"IF MARKET SHORTAGES GO UNNOTICED BY CONSUMERS, IT'S BECAUSE OUR PEOPLE WORK WITH IMMENSE PASSION, DEDICATION AND EXPERTISE TO ENSURE SECURITY OF SUPPLY IN TODAY'S CHANGING WORLD. THIS IS EMBLEMATIC OF OUR COMPANY'S CULTURE, IN WHICH PEOPLE PUT THEIR HEART AND SOUL INTO THEIR WORK."

As Chairman of the Board of Directors, how do you see the Elia Group evolving?

Bernard Gustin : "The traditional regulated business will remain very important, but I also see a future in the group dynamic. We live in a world where talented engineers choose Google and Amazon rather than industrial companies. If we want to attract them, we have to show that we are innovative with an international outlook."

Chris Peeters : "I'd also add that in our complex world, the exchange of expertise is extremely important. Our German subsidiary is well ahead of the game on renewables, integrating 53.4% of power from renewable sources on average, while Belgium, as a small country, was interconnected at a European level very early on, and led the way in setting up market platforms. Our expertise is therefore highly complementary and is increasingly being shared at Group level. At the same time, our corporate structure enables both entities to respect their local contexts. In addition, our joint consulting company Elia Grid International allows us to develop our talent internationally: our engineers learn what's going on in the world and return to the Group with new and fresh ideas."

Safety is a top priority for the Elia Group. What are the latest developments in this area?

Chris Peeters: "Safety is something we work at every single day. Our 'Go for Zero' safety programme is a 3-5 year endeavour, but we're already seeing an increase in maturity. In 2017, we also launched the 'Safety for Contractors' programme. There's still a long way to go with that,

partly because the construction sector applies different safety standards. But we're gradually gaining traction. Our subcontractors see it as an opportunity to professionalise themselves. This is another way that Elia contributes to society, by acting as a catalyst for the further professionalisation of the supply sector."

Bernard Gustin

"WE LIVE IN A WORLD WHERE TALENTED ENGINEERS CHOOSE GOOGLE AND AMAZON RATHER THAN INDUSTRIAL COMPANIES. IF WE WANT TO ATTRACT THEM, WE HAVE TO SHOW THAT WE ARE INNOVATIVE WITH AN INTERNATIONAL OUTLOOK."

What challenges lie ahead in 2018?

Chris Peeters: "As more and more renewable energy is integrated, congestion problems on the European network are set to worsen. At 50Hertz, we've seen that this can be remedied by additional infrastructure, which led to an immediate saving on redispatch measures in 2017. At the same time, we need to think about the energy system of the future as end customers start looking for ways to leverage their own flexibility. How can I get more out of my solar panels? What are the market models for this? Does the system need to be adapted? We'll continue to work on these issues in 2018. As far as the infrastructure works are concerned, we're well on track because we started strengthening our organisational structures back in 2016."

What are your personal ambitions?

Chris Peeters: "I want Elia to become the most important energy company in Belgium. Ditto for 50Hertz in Germany. And in fact we're not far off that already. We're shaping the energy debate and in the longer term we'll have a crucial role to play in meeting the goals of the Paris climate agreement. We are relevant and intend to fully claim that status: not out of any kind of arrogance but because we want to serve the public interest."

Bernard Gustin: "Fifteen years ago I was working as a consultant in the energy sector. Since then, I've been really impressed at how Elia has established itself as a strategic asset. This country's energy strategy is determined by what Elia does. It's no longer the generators which are setting the direction. That is a major change."

Who would you like to thank in 2017?

Chris Peeters: "I would like to thank the four energy ministers for their constructive cooperation. We also worked well with our regulators in both Belgium and Germany. The users of our grid are important too, as are the employees of course who work day in day out to keep the lights on, while expanding our infrastructure and developing the system of the future."

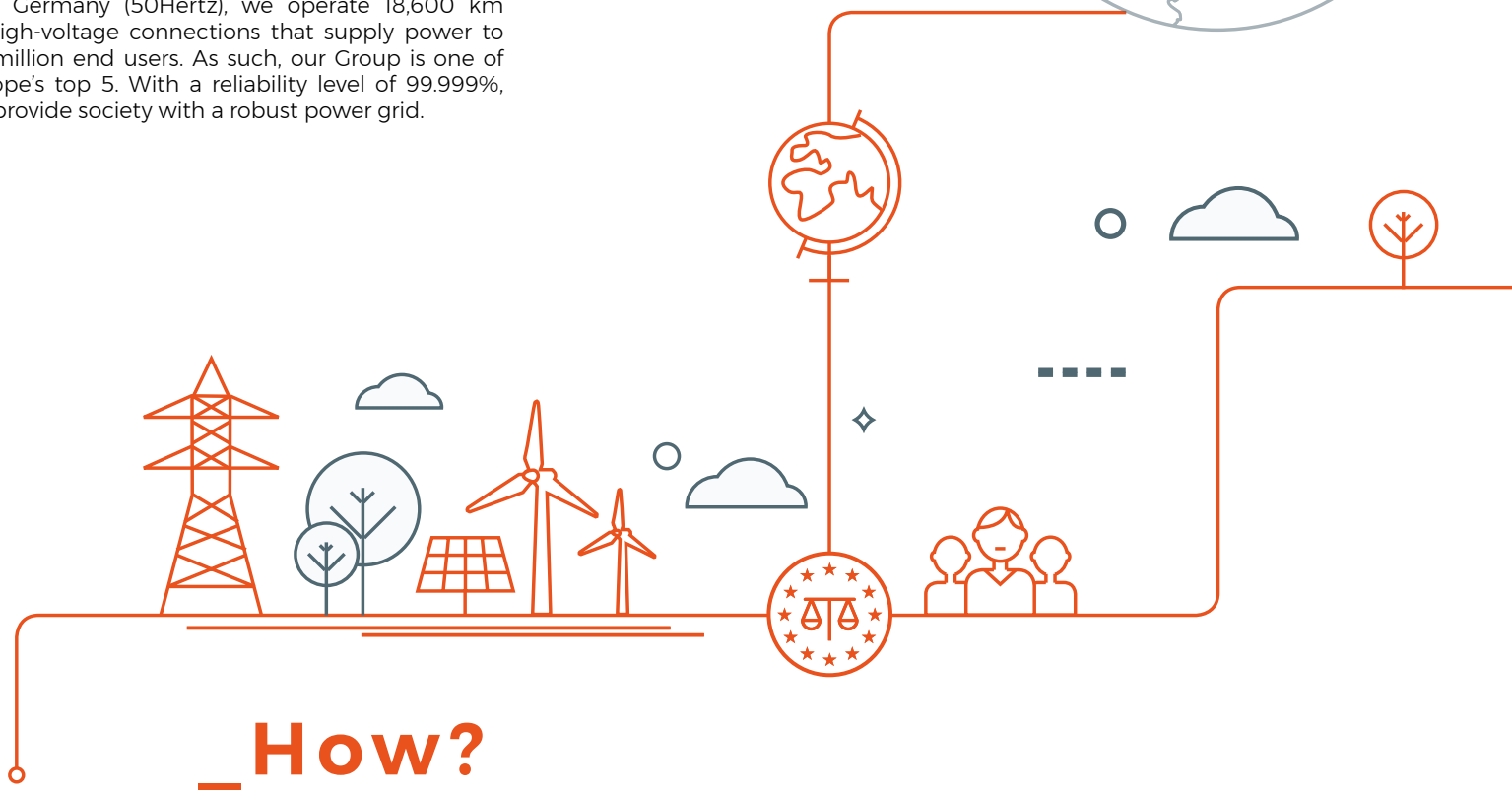
Bernard Gustin : "I particularly wish to thank the management and Board of Directors for placing their trust in me. It's a great honour for me to be the chairman of such a highly respected company as Elia. Having returned, in part, to the energy sector after 15 years, I'm excited to be able to participate in it from a different angle."

The Elia Group

_Who?

One of Europe's top 5 players

The Elia Group is active in electricity transmission. With subsidiaries in Belgium (Elia) and north-east Germany (50Hertz), we operate 18,600 km of high-voltage connections that supply power to 30 million end users. As such, our Group is one of Europe's top 5. With a reliability level of 99.999%, we provide society with a robust power grid.



_How?

Through cooperation and innovation

We operate and develop our grid infrastructure in close collaboration with all stakeholders. We are highly focused on safety and our goal is zero accidents. We are committed to innovation and continuously improve our operational systems. We develop new market products enabling new technologies and market players to access our grid. This is how we make the energy transition happen.

_What?

Our core tasks

Operating the electricity system

Supply and demand must be kept balanced at all times. Operating the electricity system is an increasingly complex task due to the sharp rise in renewable generation sources, the arrival of new players and technologies and the development of supranational coordination. To ensure a reliable supply and efficient operational management of the medium- and high-voltage grid, Elia monitors the electricity system in real time. This requires sophisticated tools and processes, as well as specialist knowledge.

Facilitating the market

The Elia Group makes its infrastructure available to all market players in a transparent, non-discriminatory way. Elia develops services and mechanisms allowing the market to trade on different platforms, which promotes economic competitiveness and the wellbeing of all.

Managing the infrastructure

The Elia Group maintains and develops high-voltage equipment and infrastructure: lines, cables, transformers, and so on. The Group uses advanced technologies to modernise and extend its grid to enable it to integrate more renewable units.

_Why?

In the interest of society

The power grid is a key pillar of the energy policy that supports our socio-economic prosperity. The Elia Group aspires to be a catalyst for a successful energy transition and consequently, a reliable, sustainable and affordable energy system. By building interconnectors and integrating renewable energy generation, the Elia Group promotes both the integration of the European energy market and the decarbonisation of our society.

_Shareholder structure

GRI 102-45

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

Elia

Elia is Belgium's electricity transmission system operator (TSO).

50Hertz

50Hertz is one of the four German TSOs and operates in the north-east of Germany. It is owned by Elia (60%) and Industry Funds Management (IFM) (40%).

Elia Grid International

With offices in Brussels, Berlin and Dubai, Elia Grid International (EGI) provides consulting and engineering services to the international energy market and develops power grid projects for third parties in all areas of electricity transmission (30-400 kV).

Nemo Link

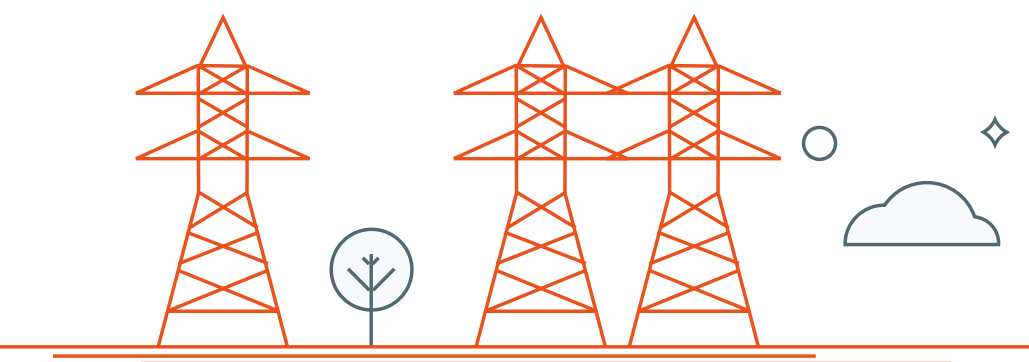
Nemo Link is a joint venture between Elia in Belgium and National Grid Nemo Link Limited, a subsidiary of the British transmission system operator National Grid Plc. It is building a subsea interconnector between Belgium and the United Kingdom, which is due to be operational in 2019.

Eurogrid International

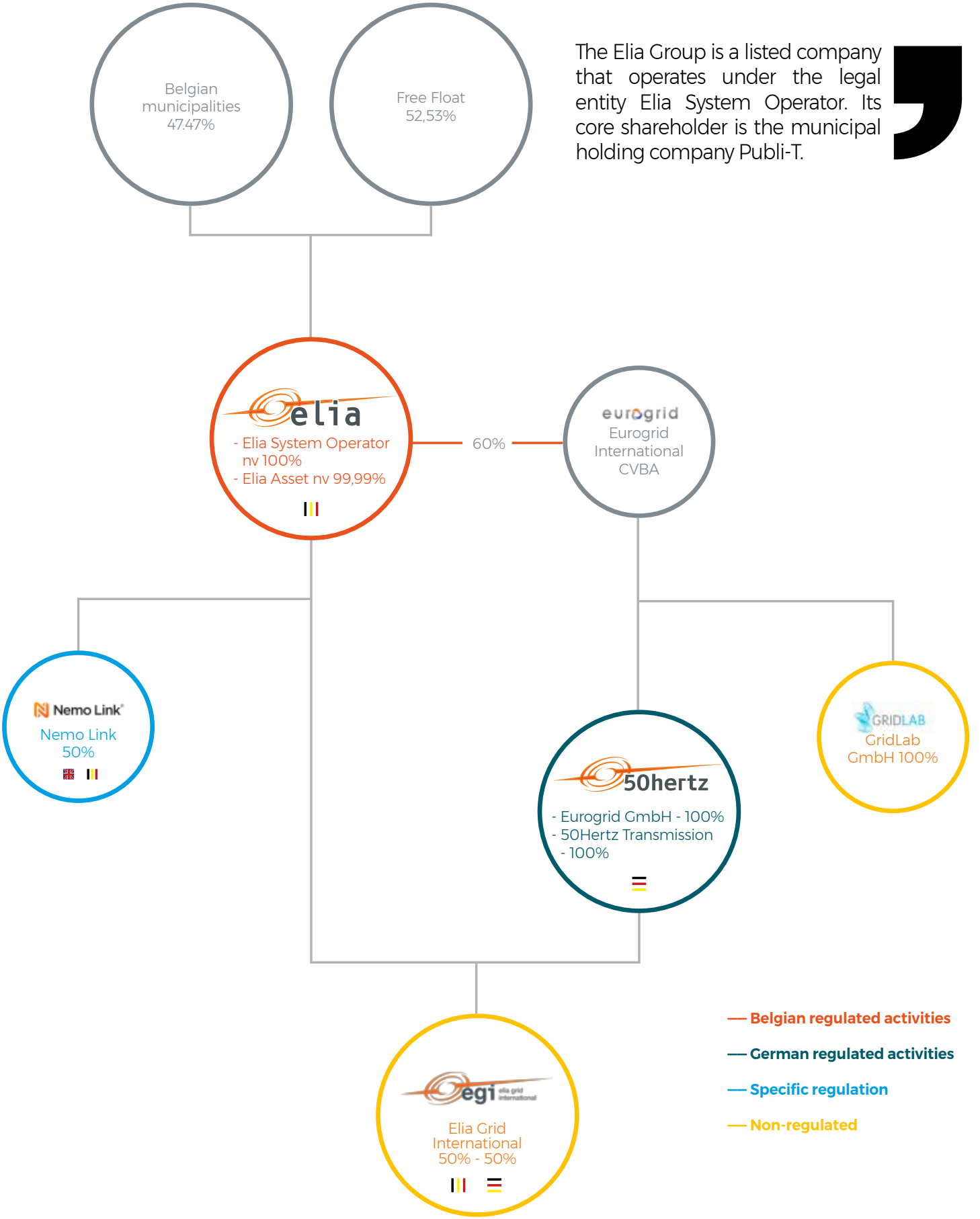
Eurogrid International is a company owned and managed by Elia (60%) and the Australian investment fund IFM Investors (40%). Based in Brussels, Eurogrid International provides support services to its customers.

GridLad GmbH

In 2008, 50Hertz Transmission GmbH and the Brandenburg University of Technology worked together to develop a grid simulator for the electricity system. In December 2010, the simulator was transferred to GridLab, a subsidiary of Eurogrid International and therefore of the Elia Group.



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



Key figures 2017

OPERATIONAL

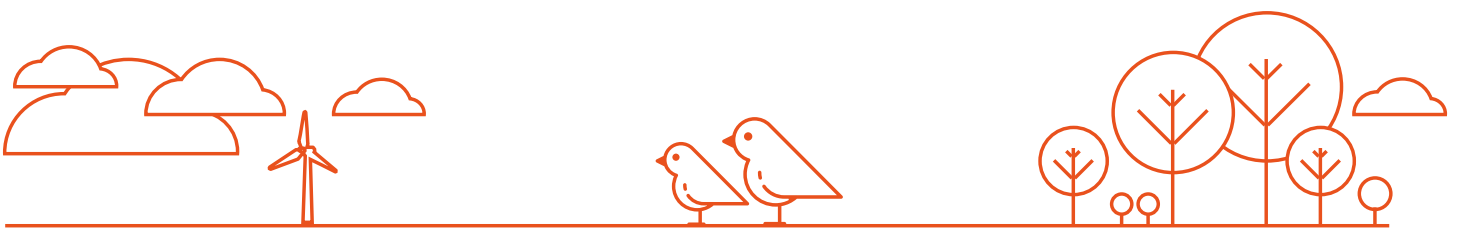
30 Mio
END USERS
(Elia Group)

18,600 km
OF HIGH VOLTAGE LINES
(Elia Group)

99.999%
RELIABILITY RATE
OF THE GRID (Elia)

53.4%
RENEWABLE ENERGY
(50Hertz)

ENVIRONMENTAL

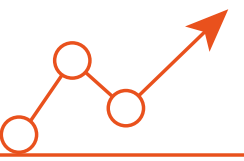


1,749.6 kg
IT MATERIAL WHICH GOT
A SECOND LIFE (Elia)

13.62 km
OF BIRD PROTECTION IN BELGIUM
(Elia)

34,000
TREES PLANTED THANKS
TO THE LIFE PROJECT (Elia)

FINANCIAL

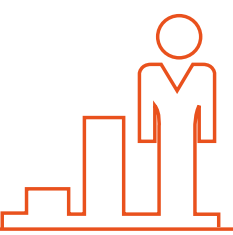




€ 1.62
GROSS DIVIDEND

€ 216.6 mio
NORMALIZED REVENUE

3.4 %
DIVIDEND YIELD
(closing price 2017)

SOCIAL

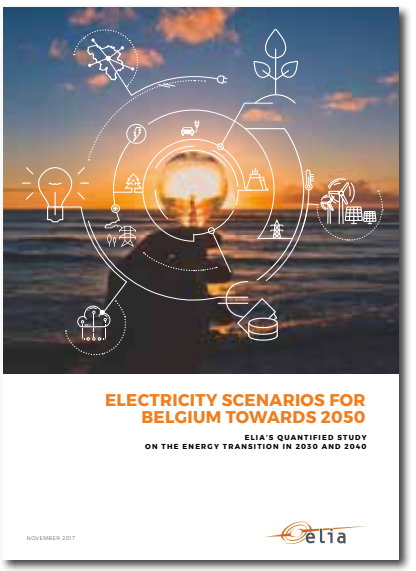




2,343
EMPLOYEES
(Elia Group)

222
NEW HIRES
(Elia Group)

24
NATIONALITIES
(Elia Group)

Elia in 2017



ELIA PUBLISHES STUDY ON THE FUTURE OF THE BELGIAN ELECTRICITY SYSTEM TOWARDS 2050

In 2017, Elia made a fundamental contribution to the public debate on the future of the Belgian energy system by publishing the quantified study 'Electricity Scenarios for Belgium towards 2050'. In its conclusions, Elia called on the relevant authorities to take swift action to safeguard the Belgian energy system. The publication is widely considered a landmark document and it triggered a heated political and social debate on such issues as the statutory closure of Belgium's nuclear power stations in 2025. [Page 59]

IMPROVING SAFETY FOR OUR CONTRACTORS TOO

Safety is a top priority for Elia, which is why it launched the 'Safety for Contractors' programme in early April to further strengthen safety awareness amongst contractors. [Page 29]

OPENING OF THE NATIONAL CONTROL CENTRE

On 19 October, Elia opened its newly-renovated National Control Centre in the presence of the Federal Energy Minister Marie Christine Marghem. [Page 33]

COMMISSIONING OF STEVIN

On 21 November, Elia officially inaugurated the Stevin high-voltage line in the presence of Prime Minister Charles Michel and Federal Energy Minister Marie Christine Marghem. [Page 43]

KEY MILESTONES FOR THE MOG

2017 was an important year for the 'electricity plug' or Modular Offshore Grid (MOG). Elia's Board of Directors approved the investment for the project in mid-April. [Page 42]

PERMITS ACQUIRED FOR ALEGRO AND BRABO II

In 2017, Elia acquired the permits needed for ALEGrO and Brabo II, allowing work on both projects to start in 2018. ALEGrO is the first electricity interconnector between Belgium and Germany, while Brabo II aims to strengthen the high-voltage grid and consolidate security of supply in the Port of Antwerp and Belgium as a whole. [Pages 41 & 44]

START OF WORK TO LAY NEMO LINK SUBMARINE CABLE

On 7 September, Nemo Link, the joint venture between Elia and National Grid that will operate the first electricity interconnector between Belgium and the UK, started laying the first 59 km of the double submarine cable. [Page 40]

LAUNCH OF BIDLADDER

Late June saw the launch of BidLadder, a market platform developed by Elia enabling it to further boost liquidity on the balancing market and optimise its technical and economic performance. [Page 57]

50Hertz in 2017

SOUTH-WEST INTERCONNECTOR FULLY OPERATIONAL

The 200-km-long - thereof 161km in 50Hertz control area - South-West Interconnector - is fully operational after 15 years of development and construction. The 380 kV line between north-eastern Germany and Bavaria will ensure that Bavaria still has a reliable power supply following Germany's nuclear phase-out. The new line is having an immediate effect with improved congestion management and significant redispatch savings.

2030 NETWORK DEVELOPMENT PLAN

In early 2017, 50Hertz and Germany's other three transmission system operators released a 2017 version of the 2030 Network Development Plan, which sets out various future scenarios depending on how quickly Germany wants to implement the energy transition.

NEW SUBSTATIONS

50Hertz commissioned five new substations in 2017 in Wolmirstedt, Heinersdorf, Hamburg, Putlitz and Altentreptow. Phase-shifting transformers were also commissioned in Röhrsdorf, on the border with the Czech Republic.

COMPACTLINE PILOT CONSTRUCTION STARTED

In early October, 50Hertz started constructing a pilot for a new type of line. The CompactLine will make it possible to reduce landscape and nature intervention in sensitive areas caused by overhead lines. The compact design offers a good opportunity to integrate a new 380 kV line into sections of existing 220 kV lines. 50Hertz and its partners have been researching and developing CompactLine for three years. [Page 99]

WORK STARTED ON BACK-TO-BACK CONVERTER IN BENTWISCH

The 9th of May marked the start of the installation of the back-to-back converter at the Bentwisch high-voltage substation. This back-to-back converter is part of the Combined Grid Solution project, the first interconnector that will link the Baltic Sea wind farms, Kriegers Flak (Denmark) and Baltic 2 (Germany). [Page 49]

50HERTZ TURNS 15

In 2017, 50Hertz celebrated its 15th birthday! On 28th June 2002, 50Hertz Transmission GmbH was entered in the trade register - at that point of time still carrying the official title "Vattenfall Transmission GmbH". On 28 June 2002, Vattenfall Europe turned the high-voltage grid into an independent company and it was renamed 50Hertz. Elia and Australian investment group Industry Funds Management bought 50Hertz in the spring of 2010.

AUDIT TO ACQUIRE ISMS CERTIFICATE

To improve the safety of the company as a whole, 50Hertz took part in an audit in 2017 to acquire ISMS certification in January 2018.

50HERTZ'S DIALOG MOBIL WINS RGI AWARD

On 1 June in Copenhagen, 50Hertz's Mobile Citizen's Office - or Dialog Mobil - received a prize from the Renewables Grid Initiative (RGI) for its innovative public participation and its closeness with citizens. Dialog Mobil is a van that drives around areas where information events are held, providing varied and important information on the expansion of the electricity grid. [Page 79]

Elia Grid International in 2017

MEMORANDUM OF UNDERSTANDING WITH MALAYSIAN TSO

On 29 September, Elia and the Malaysian transmission system operator Tenaga Nasional Berhad (TNB) signed a Memorandum of Understanding with a view to establishing a strategic collaboration. The cooperation will cover a number of areas: asset management, cross-boundary system and market operations, grid development, network studies and renewable integration.

TSO ASSESSMENT PROJECT IN VIETNAM

In March 2017, the Vietnamese power transmission system (NPT) asked EGI to perform a broad assessment of its activities and to propose a roadmap, which will enable it to be compliant with international best practices by 2030. The results of this analysis were delivered end 2017. This is the first EGI project in South-East Asia, where the company intends to increase its activities.

EGI TO COLLABORATE ON INTERCONNECTOR BETWEEN ISRAEL, CYPRUS AND GREECE

On 11 December, EGI entered into a strategic alliance with EuroAsia Interconnector, the official EU project developer of the 2,000 MW interconnector between Israel, Cyprus and Greece. The agreement formalises cooperation on the development and implementation of the interconnector.

EuroAsia Interconnector

HVDC PROJECT COMBINED GRID SOLUTIONS

EGI plays an important role in the HVDC project Combined Grid Solutions, a back-to-back converter synchronising the Danish and German grid via a 30 km submarine line between the wind farms Kriegers Flak (Denmark) and Baltic 2 (Germany), located in the Baltic Sea. EGI works as the owner's engineer on the interface between the owner (50Hertz and EndK) and the Engineering, Procurement and Construction (EPC) contractor, for the construction of the converter station in Bentwisch, Germany. This project is an opportunity for EGI to expand its expertise in owner's engineer services, especially for HVDC projects.

HELPING GERMANY TO ACHIEVE THE ENERGY TRANSITION

In order to integrate even more wind energy into the grid, 50Hertz is planning the construction of new substations and lines to reinforce its network. EGI built and commissioned the new 380 kV substation 'Heinersdorf' in June.

ASSET MANAGEMENT EXCELLENCE IN SAUDI ARABIA

National Grid SA is facing a broad range of challenges in managing the power system, such as a high growth in demand, a large area over which the assets are operated, and increasing integration of renewable energy sources and nuclear capacity. A detailed gap analysis performed by EGI in 2013 identified the optimal solution for dealing with these challenges.

Group priorities

_We make the energy transition happen

CHRIS PEETERS,
CEO OF THE ELIA GROUP

"THE ENERGY TRANSITION MAKES MANAGING THE ELECTRICITY NETWORK MORE COMPLEX. INNOVATION AND TECHNOLOGICAL ADVANCES WILL HELP TO GUARANTEE THE SECURITY OF SUPPLY IN THE FUTURE."

As transmission system operator, Elia aspires to be a catalyst for the energy transition. After all, the power grid has a crucial role to play in the decarbonisation of the energy sector and of society in general.

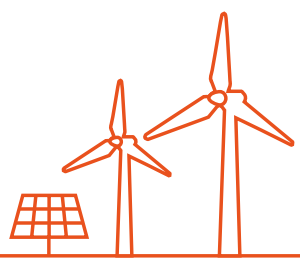
As well as the rise of renewable energy generation, the energy transition is also bringing other changes. Increasing digitalisation is driving the emergence of new market players and new technologies such as electric cars, battery storage, and so on.

The rise of digitalisation also means a bigger role for end users. As such, managing the network is more complex now than ever before. To guarantee continued security of supply in the future, the Elia Group is investing in grid infrastructure, innovation and technological advances.

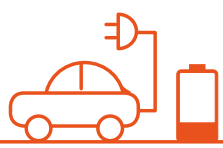
However, these changes are not confined to national borders. With the growth in interconnectors and closer supranational cooperation, we are moving towards an integrated European electricity system.

In short, the energy transition is in full swing and it is irreversible.

An evolving electricity system



– INCREASING RENEWABLE INTEGRATION AT EUROPEAN LEVEL



– EMERGENCE OF NEW TECHNOLOGIES AND PLAYERS DRIVEN BY INCREASING DIGITALISATION

– EUROPEAN INTEGRATION OF THE ELECTRICITY SYSTEM

OUR VISION = OUR AMBITION

"WE WILL LEAD THE WAY IN THE ENERGY REVOLUTION BY DEVELOPING DIVERSIFIED, SUSTAINABLE AND RELIABLE ON- AND OFFSHORE ELECTRICITY SYSTEMS, THAT OPEN UP NEW POSSIBILITIES."

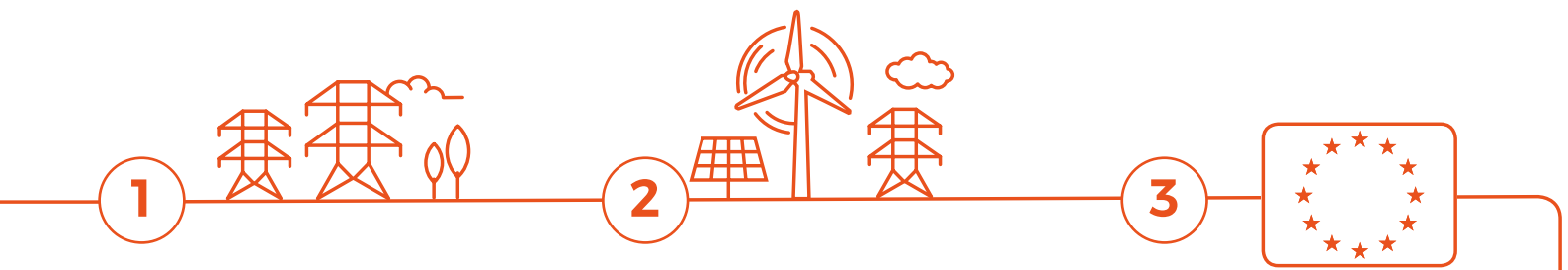
OUR MISSION = WHAT WE WANT TO ACHIEVE AND HOW

"WE DELIVER THE INFRASTRUCTURE OF THE FUTURE AND INNOVATE IN SERVICES THAT WILL PAVE THE WAY TO A RELIABLE AND SUSTAINABLE ELECTRICITY SYSTEM, PLACING THE COMMUNITY'S INTEREST AT THE HEART OF ALL OUR DECISIONS. WE WILL CONTINUE ENSURING SECURITY OF SUPPLY AND SERVING OUR CUSTOMERS IN AN EFFICIENT, NON-DISCRIMINATORY WAY, WHILST PROTECTING THE SAFETY OF OUR PERSONNEL AND SUBCONTRACTORS."

_Our strategy

The building blocks of our strategy

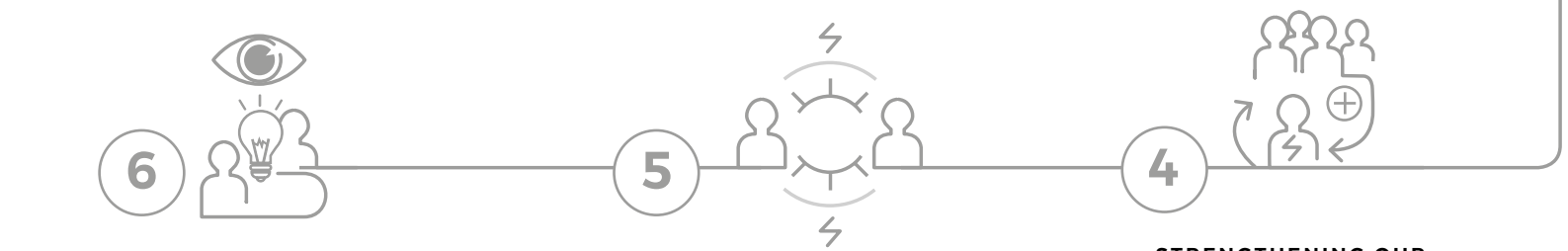
Our strategy sets out how we aim to fulfil our mission and consists of six building blocks:



– **GUARANTEEING A SECURE, RELIABLE AND EFFICIENT GRID:**
We ensure a high level of security of supply by fully exploiting the possibilities offered by our system.

– **DELIVERING THE TRANSMISSION INFRASTRUCTURE OF THE FUTURE:**
We ensure that the investments needed to achieve the energy transition are implemented on time, on budget and in line with our quality requirements. We work to promote public acceptance of our projects through close cooperation, transparency and dialogue.

– **FURTHER DEVELOPING THE ELECTRICITY SYSTEM AND MARKETS:**
We promote European market coupling and decentralised integration by granting access to new players, developing new products and working more closely with distribution system operators.



– **LOOKING OUT FOR INNOVATION AND GROWTH OPPORTUNITIES:**
We prepare the company for the future and remain alert to innovation and future developments.

– **ALIGNING OUR CULTURE WITH OUR STRATEGY:**
So that they support and reinforce each other. A change of culture is needed.

– **STRENGTHENING OUR POSITION BY FOCUSING ON COOPERATION:**
We make the energy transition happen by collaborating intensively with other system operators and market players. We are customer-oriented and work with other stakeholders to develop the market.

_Safety
a top priority

The safety of everyone, everywhere, is always our number one priority. We continuously invest in safety and work in a responsible and safe manner. Our goal is zero accidents. Every employee and contractor knows the principles of our Go for Zero programme. We ensure that Elia's safety instructions are properly applied in order to prevent incidents.

_Innovation

Elia integrates innovative technology and keeps up with the latest developments in the energy sector. Through a range of initiatives, we encourage our employees to be at the forefront of the energy transition, not only with ideas, but also with practical applications for system operation, asset management and market development. In so doing, we draw on our own expertise but are also keen to learn about and develop ideas from outside the Group through open innovation.

_In the interest of society

A strong transmission system operator that always puts society first is key to successfully implementing the energy transition and to ensure that the grid is not only reliable but also sustainable and affordable. We believe that our technical knowledge and analyses support policy-making and make an important contribution to the debate about the future of the energy system. This is always done in consultation with our many diverse stakeholders.

"AS OPERATOR OF THE HIGH-VOLTAGE GRID, THE ELIA GROUP REFUSES TO STAND ON THE SIDELINES. WE HIGHLIGHT THE CHALLENGES THAT EXIST, AS WELL AS THE OPPORTUNITIES."

– A RELIABLE SYSTEM:
An energy mix that allows demand to be met at all times, promoting economic activity and safeguarding our prosperity.

– AN AFFORDABLE SYSTEM:
Thanks to its well-developed grid, Belgium has access to the most efficient sources of energy, both at home and abroad. This ensures price convergence with neighbouring countries and makes us more competitive.

– A SUSTAINABLE SYSTEM:
Through renewable integration that fully exploits domestic potential and supplements this with renewable energy generation from abroad via additional interconnectors.

Sustainability reporting

The Elia Group sees serving society as one of its core responsibilities, so it is a logical step for us to report on our corporate social responsibility (CSR) performance. In this annual report we discuss our financial, economic, social and environmental performance. For the GRI reference table, please consult the annex available on our website.

The Elia Group sees the Sustainability Report as a useful tool for managing and monitoring our CSR performance, helping us to do things better both internally and externally.

Materiality matrix

GRI 102-44, 46 & 47

The Elia Group will phase in its sutainability reporting over several years. Our focus this year is laying a solid foundation on which to build a robust sustainability programme.

The topics derived from the above standards were used as input to define the Elia Group's materiality matrix. This matrix determines the relevant sustainability topics for the Elia Group's management and stakeholders.

The topics are clustered around the following sustainability enablers: Transmission Services, Organisational Structure, Employees, Environment, Fair Operating Practices and Community Involvement.

The results of the materiality matrix are summarised on page 22. The importance of the material topics is shown on the vertical axis, while the horizontal axis indicates Elia's performance in those areas.

HAND-PICKED SUSTAINABILITY TOPICS

We used existing international sustainability standards to identify a number of relevant topics:

- **Global Reporting Initiative (GRI) - sector supplement Electric Utilities**
- **Sustainability Accounting Standards Board (SASB) - Infrastructure Standards - Electric Utilities**
- **ISO 26000 standards**

TRANSMISSION SERVICES
1 Availability, Reliability and Future power system
2 Demand-side Management
3 Research and Development
4 Systemic risk management (Disaster/ Emergency planning and response)

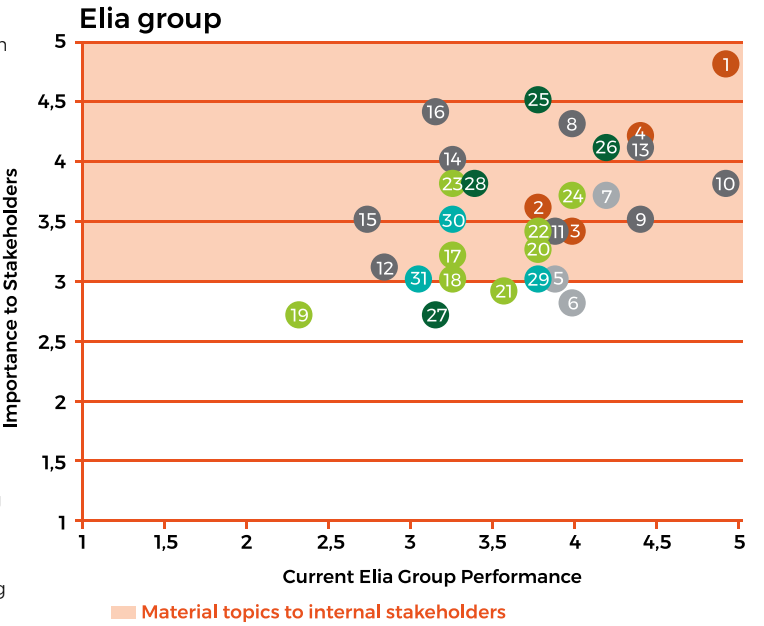
ORGANIZATIONAL GOVERNANCE
5 Organizational Structure & decision making
6 Board Independence
7 Business ethics

EMPLOYEES
8 Conditions of work and social protection
9 Social dialogue and stakeholder relations
10 Employee Health, safety and wellbeing at work
11 Human development and training in the workplace
12 Diversity
13 Accident & Incident Management
14 Discrimination and vulnerable groups
15 Economic, social and cultural rights
16 Fundamental principles and rights at work

ENVIRONMENT
17 Environmental Management System
18 Waste and Hazardous Materials Management
19 Air pollution
20 Greenhouse Gas emissions
21 Energy Resource planning
22 Sustainable products & services
23 Biodiversity Impacts
24 Protecting consumers' health andsafety

FAIR OPERATING PRACTICES
25 Corruption and Bribery
26 Legal & regulatory environment
27 Promoting social responsibility in the value chain/Supply chain
28 Respect for property rights

COMMUNITY INVOLVEMENT
29 Community involvement (including education and culture)
30 Employment creation and skills development
31 Technology development impacting community



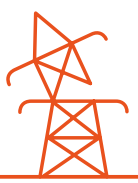
The materiality matrix indicates the following topics as the most material:

Availability, reliability and future of the power system

This concerns providing information on Elia's plans and processes to ensure reliability, delivering sufficient capacity to the market and to facilitate the future power system to transport electricity to customers.

Accident & incident management

This topic concerns managing accident and incident risks for Elia's own employees, as well as its subcontractors. This is translated into a robust programme aiming for zero accidents.



Systematic risk management

This topic concerns the management of risks such as damage to the grid due to bad weather, catastrophes, etc. to ensure power transmission can be guaranteed. This requires contingency planning measures, disaster/emergency management plans, training programmes and recovery plans.

Employee health, safety and wellbeing at work

This topic relates to the physical, mental and social wellbeing of workers and the prevention of working conditions causing an impact on health. It also relates to the adaptation of the occupational environment to the physiological and psychological needs of our employees.

Topics that are considered less material by internal stakeholders are the following:

— **Board independence** is rated less material due to the fact that this is a mature process at Elia. A clear corporate governance charter and internal procedures exist and are embedded in the organisation.

— **Air pollution** is considered as less material because this is not relevant for a transmission system operator. Elia's main activity is to transport electrical power using a fixed infrastructure.

— The internal stakeholders also rated **Energy Resource Planning** less material. This is potentially because the main part of its own electricity use is already from green electricity. Moreover, Elia's own electricity use can be considered immaterial versus the energy transported on Elia's grid.

— **Promoting social responsibility in the value chain/supply** chain is also considered less material as the main part of the spend is in Europe, which has a high level of maturity concerning social responsibility topics (e.g. low risk of child labour, minimum wage).

Overview of Elia's engagement with stakeholders

GRI 102-42 & 43

Elia has many stakeholders' initiatives. The method and frequency of engagement per stakeholder group and the link to the material topics have been summarised in the table right.

Elia regularly organises Users' Group panels. Via these discussion groups, Elia can maintain an ongoing dialogue with its main customers and partners. Within the Users' Group, there are three working groups and four task forces. The task forces are set up to handle specific issues when necessary.

For additional information, see the GRI-annex available on our website.

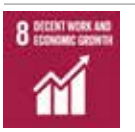
Stakeholder group	Mode of engagement	Frequency	Main topics / expectations
Employees	– Performance management – Intranet – Donations	– Regular	– Employees - Human development – Employees - Wellbeing – Community involvement
Customers	– Customer satisfaction survey – Users' Group / Working Groups – Elia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

Sustainable Development Goals

Elia has also looked at the United Nations Sustainable Development Goals (SDGs). The following overview shows which SDGs can be linked to Elia's sustainability topics.

Good health and wellbeing is about ensuring healthy lives and promoting wellbeing for all, at all ages. Enablers of this SDG are Elia's activities on labour practices and employees.

The SDG on affordable and clean energy concerns access to affordable, reliable, sustainable and modern energy. Elia's actions regarding transmission services are enablers for this SDG.



Decent work and economic growth relates to promoting sustainable, economic growth and productive, decent work. Elia's efforts on the material topic 'Employees' is an enabler for decent work and economic growth.

Building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation concerns the SDG industry, innovation and infrastructure. It is enabled by all actions on transmission services.

Sustainable cities and communities is about making cities and human settlements inclusive, safe, resilient and sustainable. The material topic on transmission services is an enabler for this SDG.

The SDG climate action relates to taking urgent action to combat climate change and its impact. Elia's actions on minimising its carbon footprint and other environmental initiatives are enablers.

Life on land concerns protecting, restoring and promoting sustainable use of terrestrial ecosystems, sustainably managing forests, combating desertification, and halting and reversing land degradation and biodiversity losses. The sustainable enablers for this SDG are Elia's efforts related to biodiversity within its environmental approach.

Partnerships for the goals relates to strengthening the means of implementation and revitalising the partnership for sustainable development. Elia has a strong partnership with Be Planet and other initiatives like Rising Youth. These partnerships are contributing to the realisation of this SDG.

How can Elia guarantee round-the-clock, year-round power for my business?

#1_

**WOUTER DE GEEST,
CEO BASF ANTWERPEN**

– **WITH THE COMPANY SINCE 1982, CEO SINCE 2007**
– **CHAIRMAN OF CHEMICAL INDUSTRY FEDERATION ESSENSCIA**

Energy is the lifeblood of our company. We've worked very hard – and successfully – over the past few years to make our processes more energy efficient, but a 24/7 production site like ours still requires a huge amount of electricity. If we want to continue to grow as a business and keep our operations here in the long term, a secure and competitively priced power supply is essential. How can I be sure that the supply of electricity is guaranteed all year round, and at affordable prices?

DAVID ZENNER, HEAD OF CUSTOMER RELATIONS AT ELIA

"The reliability of our high-voltage infrastructure and security of supply are of vital concern to Elia. Thanks to the tireless dedication of our employees, Elia has one of the top performing grids in Europe. To ensure that this remains the case in the future, we are building tomorrow's grid today. Our investment projects anticipate future developments such as the integration of renewable energy, increasing internationalisation and the emergence of new players and technologies. At the same time, we offer state-of-the-art products that meet the increasing demand for flexibility. We also participate actively in the energy debate and use our expertise to support policymaking. We are not just committed to the security of supply but also to a reliable, sustainable and affordable electricity system for all market players and in particular our industrial consumers. We believe that the grid is crucial to the further economic development of our industry, of Belgium and of our prosperity in general."

99.999%

RELIABILITY GRADE OF THE ELIA GRID

We ensure a secure, reliable and efficient grid

Elia has years of experience in managing its transmission grid and has built up indisputable technical expertise. As the energy transition progresses, the grid is having to accommodate increasing amounts of renewable energy. Such energy is more volatile, making the system operation more complex. In addition to the increased need for new flexible balancing products, Elia, like most infrastructure managers in Western Europe, is faced with ageing facilities.

To cope with these changes, Elia is developing new maintenance policies aimed at maximising network availability, smoothing out peaks in equipment replacement and minimising costs. Elia is drawing on new technologies and methods to move to a system of decision-making based on the condition of equipment rather than just a predetermined maintenance or replacement frequency.

Electrical infrastructure is and always will be dangerous. Operational excellence is key to safety, which is an absolute priority. As part of its commitment to safety, Elia is working towards a zero accident rate.

It relies on its staff to meet these objectives. Continuous development of technical, managerial and behavioural competencies is central to the remit of our Competence Centre.

FRÉDÉRIC DUNON, CHIEF ASSET OFFICER AT ELIA

"OUR PRIMARY OBJECTIVE IS FOR ANYONE WHO WORKS ON OR NEAR OUR FACILITIES - BOTH ELIA EMPLOYEES AND EXTERNAL STAFF - TO RETURN HOME SAFE AND SOUND EVERY DAY. WE FIRMLY BELIEVE THAT EXCELLING IN THIS AREA IS A PREREQUISITE FOR OPERATIONAL EXCELLENCE."

Our ambitions

Safety at work

Safety is a top priority for Elia, which is why it applies the highest standards of safety to its employees, contractors and anyone exposed to its activities. Elia wants everyone to return home safely every day.

At Elia we insist that Health and Safety is at the very heart of the company. Our priorities are the Go for Zero safety behaviour programme and the burnout and stress prevention initiatives. We facilitate change and help our employees to be better prepared for the future transitions. We also strive to create more local empowerment and ownership versus central control.

Operational excellence

As a grid operator, we aim to maximise the availability of our electricity system and keep the lights on at all times. To this end, we constantly optimise our critical and strategic processes in order to minimise operational risks. At the same time, we strive for efficiency and cost savings.

Asset management

A sophisticated asset management strategy has been put in place to closely monitor the functioning of critical infrastructure components. Investment peaks are flattened thanks to a balanced replacement policy. As working methods evolve, staff need training to help them develop the requisite skills and techniques. We provide professional training courses for both our own staff and our contractors.

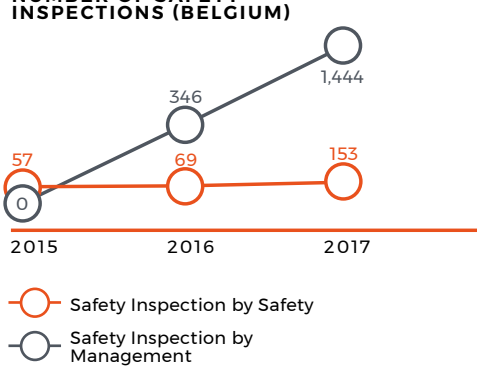
A reliable grid 24/7

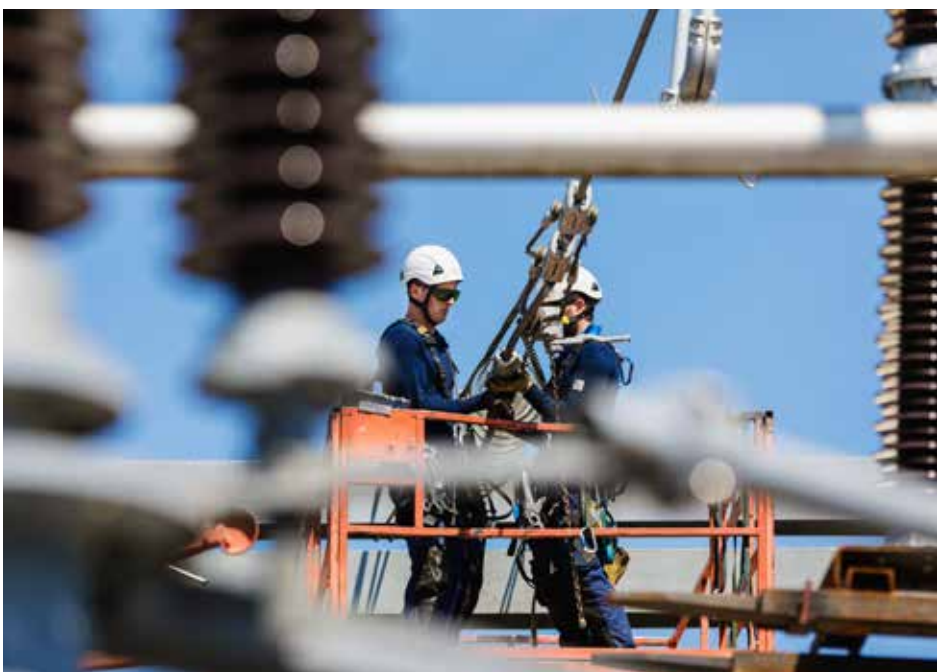
Elia strives to ensure a highly reliable power grid to support economic activity and the well-being of the population. To this end, optimal planning of its network and outages (scheduled outages for maintenance and projects) are vital, as well as efficient and safe, real-time operation of the electricity system.

OBJECTIVES

We are preparing the system of the future, integrating high levels of renewable energy and new types of consumption in a secure way, while giving the market maximum use of our infrastructure.

NUMBER OF SAFETY INSPECTIONS (BELGIUM)





What we achieved in 2017

Safety always comes first

GLOBAL PREVENTION PLAN TO ENHANCE SAFETY

Elia has developed a five-year Global Prevention Plan for 2016 to 2020. The plan outlines planned prevention activities for the five-year period, including risk analysis, measures, objectives and required instruments. The comprehensive plan was put in place in close cooperation with stakeholders and was approved by Elia's management.

THE GO FOR ZERO SAFETY PROGRAMME

Safety is our top priority. In 2017 Elia worked intensively in order to achieve its ongoing objective: zero accidents, for its employees but also for its contractors, colleagues from the distribution system operators and third parties in the vicinity of its installations. Efforts are coordinated via the Go for Zero programme, which is an Elia-wide initiative and includes all the projects that aim to optimise safety and its culture within Elia.

MAARTEN KONINGS, QUALITY, COMPETENCE & METHODS MANAGER AT ELIA

"IN OUR LINE OF WORK, SAFETY REQUIRES GOOD OPERATIONAL DIALOGUE BETWEEN ALL PARTIES OPERATING ON A WORKSITE. WE ARE STRENGTHENING OUR CAPABILITIES IN ORDER TO EXCEL IN THIS AREA, AS WELL AS IMPROVING OPERATIONAL DIALOGUE WITH OUR TECHNICIANS, WE WANTED TO ENHANCE THE SAFETY OF OUR CONTRACTORS AND THE DISTRIBUTION SYSTEM OPERATORS WE WORK WITH."

01 People & technical skills

In an ever-changing world, everyone needs to hone their skills constantly and learn continuously. With that in mind, the People & Technical Skills project aims to catalogue the technical and behavioural skills within Elia, then develop training paths to enhance the skills of Elia staff.

With this project, Elia wants to reinforce the safety culture. By teaching its employees the right methods and habits, Elia makes sure everyone works safely.

02 Operational & safety excellence

Feedback, open dialogue and regular communication within and between teams are all absolutely vital if Elia's ambitious targets on safety, efficiency and operational quality are to be met. As such, this project has two pillars: operational dialogue and continuous improvement.

Operational dialogue

entails implementing appropriate communication systems for ensuring that planned activities can be carried out safely, efficiently, punctually, and with the highest possible level of quality.

Continuous improvement,

on the other hand, entails researching and developing solutions to operational problems.

STÉPHANE OTTO,
SAFETY MANAGER AT ELIA

"WE CANNOT AND MUST NOT COMPROMISE ON SAFETY. INVESTING IN SAFETY IS NOT A COST BUT A MARK OF RESPECT FOR THE PEOPLE YOU WORK WITH."

03 Operational & Safety Excellence with DSO

Elia shares a great many high-voltage substations with distribution system operators. In view of this fact, Elia and its colleagues in the distribution sector decided to launch a project to enhance safety. The project is based on an action plan split into four priorities: knowledge of each other's organisations, stronger cooperation through operational dialogue, clear definition of roles, responsibilities and operating limits, and improved collaborative procedures, particularly as regards earthing coordination.

04 Safety For Contractors

In response to the energy transition, Elia is undertaking the most ambitious investment programme in its history. Between 500 and 800 subcontractor technicians are currently working on Elia projects to that end. Elia, in cooperation with its contractors, is striving to ensure that they, too, have optimal safety and zero accidents.

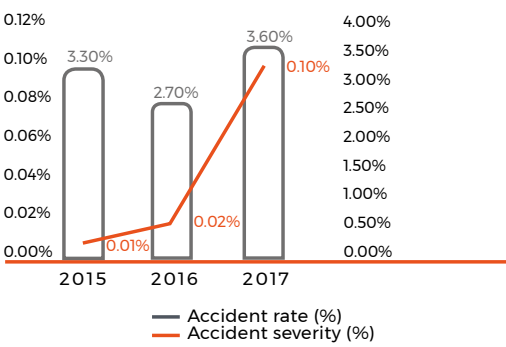
The Safety for Contractors programme was launched on 30 March 2017, at the second Elia Contractors' Day. The event was attended by over 120 participants, who took a keen interest in the new safety project.

The Safety for Contractors project focuses on three main areas:
— introducing new collaborative approaches,
— establishing new training for contractors' work supervisors,
— developing a new qualification and evaluation process for selecting our contractors.

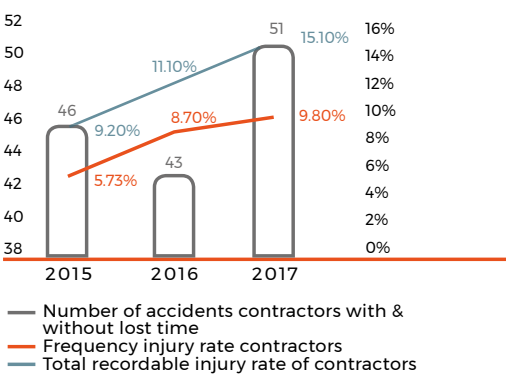
05 Safety Leadership

In 2017, Elia wanted to strengthen its corporate culture so that it would become second nature to all staff. With this in mind, it launched a programme aimed at structurally implementing a management style that encourages employees to report risky behaviour and to work safely. Every manager must inspire and set an example, while also creating a climate of trust in which all employees adopt safety-oriented attitudes and behaviour and never compromise on safety.

ACCIDENT RATES (BELGIUM)



CONTRACTOR ACCIDENTS (BELGIUM)



WALTER GEELEN, MAINTENANCE & COMMISSIONING SOUTH AT ELIA

"SAFETY REMAINS OUR TOP PRIORITY. OUR GOAL IS ZERO ACCIDENTS. WE AIM TO ACHIEVE THIS BY PUTTING THE RIGHT SKILLS IN THE RIGHT PLACES AND FOCUSING ON GOOD OPERATIONAL DIALOGUE BETWEEN TEAMS AND ON CONTINUOUS IMPROVEMENT. IN 2017, A NUMBER OF TEAMS NOTCHED UP 300 DAYS OF WORK WITHOUT AN ACCIDENT (WITHOUT INCAPACITY FOR WORK). SOME TEAMS HAVE EVEN REACHED 1,000 DAYS OF WORK WITHOUT AN ACCIDENT!"

SAFETY WEEKS

Each year, Elia organises Safety Weeks for its staff in May and September in an effort to raise their awareness about the importance of safety. The programme included various communications, training sessions and team exercises, designed to ensure that everyone got involved and took the messages on board.

In May 2017, we discussed psychosocial risks and explained our comprehensive prevention plan for 2016-2020, as well as the importance of the safety culture within Elia. In September, the spotlight was on non-negotiables, i.e. behaviours that we no longer wish to see in the company. First aid training was also offered to our staff.

NUMBER OF STAFF INJURED WITH AT LEAST ONE DAY OF LOST TIME (BELGIUM)

NUMBER OF FATAL OCCUPATIONAL ACCIDENTS BY GENDER (BELGIUM)

AWARENESS CAMPAIGN HIGHLIGHTING THE DANGERS OF ELIA FACILITIES

Safety is always Elia's top priority, both for our own staff and for outside parties who work on or near our facilities. In 2017, the company continued its awareness campaign highlighting the risks for those working near its electrical infrastructure.

"As a result of this campaign, there was a sharp drop in the number of incidents during work near high-voltage lines in 2017. However, there are still instances of work being carried out without notifying Elia. As this is not only a safety issue but also a legal obligation, we urge anyone who is planning work to contact Elia beforehand so that safety measures can be communicated. More information is available on the website or from Elia's Contact Centre."
Céline Ghyselen, Contact Centre Manager at Elia

306
NEW INSTALLATIONS PUT INTO SERVICE IN 2017

Managing our assets

ASSET MANAGEMENT EXCELLENCE

The Asset Management Excellence (AMEX) programme aims to ensure that every piece of equipment is worked on at the most appropriate time. To this end, Elia devises appropriate strategies for each category of assets depending on their age, condition and importance for the grid. These customised strategies help Elia to improve efficiency, boost asset reliability and optimise the need for outages, whilst continuing to prioritise safety.

The aim of the AMEX programme is to help us better understand our assets so that we can take the right decisions in terms of managing equipment life cycles (design, maintenance, decommissioning, etc.) whilst optimising risks and costs. AMEX launched in early 2016 and will run for several years.

In 2017, the first round of work (wave 1) led to significant cost reductions (e.g. retrofitting transformers). Tailored maintenance policies are also easing the workload and allowing new activities to be developed.

The study phase for cables, batteries and diesel generators (wave 2) was completed in 2017, and that for digital protection devices and gas-insulated systems (wave 3) is being finalised. Wave 4 (overhead lines and older-generation protection devices) started in October 2017 and will conclude in the first half of 2018. The fifth and final wave will take place in the second half of 2018 and 2019 and will cover telecoms, metering, medium-voltage substations and buildings.

ASSET CONTROL COMMAND (ACC)

Elia is one of the first system operators in Europe to have a control centre for its assets. All dynamic data (i.e. data that changes over time) relating to our assets is sent there. This allows informed asset management decisions to be taken. For example, each asset is given a 'Health Index' indicator which has a bearing on the scheduled maintenance activities.

MAINTENANCE & COMMISSIONING

The maintenance activities of Elia contribute significantly to our common goal of continuously delivering an outstanding service to all our customers. Additionally, in the current tariff period, Elia has the ambition to achieve an unprecedented level of investments in the high voltage grid compared to previous years.

In 2017, 306 new installations have been put into service, which is an increase of 10% on 2016 levels.

STÉPHANIE HAMMER, AMEX MANAGER AT ELIA

"OVERALL, THE AMEX PROGRAMME WILL REDUCE MAINTENANCE COSTS BY SEVERAL MILLION EUROS A YEAR ON A LIKE-FOR-LIKE BASIS. AS WELL AS CUTTING COSTS, THE FIRST WAVE OF THE AMEX PROJECT HAS EASED THE WORKLOAD IN THE FIELD AND FREED UP STAFF TO FOCUS ON NEW ACTIVITIES."

NICK DE DECKER, PROGRAM MANAGER AT ELIA

"USING CONNECTED CHECK-LISTS, OUR TECHNICIANS CAN LOG THE CONDITION OF EQUIP-MENT IN RECORD TIME. THIS INFORMATION IS SENT DIRECT-LY TO THE ASSET MANAGER, WHICH KNOWS IMMEDIATELY WHICH TOOLS NEED TO BE RE-PAIRED OR REPLACED. IN ADDI-TION, THE NEW AUTOMATIC SYS-TEM FOR DETECTING VISITORS ENTERING AND LEA-VING OUR SUBSTATIONS ENHANCES SEC-URITY AND EFFICIENCY."

7 lines

ELIA FITTED DYNAMIC LINE RATING EQUIPMENT ON SEVEN NEW 380 KV LINES IN 2017.

OPTIMISING TRANSMISSION CAPACITY

Elia is continuing to invest in the development and use of Dynamic Line Rating in partnership with Ampacimon. This technology enables more accurate assessment of the actual transmission capacity on lines on which it is fitted. This capacity can then be optimised independently of the weather conditions. Elia fitted Dynamic Line Rating equipment on seven new 380 kV lines in 2017.

In addition, Real Time Thermal Rating (RTTR) equipment was installed on the Koksijde-Slijkens line. This technology calculates the line's maximum transmission capacity in real time and is due to be rolled out in 2018.

Modern Way Of Working

Launched in 2016, the Modern Way of Working (MWOW) programme aims to digitalise, automate and improve the tasks performed by technicians using new technologies. These technologies allow field work to be done faster and more efficiently while also enhancing safety and quality.

Elia uses a range of methods to digitalise work in the field, including connected equipment (PCs, smartphones and smart devices), new mobile applications and the overhaul of current processes.

A reliable grid 24/7

CRISIS MANAGEMENT

Elia regularly holds crisis drills simulating risk situations with the various stakeholders as preparation for managing real problems on the grid. These drills serve to test and improve the tools and processes in place and to ensure optimal communication between the various internal departments and the external units involved in the crises. Both Elia employees and external partners (ARPs, distribution system operators, transmission system operators, etc.) take part in the exercises.

STEPS TO AVOID POWER SHORTAGES

Elia can detect a risk of power shortage up to seven days in advance (D-7). When Elia notifies the government of this risk, a technical briefing is organised on the same day. A consultation meeting is then held the next day to decide on the measures to be taken to reduce demand. One day before the risk is due to materialise (D-1), Elia must confirm to the government that the shortage is actually imminent. If all the measures taken are not sufficient to prevent the shortage, Elia is mandated to activate one or more tranches of the load-shedding plan (depending on the deficit). This measure is a last resort.

So far, Elia has not had to deal with a shortage, thanks to effective preparation and close cooperation with other system operators and partners. However, the procedure is designed to enable the problem to be dealt with as efficiently as possible.

BLACK START SERVICE FOR COPING WITH BLACKOUTS

In the event of a total blackout on the grid, Elia needs to gradually restore the power supply in predefined stages. If neighbouring electricity transmission grids are not available, Elia can rely on various generating units that are capable of performing a black start. These units can start without an external electricity supply, allowing the gradual restoration of power to the grid. This service is covered by a black start contract (black start being an ancillary service) between Elia and the power generators. In 2017, Elia conducted two tests to ensure that this service was operating correctly. The first took place at Ham on 7 July and the second at Herdersbrug on 30 September, and both were successful.

REFURBISHMENT OF ELIA'S NATIONAL CONTROL CENTRE

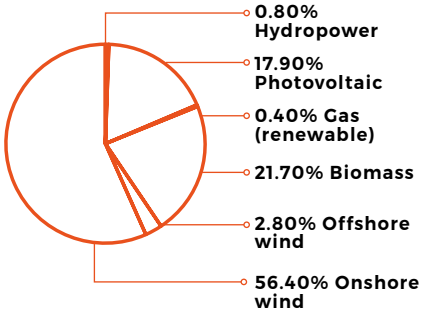
On Thursday 19 October 2017, the Federal Energy Minister Marie Christine Marghem opened Elia's newly modernised National Control Centre (NCC). The upgrade was needed to cope with the growing integration of renewable energy, which is making system operation parameters (international flows, generation and consumption) less predictable and more volatile. The NCC therefore required better facilities for viewing the increasingly complex and large volumes of data. Among other improvements, operators now have a more ergonomic view thanks to a large wall of screens combining a view of the normal operating grid with an overview of renewable energies. Security and access controls have also been strengthened with the introduction of new technologies and additional protections.

"With the challenges of the energy transition and the growing integration of renewable energy, our operators have an increasingly complex job. The refurbished NCC provides them with the best conditions and tools to accomplish their core task of managing the security and balance of the electricity network."
Filip Carton, Head of the National Control Centre

WHAT HAPPENED AT **50HERTZ**?

53.4%

FEED-IN OF RENEWABLE ENERGY IN 50HERTZ'S CONTROL AREA IN 2017



53.4% renewable energy

50Hertz is one of the global leaders in integrating renewable energy. On average in 2017, 53.4% of power in 50Hertz's control area was generated from renewable energy sources (RES), and this was primarily from onshore wind.

Wind record on 28 October 2017

On 28 October 2017, autumn storm Herwart achieved a new wind feed-in record. Around 1pm on that day, 50Hertz integrated no less than 14,266 MW of wind energy: 13,934 MW from onshore wind and 332 MW generated offshore.

10th System Security Conference

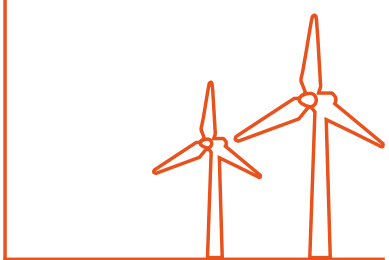
50Hertz held its 10th System Security Conference in November 2017. The most prominent agenda items at the conference were the EU's Clean Energy Package, exchanges of electricity at European level, critical grid situations and data exchange.

An optimised redispatching platform

The redispatching processes at 50Hertz were optimised to better deal with grid congestion problems. Combined with additional investments in grid infrastructure, such as the 380 kV South West Interconnector completed in September 2017, savings of no less than €181 million in redispatching costs were achieved between start of operations of the first system in 2015 and 31st December 2017.

Grid losses

In 2017, the grid losses of 50Hertz amounted to 2.4 TWh. The average grid losses of the extra-high voltage level were 231.7 MW and the substation accounted for 43.5 MW. 50Hertz has planned the first 400 kV, ultra-high voltage DC transmission line (HVDC) in its grid area, the 'SüdOstLink' between Saxony-Anhalt and Bavaria. This technique is better suited than conventional three-phase technology to transfer large quantities of electricity as it facilitates optimum control targeted over long distances, which results in low network losses.



Promoting the right safety behaviours

Six reportable occupational accidents occurred at 50Hertz. The targets set for accident frequency and severity rates were not yet achieved in 2017. Every accident was assessed in detail, and work safety measures were adopted and put in place to prevent future occupational accidents.

A full set of measures will be implemented in 2018, and workplace safety will once again be prioritised to increase employees' awareness of safe behaviour.

...not forgetting contractors

Our occupational health and safety standards also apply to contracted companies working on 50Hertz construction sites. Our partners must therefore sign up to instructions on guaranteeing occupational safety and environmental protection, which are a mandatory part of our tenders and contract awards. In 2017, we made these instructions more specific and transparent. During the contracting process and later via IT-supported construction monitoring by specially trained 50Hertz employees, we ensure that our suppliers comply with 50Hertz's strict safety requirements.

The number of work-related accidents in contracted companies declined in 2017. However, the 16 recorded accidents involving contracted companies are still more than 50Hertz would expect. Consequently, an Agreement on Quality Assurance on 50Hertz Construction Sites is included as an additional part of new contracts concluded from 1 July 2017. This allows us to carry out inspections without any restrictions. In 2018, we will be launching an internal communication campaign to further raise awareness among our workforce.

The quality assurance agreement for 50Hertz worksites forms part of new contracts concluded after 1 July 2017. This includes an unlimited right for 50Hertz to perform inspections and a system for reporting deviations from required standards.

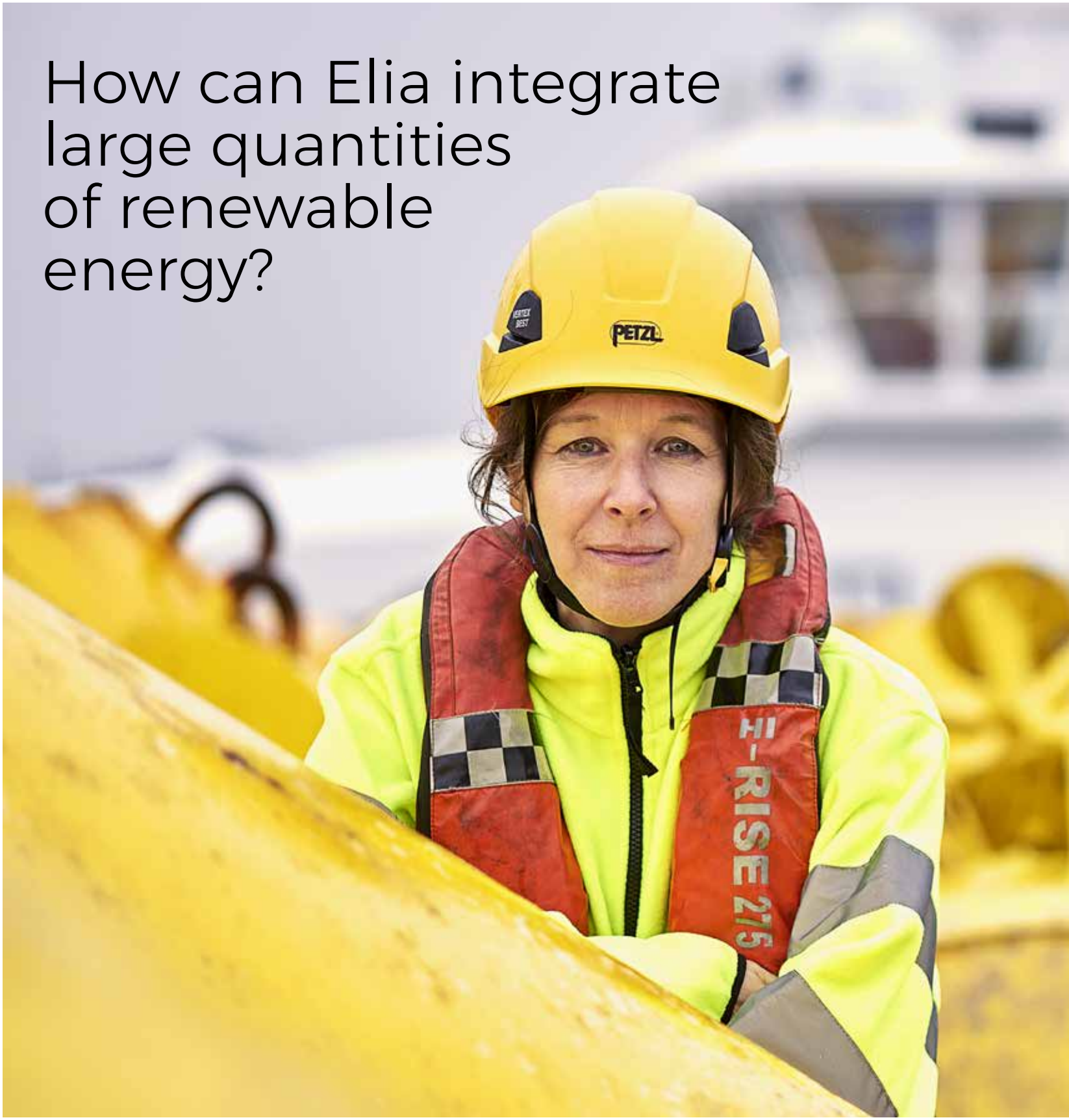
Accidents at 50Hertz	2015	2016	2017
Accident rate[1]	3.0	2.0	4.5
Accident severity rate[2]	0.05	0.16	0.23

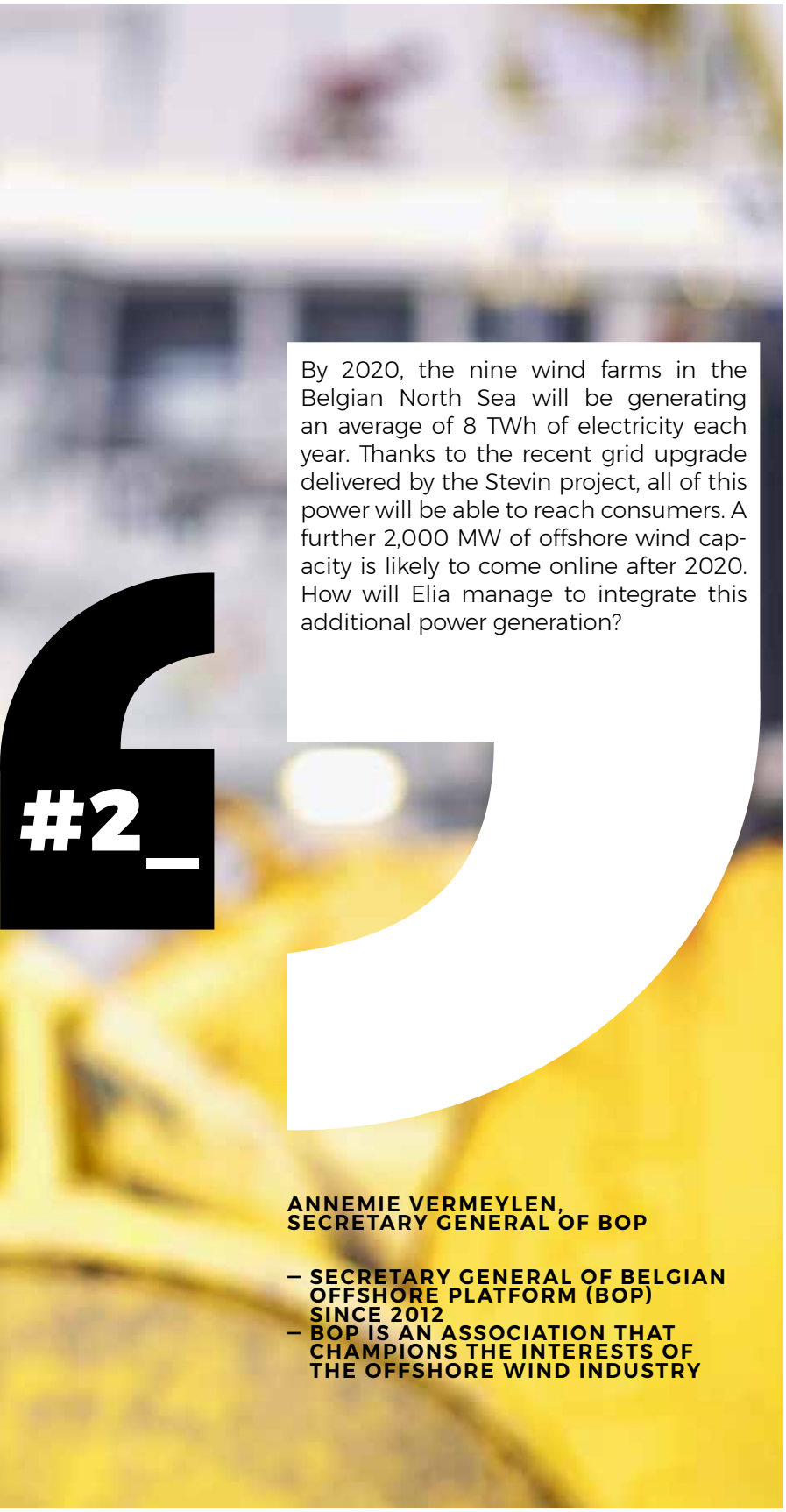
(1) Accident rate: Number of occupational accidents requiring at least 1 day off work x 1,000,000 / total number of hours worked.

(2) Accident severity rate: Number of lost-time days resulting from occupational accidents expressed in calendar days x 1,000 / total number of hours worked. Occupational accidents also include accidents that occur during travel and commuting.

No fatal accidents were recorded between 2015 and 2017.

How can Elia integrate large quantities of renewable energy?





#2_

By 2020, the nine wind farms in the Belgian North Sea will be generating an average of 8 TWh of electricity each year. Thanks to the recent grid upgrade delivered by the Stevin project, all of this power will be able to reach consumers. A further 2,000 MW of offshore wind capacity is likely to come online after 2020. How will Elia manage to integrate this additional power generation?

ANNEMIE VERMEYLEN,
SECRETARY GENERAL OF BOP

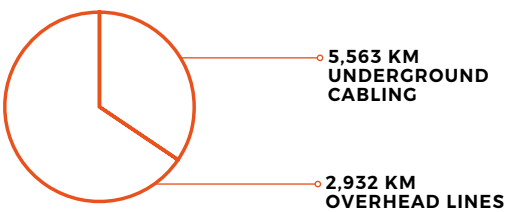
- **SECRETARY GENERAL OF BELGIAN OFFSHORE PLATFORM (BOP) SINCE 2012**
- **BOP IS AN ASSOCIATION THAT CHAMPIONS THE INTERESTS OF THE OFFSHORE WIND INDUSTRY**

TOM PIETERCIL,
MOG PROGRAMME MANAGER AT ELIA

"Elia is actively preparing for the increase in offshore wind generation, which is why we started developing a power grid in the North Sea in 2016. By 2020, there will be a large SwitchYard platform 40 km off the coast of Zeebrugge. This Modular Offshore Grid (MOG) will bundle together the cables from the new wind farms, allowing 2.2 GW of offshore wind energy to be brought onshore.
Should Belgium decide to further expand its offshore wind capacity after 2020, additional grid infrastructure will be needed to prevent bottlenecks. In that case, we will set out our future needs in the Federal Development Plan 2020-2030 to be published in late 2018. Wind energy is extremely variable, so accurate weather forecasting is key to keeping the electricity system balanced. Elia has developed a whole range of balancing products to offset differences between supply and demand."

8,495 Km

TOTAL LENGTH OF THE NETWORK (BELGIUM)



For a comparison with 2015 and 2016, we refer to the annex.

We deliver the transmission infrastructure of the future

The Elia Group is currently rolling out the biggest investment programme in its history. As well as modernising its existing facilities, it is also investing heavily in the integration of renewable energy, the development of an offshore high-voltage grid and the construction of interconnectors to facilitate the integration of the European energy market. Through all these measures Elia is driving the transition to tomorrow's energy system.

MARKUS BERGER, CHIEF INFRASTRUCTURE OFFICER AT ELIA

"WE ARE ON A GOOD TRACK TOWARDS DELIVERING OUR AMBITIOUS INVESTMENT PLAN TO FACILITATE THE INTEGRATION OF RENEWABLES AND ACCESS TO THE EUROPEAN MARKET, AS WELL AS CONTRIBUTING TO THE SECURITY OF SUPPLY."

Best-in-class project management is absolutely vital if the implementation of our ambitious investment policy is to remain manageable. Elia uses specially tailored working methods and decision-making approaches and closely monitors progress on its investment projects, thus ensuring that projects are delivered on time and within the proposed budget and quality criteria.

At the same time, we are paying greater attention to public support for our infrastructure work. Thanks to extensive stakeholder management, we engage constructively and transparently with all relevant parties throughout the decision-making process and during the implementation phase.

Our ambitions

Delivering on time, budget and quality

We aim to deliver the future grid on time to allow Belgian society to grasp the benefits of the energy transition. We want to provide value-for-money power for society and take care of designing and constructing the grid with the highest quality standards in order to deliver a reliable grid that continues to support economic activity.

Integrating renewables into both centralised and decentralised systems

With our infrastructure spanning from 380 kV down to 30 kV, we want to facilitate the uninterrupted flow of renewable energy from where it is produced to where it is consumed. Our grid is an enabler of the energy transition. We want to become a leader in infrastructure development to contribute to our sustainability targets.

Developing strong grid interconnections together with neighbouring countries

We develop grid interconnections to support the competitiveness of our country: to find the cheapest energy wherever it is produced, while offering export opportunities to our domestic plants.

We build interconnections to enable the integration of renewable generation at European level, allowing us to complement our domestic renewables with imported renewables produced abroad.

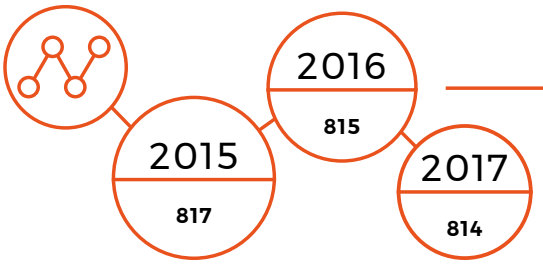
Our interconnections support the security of supply, by allowing imported energy to supplement the domestic renewable and conventional production, therefore satisfying demand at all times.

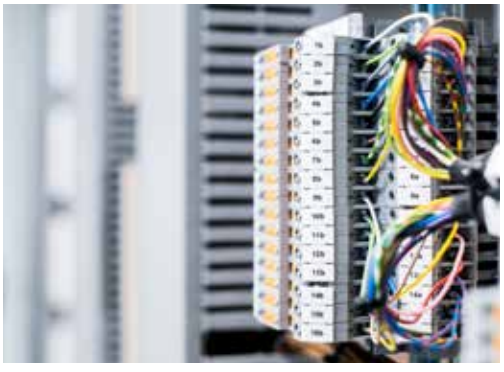
OBJECTIVES

We prepare to develop the grid of the future that strongly connects Belgium's renewable energies, onshore or offshore, into the European system to give every player - large or small - access to an optimal performing energy market in order to create the highest levels of welfare for society:

- **Delivering on time, budget and quality**
- **Integrating renewables into both centralised and decentralised systems**
- **Developing strong grid interconnections together with neighbouring countries**

NUMBER OF SUBSTATION LOCATIONS



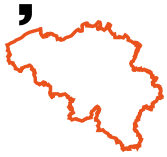


What we achieved in 2017

Infrastructure projects

Towards a more interconnected European grid

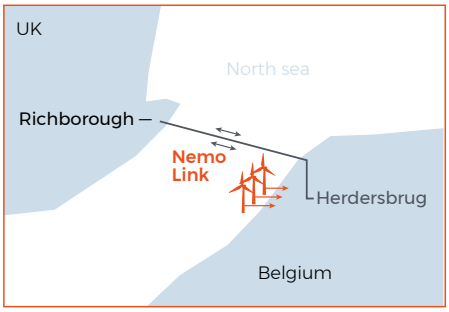
The Elia Group's grids are part of the European continental interconnected system, which extends from Portugal to Bulgaria and from Norway to Italy. This interconnectivity safeguards security of supply throughout Europe, allows renewable energy to be procured where it is generated and provides access to the cheapest energy available. Elia believes that these interconnections are important. As such, it is currently working on the construction of two interconnectors: Nemo Link and ALEGrO.



NEMO LINK

- First subsea electricity connection between the United Kingdom and Belgium
- Joint venture between Elia and National Grid
- 140 km of cable linking Richborough (Kent) and Herdersbrug (Bruges)
- Capacity of 1,000 MW
- Elia's first direct-current (HVDC) project
- Due to be commissioned in early 2019

In September 2017, Nemo Link began laying the first 59 km of submarine cable between the UK onshore landing point and the French offshore section. On 11 September, the cable was pulled in at the beach of Pegwell Bay (Kent), marking a key milestone in the project.



The remaining 71 km will be installed in Belgian territorial waters during spring and summer 2018. The interconnector is scheduled to be commissioned in early 2019, allowing two-way energy transit between the United Kingdom and Belgium.

In 2017, civil engineering work took place at the site of the two converter stations in Richborough (Kent) and Herdersbrug (Bruges). These facilities will transform the alternating current into direct current, and vice versa.

140 KM
OF CABLE (Nemo Link)

1,000 MW
CAPACITY (Nemo Link)

TIM SCHIJVENS, PROJECT MANAGER NEMO LINK AT ELIA

"NEMO LINK MARKS ANOTHER STEP IN THE INTEGRATION OF THE ELECTRICITY GRID BETWEEN MAINLAND EUROPE AND THE UNITED KINGDOM. A WELL-INTEGRATED GRID BENEFITS CONSUMERS AND BOOSTS OVERALL PROSPERITY AS IT PROVIDES ACCESS TO CHEAP, RENEWABLE ENERGY ANYWHERE IN EUROPE AND ALLOWS EXCESS ENERGY TO BE EXPORTED WHEN NECESSARY."

ALEGRO

— New interconnector between Germany and Belgium

— Joint venture between Elia and Amprion

— 90 km of cable (49 km in Belgium and 41 km in Germany)

— Will link the Lixhe (Visé) and Oberzier converter stations

— Capacity of 1,000 MW

— Elia's second direct-current (HVDC) project

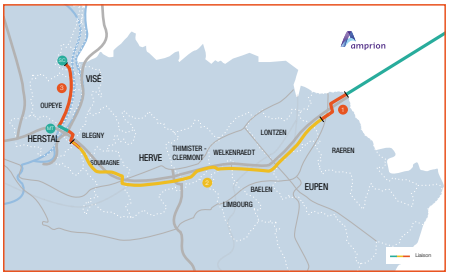
— Due to be commissioned in 2020

In November 2017, Elia acquired the permits and authorisations needed to launch the Belgian side of the Aachen Liège Electrical Grid Overlay (ALEGrO) project. ALEGrO will contribute to the integration of renewable sources of energy, price convergence between the markets and security of supply.

The connection will run underground for the entire 90 km route (49 km in Belgium) and will mainly follow existing infrastructures (highways and railways). Work will begin in 2018, with commissioning due in 2020.

90 KM
OF CABLE (ALEGrO)

1,000 MW
CAPACITY (ALEGrO)



MARCEL NEVEN, MAYOR OF VISÉ

"PROJECTS LIKE ALEGRO HAVE A SCOPE THAT EXTENDS FAR BEYOND THE BOUNDARIES OF OUR MUNICIPALITY. IT'S IMPORTANT TO BEAR IN MIND THE WIDER PUBLIC INTEREST WHEN CONSIDERING THE ISSUES SURROUNDING SUCH PROJECTS. HOWEVER, THE VIEWS OF OUR RESIDENTS ALSO HAVE TO BE TAKEN INTO ACCOUNT. COMPANIES LIKE ELIA HAVE LEARNED TO ANTICIPATE THIS AND ARE NOW ADOPTING A GENUINE POLICY OF TRANSPARENCY TOWARDS LOCAL RESIDENTS, BY HOLDING INFORMATION MEETINGS FOR EXAMPLE."

Facilitating offshore energy

With the MOG, Nemo Link and Stevin projects, Elia is making the necessary upgrades and developments between Belgium's interior and coast via an energy hub in the North Sea. As well as bolstering security of supply, they will also strengthen the development of interconnections with neighbouring countries.

MOG

— MOG = Modular Offshore Grid

— Two offshore platforms located around 40 km from the coast

— Will receive cables from the new offshore wind farms

— Connected directly to the Stevin substation in Zeebrugge

In April 2017, Elia's Board of Directors approved the investment for an 'electricity plug' or Modular Offshore Grid (MOG). The choice of a MOG is of strategic importance for Belgium's future in terms of its participation in the further development of renewable energy in the North Sea.

The MOG will consist of two offshore platforms located approximately 40 km off the coast of Zeebrugge. They will act as a 'plug' for cables from the new offshore wind farms. Elia is currently building a platform called Offshore Switchyard (OSY), from where two cables will run to the Stevin substation to bring offshore wind power to the mainland. There will also be a third cable to the Stevin substation from the platform built by Rentel. Elia will purchase this cable, which will become part of the MOG. It will also lay the cable between the OSY and Rentel platforms.

TOM TRAPPENIERS, INTERFACE & INTEGRATION MANAGER MOG AT ELIA

"AS EARLY AS 2010, ELIA ALREADY HAD PLANS TO DEVELOP ITS OFFSHORE ACTIVITIES. BY ENGAGING ACTIVELY WITH POLITICIANS, THE FEDERAL AND REGIONAL AUTHORITIES, THE REGULATOR AND NUMEROUS WIND FARM REPRESENTATIVES, IT WAS ABLE TO PUT FORWARD THE MOG CONCEPT IN 2015. LESS THAN TWO YEARS LATER, WE'RE STARTING WORK ON THE PROJECT. THIS IS UNPREDEDENTED FOR A PROJECT OF SUCH MAGNITUDE AND COMPLEXITY."

ON 21 NOVEMBER 2017, THE STEVIN PROJECT WAS INAUGURATED IN THE PRESENCE OF PRIME MINISTER CHARLES MICHEL, FEDERAL ENERGY MINISTER MARIE CHRISTINE MARGHEM AND A HOST OF MARKET PLAYERS.

STEVIN

— Double 380 kV line between Zeebrugge and Zomergem (47 km)

— Capacity of 3,000 MW

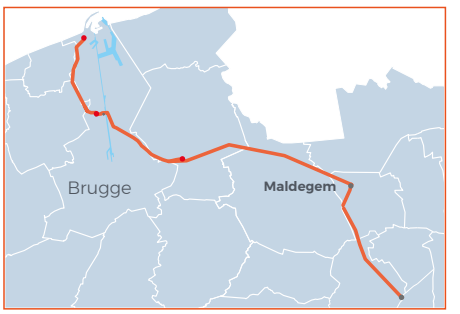
— Key to the integration of offshore renewable energy, and vital for exchanging electricity with the United Kingdom (Nemo Link) and enhancing security of supply at the Port of Zeebrugge

— First 380 kV underground line in Belgium (over 10 km)

With Stevin, Elia is forging one of the missing links to the coastal grid, allowing electricity generated by offshore wind farms and energy carried by the interconnector with the UK to be optimally integrated into the Belgian high-voltage grid.

This project is a vital link for ensuring a reliable electricity supply, particularly in coastal regions. Its aim is to reinforce the Belgian high-voltage grid by means of a double 380 kV high-voltage line between Zomergem and Zeebrugge, representing a distance of 47 km. A new substation in Zeebrugge and two new transition substations in Bruges and Damme will also be built.

With the link now operational, Elia is starting work on the second phase of the project: dismantling 53 km of existing lines (in Bruges, Damme, Maldegem and Eeklo), 35 km of which will be buried. This work will continue until 2020.



WILLIAM STAS, STEVIN PROJECT LEADER AT ELIA

"THE STEVIN SUBSTATION IN ZEEBRUGGE IS BELGIUM'S LARGEST HIGH-VOLTAGE SUBSTATION. IT WORKS WITH THE THREE HIGHEST VOLTAGE LEVELS: 150 KV, 220 KV AND 380 KV. A UNIQUE CONFIGURATION!"

DOUBLE TUNNEL PIPE UNDER THE BOUDEWIJN CANAL

For environmental reasons, 10 km of the 47 km Stevin project runs underground. To maintain its 3,000 MW transmission capacity, the underground section was divided into four parallel copper wire systems. In addition, a double tunnel pipe was built to traverse the Boudewijn Canal. Each pipe is situated at a depth of 32 metres and has a diameter of 14 metres. Shafts were constructed on both sides of the canal, through which technicians can descend to carry out maintenance work. Placing the 380 kV connection underground was a major technical feat and a first for Belgium.

Reinforcing the grid

Given the increasing complexity of the electricity system, Elia remains committed to reinforcing the existing grid. Many projects are currently underway to address this need and accommodate local renewable energy generation.

BRABO

The final permit required for phase two of the Brabo project was granted in October 2017. The project aims to strengthen the high-voltage grid and consolidate security of supply in and around the Port of Antwerp and, more generally, to increase Belgium's import/export capacity.

Brabo is divided into several phases, which Elia is implementing between 2016 and 2023.

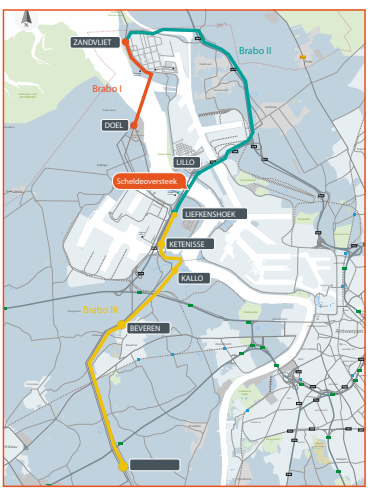
Brabo I (the Doel-Zandvliet connection and Zandvliet substation): The upgrade of the second high-voltage line between Doel and Zandvliet is complete and the line was commissioned on 25 October 2016. The additional phase-shifting transformers at Zandvliet were commissioned in November 2015 and June 2016. This is a vital step towards greater security of supply during critical winter periods.

Brabo II (the Zandvliet-Lillo-Liefkenshoek connection): The existing 150 kV high-voltage line will be upgraded to a 380 kV connection on the right bank of the River Scheldt in the Antwerp district of Berendrecht-Zandvliet-Lillo and the municipality of Stabroek. The connection will follow the current route along the A12 between the high-voltage substations at Zandvliet (close to BASF) and Lillo (close to the Liefkenshoek tunnel). This connection will cross the River Scheldt to Be-veren on the left bank, where it will be connected to the existing 380 kV connection (Doel-Mercator). Elia began laying high-voltage cables (150 kV) under Scheldelaan and Kruisweg in Antwerp in March 2017.

Brabo III (the Liefkenshoek – Mercator connection): From Liefkenshoek, the existing 150 kV connection will be upgraded to 380 kV. This line will run over a distance of 19 km from Liefkenshoek (municipality of Beveren), via the Kallo high-voltage substation (municipality of Beveren), to the Mercator high-voltage substation (municipality of Kruibeke).

RAF VANDENBOER, ELIA'S PUBLIC ACCEPTANCE OFFICER FOR BRABO

"IT WAS DIFFICULT BUT IN THE END, WE'VE ESTABLISHED A STRUCTURAL PARTNERSHIP WITH THE PORT OF ANTWERP COMMUNITY AND THE MUNICIPALITY OF STABROEK. A GREAT TAKE-OFF POINT FOR OUR NEXT STEPS IN THE BRABO II PROJECT!"



DORIEN JANNIS,
BOUCLE DE L'EST PROGRAMME MANAGER AT ELIA

"THE GRID IN THE EAST OF THE PROVINCE IN LIÈGE IS SATURATED AND CAN NO LONGER ACCOMMODATE EXTRA GENERATION FROM RENEWABLES. THIS PROJECT IS CRUCIAL FOR THE INTEGRATION OF RENEWABLES AND ALSO TO SECURE GRID RELIABILITY."

BOUCLE DE L'EST

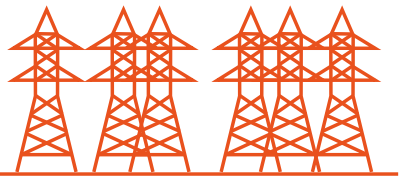
In February 2017, Elia inaugurated the first stage of its mammoth project to modernise and upgrade the Boucle de l'Est (East Loop). This first upgrade connects Malmedy, Waimes, Amel and Bütgenbach. The project is part of the Walloon power infrastructure development plan.

This project is vital for the development of renewable energy generation in the region and key to ensuring reliable grid operation. It will enable a number of renewable energy projects (biomass, wind, etc.) to be developed and to inject their energy securely into the grid.

Stage 1 of the Boucle de l'Est project (the Bévercé-Bütgenbach-Amel connection) was commissioned in early December 2016.

Stage 2 of the project involves replacing and upgrading the overhead line connecting the Bévercé (Malmedy), Bronrome, Trois-Ponts (Coo) and Brume sites located in the municipalities of Malmédy, Stoumont, Stavelot, Spa and Malmedy. The work is scheduled for 2019-2022.

We deliver the transmission infrastructure of the future



110 km

(Mercator-Avelin)

MERCATOR-AVELIN

Elia is planning to upgrade the 380 kV Mercator-Avelin overhead line, which is 110 km long and passes through 25 municipalities in Flanders and Wallonia before continuing into France. The line upgrade is subdivided into three projects: Mercator-Horta, Horta-Avelgem and Avelgem-Avelin.

1. Mercator-Horta

Elia secured the planning permission, declaration of public utility and highway permit for the Mercator-Horta project in May 2017. At the end of that month, work started on the Kruibeke (Mercator) high-voltage substation and on the line itself to strengthen the pylons and foundations along the entire route. Work to replace the conductors with high-temperature low-sag (HTLS) conductors will begin in April 2018.

The Mercator-Horta connection is an overhead high-voltage line linking Kruibeke and Zomergem, a distance of 49 km. It was built in the 1970s and crosses 12 municipalities. Elia wants to upgrade the line to help it cope with the increasing integration of renewable generation units. Upgrading the line will also enable more power to be imported from/exported to other countries.

2. Horta-Avelgem

The Horta-Avelgem line is a 380 kV high-voltage overhead connection built in the 1970s. It runs for 40 km from Zomergem (Horta high-voltage substation) to Avelgem. The line is located in the provinces of East Flanders and West Flanders and crosses eight municipalities.

Between 2018 and 2021, Elia will replace the conductors on the existing high-voltage line, consolidate the pylons and their foundations, and modify the switchgear at the Avelgem high-voltage substation.

3. Avelgem-Avelin

Elia plans to upgrade the 380 kV high-voltage overhead connection linking the Avelgem (Belgium) and Avelin (France) substations by 2021. This line also dates from the 1970s. This joint project with the French high-voltage system operator RTE affects two Flemish and five Walloon municipalities. It covers a distance of 23 km and includes 54 pylons. The work is scheduled for 2018-2021.

SCHELLE-MALDEREN-MECHELEN

The Schelle-Malderen-Mechelen project comprises four subprojects:

- the reconfiguration of three high-voltage substations at Schelle, Malderen and Tisselt (to facilitate demolition of the lines and cable laying and to replace outdated equipment),
- the demolition of the 70 kV overhead line between Schelle and Mechelen,
- the laying of a new 150 kV cable connection between Malderen, Tisselt and Mechelen,
- the demolition of the 70 kV overhead line between Malderen, Tisselt and Mechelen.

It aims to enhance the region's security of supply.

In 2017, Elia dismantled the 70 kV line between Schelle and Mechelen and also began adapting the high-voltage substations at Schelle and Malderen. This is expected to be completed during the first quarter of 2019. The project is scheduled for completion in 2022.

AALTER

This project aims to upgrade the high-voltage grid in the Lakeland industrial zone and boost its energy transit capacity in order to guarantee continued security of supply for households and local businesses in Aalter, Knesselare and Wingene.

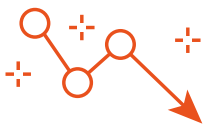
The project will also offer local businesses based in the industrial zone greater scope to expand: not only because of the planned expansion of grid capacity, but also thanks to the space freed up by moving the high-voltage substation to Léon Bekaertlaan, where Elia has a site ready to accommodate a new substation. The work is scheduled to take place from mid-2018 to late 2020.

RABOSÉE-BATTICE

Elia was granted planning permission for the Rabosée-Battice project in October 2017. Work will begin in 2018. To meet the various changing consumption and generation needs identified in the region, Elia proposes to build a new 150 kV underground electricity connection linking the Battice substation and Rabosée (Wandre-Haut). Here, the underground link will be connected to the 150 kV Bressoux-Cheratte-Lixhe overhead connection, which will require the construction of a new transition substation at Rabosée.

Cutting costs

The BOOST project was launched in 2014 with the aim of optimising cost management. It was rolled out in three successive waves: underground engineering, IT activities, and overhead lines and substations. Thanks to this initiative, Elia saved more than €20 million over the first two years of the 2016-2019 tariff period.



€20 mio

SAVINGS IN 2016 AND 2017

HARALD VAN OUTRYVE D'YDEWALLE, PURCHASING MANAGER AT ELIA

"BOOST HAS HERALDED A NEW APPROACH IN THE COMPANY, IN PARTICULAR AN ACKNOWLEDGEMENT THAT TECHNICAL SPECIFICATIONS SHOULD BE CHALLENGED TO MAKE SURE THEY FIT WITH THE COMPANY'S NEEDS AND WHAT IS AVAILABLE ON THE MARKET."

ILSE TANT, CHIEF PUBLIC ACCEPTANCE OFFICER AT ELIA

"IN ORDER TO REAP THE FULL BENEFITS OF AN INTEGRATED MARKET, WHILE AT THE SAME TIME MEETING OUR SUSTAINABILITY OBJECTIVES, IT IS VITAL THAT THE DEVELOPMENT OF BELGIUM'S GRID INFRASTRUCTURE STAYS AHEAD OF MARKET DEVELOPMENTS.

Federal Development Plan 2020-2030

In line with its legal obligation to draw up a federal development plan every four years, Elia began preparing a report on the medium-term future of the Belgian high-voltage grid (Federal Development Plan 2020-2030) in 2017.

Elia notes that a fundamental change in the context is underway as the network evolves from lagging to leading, meaning that the electricity network is determining the speed at which the energy transition takes place. Elia therefore advocates an accelerated approach to infrastructure development in order to fully exploit the advantages of the energy transition. The Federal Development Plan 2020-2030 will be finalised in 2018 and put out to public consultation.

WHEN IT COMES TO DEVELOPING THE POWER GRID OF THE FUTURE, ELIA IS COMMITTED TO THREE PRINCIPLES:

01 **Minimising the construction of new infrastructure by giving priority to optimising and improving existing infrastructure.**

02 **Open communication and cooperation during the entire development process from a very early stage.**

03 **Respect for people and the environment when building and operating our infrastructure.**

50hertz

WHAT HAPPENED AT **50HERTZ**?

New substations

50Hertz commissioned five new substations in 2017 in Wolmirstedt, Heinersdorf, Hamburg, Putlitz and Altentreptow. Phase-shifting transformers were also commissioned in Röhrsdorf, on the border with the Czech Republic.

Combined Grid Solution is a world first!

This unique joint project between 50Hertz and the Danish system operator Energinet will be the world's first interconnector between two offshore wind farms of different nationalities: the Kriegers Flack (DK) and Baltic 2 (DE) projects, which are located barely 30 km apart. Commissioning is scheduled to take place from late 2018.

The Hansa PowerBridge project

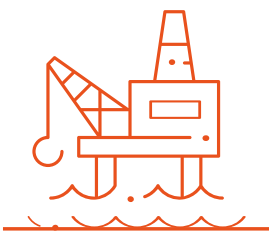
50Hertz and the Swedish transmission system operator Svenska kraftnät have taken another step forward in the development of the Hansa PowerBridge project, the around 300 km, approximately 700 MW offshore interconnector between Germany and Sweden. On 19 January 2017, the two system operators signed a detailed cooperation agreement concerning the schedule and construction. With a planned commissioning date of around 2025/2026, the submarine cable will link Germany's substantial wind generation output with the vast storage capacity of Swedish hydropower plants.

South-West Interconnector

The South-West Interconnector between Saxony-Anhalt and Bavaria has been fully operational since September 2017 – an important milestone for 50Hertz. The development stage of the 200 km - thereof 161km in 50Hertz control area - connection lasted 15 years. The 380 kV line is intended to ensure a reliable power supply for Bavaria following Germany's nuclear power phase-out. Since the new connection was fully commissioned, there have been fewer congestion problems in 50Hertz's control area, which has reduced costs incurred by redispatch measures considerably.

Ostwind1

50Hertz made substantial progress on a number of offshore projects in 2017. A second cable was laid for the Ostwind1 offshore grid connection project, meaning that the Wikinger wind farm can be connected in 2018.



#3_

How can Elia ensure that our industry remains competitive with other countries?

PIETER TIMMERMANS, CEO OF THE FEDERATION OF ENTERPRISES IN BELGIUM (FEB)

– CHIEF EXECUTIVE OFFICER OF VBO/FEB SINCE 2012
– VBO/FEB IS A MULTI-SECTOR EMPLOYERS' ORGANISATION REPRESENTING 50,000 BUSINESSES

JAMES MATTHYS-DONNADIEU,
HEAD OF MARKET DEVELOPMENT AT ELIA

"The Belgian electricity market is linked to markets in neighbouring countries via interconnectors. This means that we can always use the most efficient generating facilities to meet demand, regardless of whether they are in Belgium or abroad. The desired outcome is convergence between the Belgian electricity price and those of neighbouring countries.
Elia is playing an active role in designing the electricity system of the future to ensure that it remains reliable, sustainable and competitive against the backdrop of the energy transition. Our recent study 'Electricity Scenarios for Belgium towards 2050' is a tangible example of this."

If we want Belgian companies to remain competitive, our electricity price must be comparable to that of neighbouring countries. While our industries are energy-efficient, they are more energy-intensive than those of our neighbours. As well as the various taxes and surcharges, the electron price and transmission tariffs are key factors. Securing an identical electron price to those of neighbouring countries is an objective in itself. The capacity available at the borders at any given time is the primary determinant for this price.

We develop the electricity system and markets

Given the growth in renewable energies and their highly volatile generation, greater flexibility is needed within the electricity system to maintain a constant balance between supply and demand. Digitalisation and the latest technologies offer market players new opportunities to optimise their electricity management by selling their surplus energy or temporarily reducing consumption (demand flexibility). By opening up the market to new players and technologies, Elia aims to boost the security of supply, while also making market prices more competitive.

Developing these cross-border balancing mechanisms requires greater cooperation and coordination at the national and supranational levels, as well as an appropriate legislative framework. To achieve this, Elia ensures that every market player has transparent, non-discriminatory access to the grid.

Elia wants to facilitate further market coupling, both in terms of distribution and at European level. We give new players and technologies a chance by innovating in our systems and by introducing new market products.

**PASCALE FONCK,
CHIEF EXTERNAL RELATIONS OFFICER
AT ELIA**

"IN ADDITION TO AN AMBITIOUS CHANGE PROGRAMME ADAPTED TO THE RAPIDLY EVOLVING ENVIRONMENT, WE ALSO REFLECT ON HOW TO MANAGE THE SCHEDULED NUCLEAR PHASE-OUT BY 2025 AND THE POSSIBLE TRANSITION SCENARIOS FROM A MARKET AND SYSTEM PERSPECTIVE."

PATRICK DE LEENER, CHIEF CUSTOMERS, MARKETS & SYSTEM OFFICER AT ELIA

"IN 2017, ELIA AND THE DISTRIBUTION SYSTEM OPERATORS CARRIED OUT A PILOT PROJECT TO INTEGRATE FLEXIBILITY AT THE DISTRIBUTION LEVEL INTO SYSTEM OPERATION. THE LAUNCH OF THIS COOPERATION IS VITAL AGAINST THE BACKDROP OF INCREASING RENEWABLE ENERGY AND THE ASSOCIATED VARIABILITY."

Our ambitions

Towards an integrated market

Making transmission capacity available to market players across international borders is a source of added economic value for the community as a whole. It makes energy markets more accessible and thus more competitive, as there is less of a focus on national markets. Consumers can access the cheapest energy wherever it is available.

Harmonising electricity market rules across Europe

Initiated by the European Commission, the European network codes are drawn up on the basis of proposals by the European transmission system operators and are designed to provide the energy market with a common legislative framework applicable to all Member States.

The European Union (EU) is keen to strengthen the strategies in place to make the pan-European energy market a reliable, competitive and low-carbon sector. Furthermore, each network code forms an integral part of the drive to create a single energy market and to achieve the EU's 20-20-20 goals.

Our expertise at the community's service

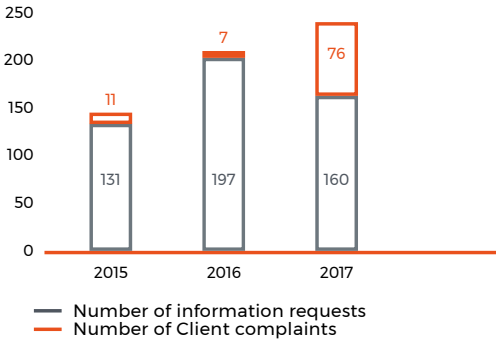
Elia is an active member of a number of national and European working groups and gladly makes its expertise available to help plan the energy system of the future. We regularly conduct in-depth studies to enable us to give sound advice about the electricity system's needs. Moreover, Elia is highly customer-oriented and sets up specialised working groups in order to gain a better insight into market players' needs and requirements and to identify the best solutions.

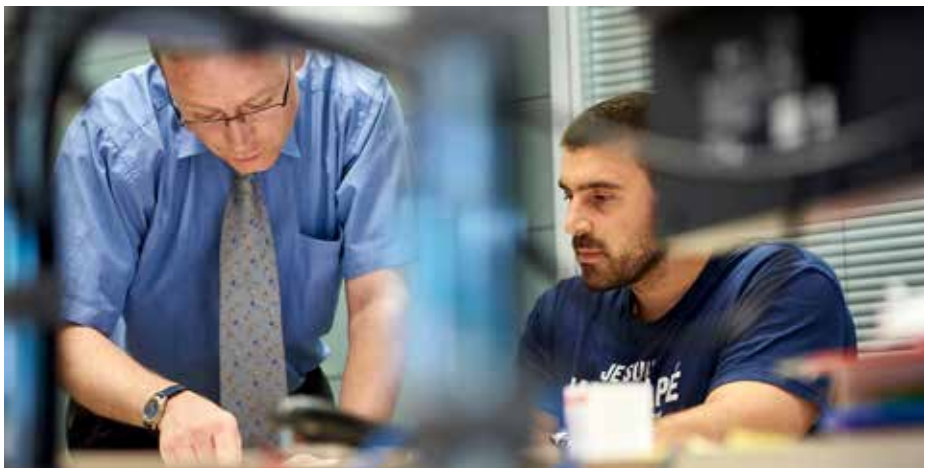
OBJECTIVES

We give every player access to the energy markets, regardless of their size, the kind of technology they deploy and their role in the market, so that they can fully exploit the economic benefits:

- **Redesigning the Belgian balancing market to encompass all kinds of technologies and market players, independently from the grid they are connected to**
- **Integrating Belgium into a wider European balancing market**

CLIENT INFORMATION AND COMPLAINTS REQUESTS (BELGIUM)





What we achieved in 2017

Real-time balancing on a day-to-day basis

To make sure the grid runs smoothly 24 hours a day, the operators activate the regulation tools needed to ensure that the grid remains balanced at all times, which resulted in a grid reliability rate of 99.999% in 2017. They have access to reserves to manage the electricity grid, commonly referred to as 'ancillary services'. These reserves contribute to maintaining the frequency and voltage on the grid, managing congestion and balancing generation and consumption in real time.

The control centre coordinates energy flows on the grids, in close cooperation with international coordination centres (such as Coreso and TSCNET) and transmission system operators in neighbouring countries. The reliability of the electricity grid and the country's security of supply depend on their collaboration.

KRISTIEN CLEMENT-NYNS, ANCILLARY SERVICES MANAGER AT ELIA

"OUR AIM IS TO OPEN UP OUR BALANCING MARKET FOR NEW PLAYERS AND NEW TECHNOLOGIES BY INNOVATION IN OUR SYSTEMS AND MARKET PRODUCTS. THEREFORE WE HAVE EMBARKED ON AN AMBITIOUS CHANGE PROGRAMME FOR THE BALANCING MARKET."

THERE ARE THREE DIFFERENT SERVICES FOR KEEPING THE GRID BALANCED:

1 **Primary reserve FCR**

2 **Secondary reserve AFFR**

3 **Tertiary reserve MFRR**

Frequency Containment Reserve (FCR) or primary reserve

Activated upwards and downwards automatically and on a continuous basis, almost instantly (within 0 to 30 seconds), as required to stabilise the frequency of the European grid. In the event of a deviation, all of Europe's transmission system operators work together, enabling them to provide enough power to cover two concurrent serious incidents (e.g. the loss of two 1,500 MW generation units) within 15 minutes. This reserve is supplied by generation units or offtake sites.

Automatic Frequency Restoration Reserve (aFRR) or secondary reserve

Activated upwards and downwards automatically and on a continuous basis, in a timeframe of 30 seconds to 15 minutes, as required to handle sudden imbalances in the area managed by Elia. It is supplied by generation units.

Manual Frequency Restoration Reserve (mFRR) or tertiary reserve

Can be activated upwards manually at Elia's request. It is used to address a major imbalance in the area managed by Elia and/or to deal with congestion problems. There are several types of tertiary reserve and the reserve can be supplied by generation units or offtake sites.

Extension of the primary control market to include new technologies

On 1 May 2017, Elia introduced a new contractual framework governing the provision of the primary frequency control service (FCR or R1). This allows new technologies such as batteries and decentralised generation to participate in grid balancing. This development is in keeping with the multiannual development plan drawn up by Elia in 2016 in close collaboration with the relevant distribution system operators and market players, following changes to Belgium's generating facilities.

Integration of non-CIPU units into the secondary reserve

Since mid-2016, Elia has been examining the feasibility of integrating units, other than large gas-fired generation units, into the secondary reserve and opening participation to units of various sizes, fuelled by diverse technologies (e.g. biogas, cogeneration, heat pumps).

In 2017, Elia carried out a pilot project entitled 'R2 Non-CIPU' in collaboration with Actility, EDF Luminus and Next Kraftwerke. The results of this project suggested it would be beneficial for the aFFR (automatic Frequency Restoration Reserves or secondary reserve) market to be opened up to non-CIPU flexibility. Elia will develop a new design proposal for the aFRR including a technical and economic assessment of energy transfer implementation. This will be presented for stakeholder consultation in 2018.

Extension of the current secondary reserve market

Elia conducted a study on the possible extension of the current secondary reserve market. After presenting the different scenarios and undertaking a stakeholder survey, it put forward an implementation proposal in early March 2017, based on market feedback.

Previously, the secondary market was restricted to certain scenarios: for day-ahead it was only open to CIPU units and, for intraday, only if those CIPU units suffered an outage.

After consulting stakeholders, Elia suggested opening up the secondary market to all units (CIPU and non-CIPU) and in all circumstances (outage or otherwise) from 31 December 2017.

This opening of the market clearly adds value and will allow Belgium to become one of the frontrunners in Europe in terms of the exchange of reserves.

Study on dynamic dimensioning of reserve needs

In October 2017, Elia unveiled a new method to 'dynamically' size balancing reserve needs in near-real time based on day-ahead predicted system conditions, including offshore and onshore wind power, solar photovoltaics, electricity demand, power plant schedules and transmission assets.

The study demonstrates that the proposed alternative methodology improves the reliability and efficiency of reserve procurement, particularly in future systems with increasing renewable generation. The actual application of dynamic dimensioning is subject to a follow-up study on dynamic ('daily') procurement of the tertiary reserve in 2018.

Study on the pricing methodology used for the settlement of activated balancing energy

Elia analysed the advantages and disadvantages of moving to a 'paid-as-cleared' methodology earlier than planned under EU legislation. The new methodology aims to introduce a better market dynamic. Elia also set out an implementation plan and undertook a cost-benefit analysis.

Based on an initial estimate, the study concludes that the new pricing methodology could be implemented for mFRR in the second half of 2019 at the earliest, and for aFRR in late 2020 at the earliest, provided that there is sufficient liquidity in the relevant markets. This estimate is liable to change based on further analysis and a detailed project schedule, as well as other priorities set by Elia, CREG and other market players.

Strategic reserve

WHAT IS IT?

The strategic reserve is a concept that was implemented for the first time during the winter of 2014-2015. It is designed to address the structural shortage of installed generation capacity in Belgium brought about by the temporary or permanent shutdown of power stations (for either economic or technical reasons). The reserve is intended to help maintain security of supply during the winter period.

Ahead of each winter period and on the instructions of the Energy Minister, Elia organises a call for tenders for power stations that have announced that they will be shutting down and for demand-side managers.

The reserve capacity established may be activated during the period from 1 November to 31 March; it may not be used for any other purpose. Each year, strategic reserve demand is assessed for the following winter.

WHEN IS IT ACTIVATED?

The strategic reserve is activated where a 'structural capacity deficit' is identified (according to economic or technical criteria) based on market forecasts or other information available to Elia the day ahead of a given day or several hours in advance.

In 2017 the Belgian and European authorities have been in contact to investigate if the Belgian mechanism of strategic reserve is compatible with the applicable EU State aid rules, and in particular with the 'Guidelines on State aid for environmental protection and energy 2014 - 2020' (EEAG).

Even though there is not yet a final, public decision from the European authorities, Elia and CREG have been formally informed of the commitments that the Federal Minister of Energy has taken towards the European Commission with the aim of obtaining a positive final decision. To the extent possible, these commitments have already been taken into account for the next winter period 2018-2019.

The strategic reserve for winter 2017-2018

In line with the Electricity Act, Elia conducts an annual probabilistic analysis of Belgium's security of supply for the next winter by 15 November. This analysis, together with the opinion of DG Energy, is an important element to be taken into account by the Federal Minister for Energy to decide on the need for a volume of strategic reserve. On 15 January 2018 the Federal Minister of Energy instructed Elia to constitute a reserve of 500 MW for this winter (2018-19).

SITUATION ON THE GRID DURING THE COLD SPELL

"During the winter of 2016-2017, a period of cold weather in Belgium and France led Elia to consider activating the strategic reserve in mid-January 2017. In the end this didn't happen as weather conditions in France improved. Working in close coordination with other European transmission system operators, Elia managed to maintain security of supply without having to activate the strategic reserve. In Belgium, the various market players made every effort to ensure optimal generating facilities and to keep their customer portfolios balanced."

Kristof Sleurs, Head of Operations NCC at Elia

HANS VANDENBROUCKE, HEAD OF THE BELGIAN MARKET MODEL TEAM AT ELIA

"BIDLADDER ALLOWS SMALLER UNITS TO PARTICIPATE IN FLEXIBILITY. UNTIL NOW, THIS WAS ONLY POSSIBLE FOR UNITS WITH A MINIMUM CAPACITY OF 25 MW. BIDLADDER OPENS UP THE BALANCING MARKET TO THE DEMAND SIDE AND DECENTRALISED GENERATION, THEREBY LEVERAGING THEIR FLEXIBILITY. THIS IN TURN, MEANS GREATER LIQUIDITY FOR ELIA."

The BidLadder project

ENABLING MARKET PLAYERS TO PUT AVAILABLE FLEXIBILITY ON THE MARKET

BidLadder is a market platform set up by Elia that has been operational since September 2017. It allows all market players to offer their flexibility on a daily basis to keep the grid balanced, regardless of the voltage level they are connected to and the technology they use (generation or demand-side management). This means that smaller units can participate with a high degree of flexibility. Until now, only large generation units with an installed capacity of at least 25 MW could offer their available energy, whereas smaller generation units and demand flexibility were excluded. The platform has been operational since September 2017 for customers connected to the Elia grid, and will be available for the distribution system in early 2018.

Elia will facilitate data exchange within BidLadder by means of the DataHub platform, developed in collaboration with distribution system operators.

The DataHub project

FACILITATING FLEXIBILITY EXCHANGES WITH DISTRIBUTION SYSTEM OPERATORS

On 1 January 2018, Elia and the distribution system operators (DSOs) launched a joint platform called T-DSO DataHub for exchanging data between them. This is needed for the verification and settlement of the flexibility volumes activated at Elia's request, as part of the ancillary services designed to manage grid balance. T-DSO DataHub enables all market players and grid users to offer flexibility to Elia.

Its development follows the launch, in late June 2017, of BidLadder, a platform allowing market players to provide Elia with all the flexibility they have in their portfolio. To open BidLadder to the distribution system, Elia and the DSOs needed a tool to facilitate these data exchanges. DataHub is that tool.

Extension of the flow-based method

Elia is currently working to extend the flow-based method to include intraday for the Central West Europe (CWE) region. In August 2015, the flow-based method was launched for only day-ahead. Elia is also seeking to extend the flow-based formula for the Eastern European (CORE) regions, in order to comply with the guidelines set out in the network codes.

Up to that point, international electricity exchanges in the CWE region had been governed by the transmission capacity available at each border.

The flow-based model is based on a more detailed simulation of network components and enables capacity to be allocated by high-voltage connection rather than by border. This more complex, but more accurate system, provides market players with more detailed information and offers them a wider range of import and export options.

The ENCODE project

IMPLEMENTATION OF EUROPEAN NETWORK CODES

In Belgium, Elia launched the ENCODE project designed to implement the EU network codes at national level and, at the request of the federal energy authorities, initiated consultations with market players via the Elia Users' Group on the main aspects associated with implementing the codes.

The aim is to submit a proposal for the amendment of the Federal Grid Code in May 2018 and, later in the year other proposals, based on the network codes, to the relevant authorities. All these proposal submissions will be preceded by public consultations organised by Elia.

The MARI and PICASSO projects

BALANCING MARKET INTEGRATION

Elia signed two Memoranda of Understanding in 2017 related to the integration of the balancing markets. The MARI and PICASSO projects anticipated the EU Guideline on Electricity Balancing coming into force.

– The MARI project - In early April 2017, as part of the MARI project, 19 European transmission system operators (TSOs) signed a Memorandum of Understanding for the design, implementation and operation of a new platform for the exchange of balancing energy from Frequency Restoration Reserves with manual activation or mFRR (R3 - tertiary reserves).

– The PICASSO project - In July 2017, as part of the PICASSO project, eight TSOs signed a Memorandum of Understanding for the design, implementation and operation of a platform for common activation of balancing energy from automatic Frequency Restoration Reserves or aFRR (R2 - secondary reserves). The TSOs ensured that market players were involved early on in the design phase of these integrated markets, with public consultations launched in late 2017 to gather input from market participants. Under EU regulations, these platforms should be up and running no later than the end of 2021.

The iCAROS project

COORDINATION OF ELECTRICAL INSTALLATIONS

In a rapidly changing environment, Elia is reviewing its processes for coordinating the electrical installations of grid users (currently governed by the CIPU contract). As part of this review, it launched the iCAROS project (Integrated Coordination of Assets for Redispatching and Operational Security) in 2017. This will enable the implementation of new operational data exchanges for the coordination of electrical installations and the management of congestion risks, as well as the new roles required by the European Guideline on Electricity Transmission System Operation.

Elia issued a design note in 2017, which it put out for consultation in early December. In 2018, it will publish a new version of this note taking into account the feedback from market players, with a view to preparing the implementation.

SILVIO FERREIRA, PROJECT MANAGER AT ELIA

"ELIA'S NEW CALCULATION PLATFORM, POWERFACTORY, IS FLEXIBLE AND WILL MAKE IT EASIER TO DEVELOP NEW PROCESSES FOR COPING WITH FUTURE CHALLENGES RELATING TO GRID SECURITY OR CAPACITY CALCULATIONS (DYNAMIC AND VOLTAGE STABILITY, INTRODUCTION OF HVDC, ETC.)."

The Loftie project

IMPROVING GRID SIMULATIONS

Running grid simulations requires even more advanced tools as well as a grid model management integrating forecasts from one day to ten years ahead. New data and IT architecture has been developed and implemented within Elia to enable the relevant departments to perform all their analyses in a more modern and flexible environment.

The Loftie project (Load Flow Tools and Insourcing of Expertise) was launched in 2014. The new PowerFactory tool was phased into service in 2017. It enables the incorporation of changes in the business processes of the operational planning and grid development departments, namely the modelling of renewable generation and medium-voltage substations (DSOs), increased automation to enable more scenarios to be implemented, and compatibility with the new ENTSO-E codes and standards.

Operational planning migrated to PowerFactory in several phases, starting with weekly planning in June 2017. Daily planning was migrated in November 2017.

The next goal for Loftie in 2018 will be to fully model renewable generation in operational planning's security calculations. This major change will make it possible to move towards the conditional weekly planning of multi-scenario outages, while improving the quality of the daily planning simulations.

Our expertise at society's service

STUDY ON THE FUTURE OF THE BELGIAN ENERGY SYSTEM

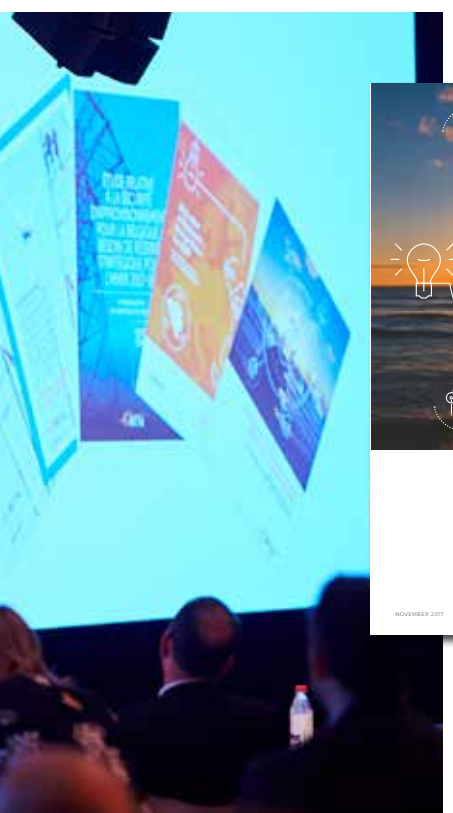
In a new study on the future of the Belgian energy system, published in November 2017, Elia calls on the Belgian authorities to take swift action. 'Electricity Scenarios for Belgium towards 2050' argues that it is high time to make decisions that will safeguard the Belgian energy system and the country's welfare and prosperity. The rapid and fundamental changes brought about by the energy transition create new needs and requirements and there is the additional challenge of the 2025 nuclear exit required by law. In addition to the many challenges, Elia's study also describes the industrial opportunities for Belgium as Europe's 'Energy Roundabout'.

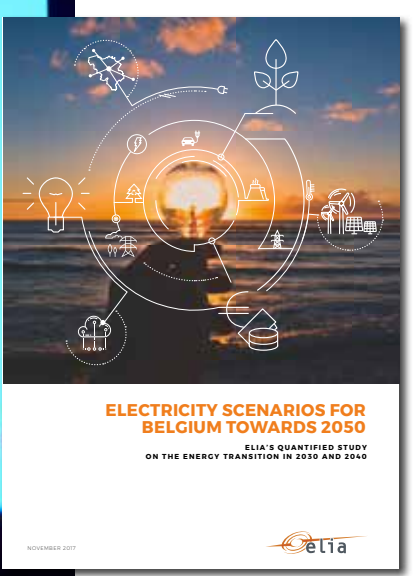
Elia published the report to support policymakers working on an interfederal Energy Pact. It looked at both the short term (statutory closure of all Belgian power stations in 2025) and longer term (achieving the COP 21 climate standards by 2050).

The study triggered a lively public debate in Belgium and is still widely regarded as a landmark document. Among other things, Elia noted that the replacement capacity for nuclear energy in 2025 would not come from nowhere and that 3.6 GW of flexible thermal power plants would be needed – with a support mechanism – to absorb the shock of the nuclear exit.

The study also showed that additional interconnectors are a 'no regrets' option. They contribute towards the achievement of Belgium's climate goals and offer the best guarantee for ensuring prices that are competitive compared to neighbouring countries. Additional interconnectors also bring industrial opportunities for our domestic generation market: Belgium can establish itself as a first mover to realise the concept of the Energy Roundabout within a European context.

The future study was presented in detail at Elia's annual Stakeholders' Day on 17 November 2017. The report was discussed in advance with numerous market players and interest groups and enjoyed widespread support in the sector when launched.





ROXANNE VANDE ZANDE,
GRID CODES AND REGULATED CONTRACTS MANAGER AT ELIA

"OUR STUDY WAS AN EYE-OPENER FOR BOTH THE SECTOR AND POLICYMAKERS. WE SHOWED THAT NEW CAPACITY WILL BE NEEDED IN EVERY FUTURE SCENARIO, INCLUDING A PARTIAL NUCLEAR EXTENSION. BY DOING NOTHING, BELGIUM WOULD ALMOST AUTOMATICALLY END UP IN A DOOMSDAY SCENARIO FROM 2025, IN WHICH AT LEAST 4 GW OF NUCLEAR CAPACITY WOULD HAVE TO BE EXTENDED AT SHORT NOTICE OR THERE WOULD BE SERIOUS SUPPLY ISSUES FOR YEARS TO COME, RESULTING IN SIGNIFICANT ECONOMIC DAMAGE TO THE COUNTRY."

Rewenables Grid Initiative

Since 2011, Elia has been a member of the Renewables Grid Initiative (RGI), a coalition of environmental organisations (such as the WWF and Birdlife) and system operators. Their shared aim is to generate consensus around the grid expansion needed to integrate renewables, while respecting biodiversity and the environment.

In 2017, RGI organised a number of webinars and workshops on community compensation measures and improving public acceptance by undergrounding high-voltage lines. In addition, various workshops were held to help the NGOs understand how transmission system operators develop and expand their networks, which led to a greater appreciation of the many obstacles that TSOs face.

Global Energy Interconnection Development and Cooperation Organisation

In November 2017, the Elia Group, via Elia Grid International, joined the Global Energy Interconnection Development and Cooperation Organisation (GEIDCO), an international body based in China. GEIDCO facilitates and promotes the establishment of a global system of energy interconnections. It does this by compiling development plans and proposals for technical standards with the help of industry experts.

The Elia Group wishes to contribute its expertise to this international initiative for the development of interconnections.

OUR COLLEAGUES IN ENERGY ASSOCIATIONS

Elia is committed to cooperating and maintaining good relationships with all market players. This is helped by the fact that some of our managers are members of sectoral organisations. Pascale Fonck, Elia's Chief External Relations Officer, became an ENTSO-E Board Member in June 2017. Patrick De Leener, now Chief Customers, Market & System Officer at Elia, was CEO of Coreso until November 2016, while Jan Van Roost, formerly Head of Settlement, Metering & Data Reporting at Elia, has held the position of Coreso COO since August 2017. Cécile Pellegrin, Elia's Head of Network Operations, has been Head of Development at Coreso since August 2017.

50hertz

WHAT HAPPENED AT **50HERTZ**?

WindNODE

The WindNODE project got under way in January 2017 with an initial consortium meeting at 50Hertz's Netzquartier building attended by all partners. WindNODE is a joint research project in which over 70 partners are coming together to develop new decentralised and sustainable solutions for the energy transition. The goal is to efficiently integrate large quantities of renewable electricity into the energy system while keeping power grids stable. WindNODE will use the possibilities offered by digitalisation to create a smart energy system and allow the coordinated operation of many different partners in a decentralised system.

BORIS SCHUCHT, CEO 50HERTZ

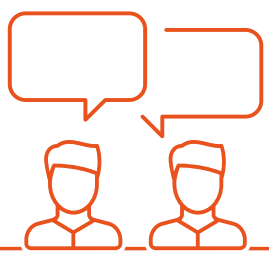
"RENEWABLE ENERGY SOURCES HAVE EVOLVED INTO A DOMINANT SOURCE OF ENERGY, PARTICULARLY IN OUR CONTROL AREA. INNOVATION AND SMART GRID CONTROL ARE ESSENTIAL FOR ENSURING THAT RENEWABLE ENERGY IS INTEGRATED SAFELY AND EFFICIENTLY. WINDNODE COMBINES BOTH OBJECTIVES."

Berlin Energy Transition Dialogue

In March 2017, Elia and 50Hertz were jointly represented at the third Berlin Energy Transition Dialogue, a German federal government organisation. The Elia Group supported a number of sessions at the two-day event, where we demonstrated our experience in integrating renewable energy and explained how the transmission system needs to be modified to cater for this.

Roundtable for Europe's Energy Forum

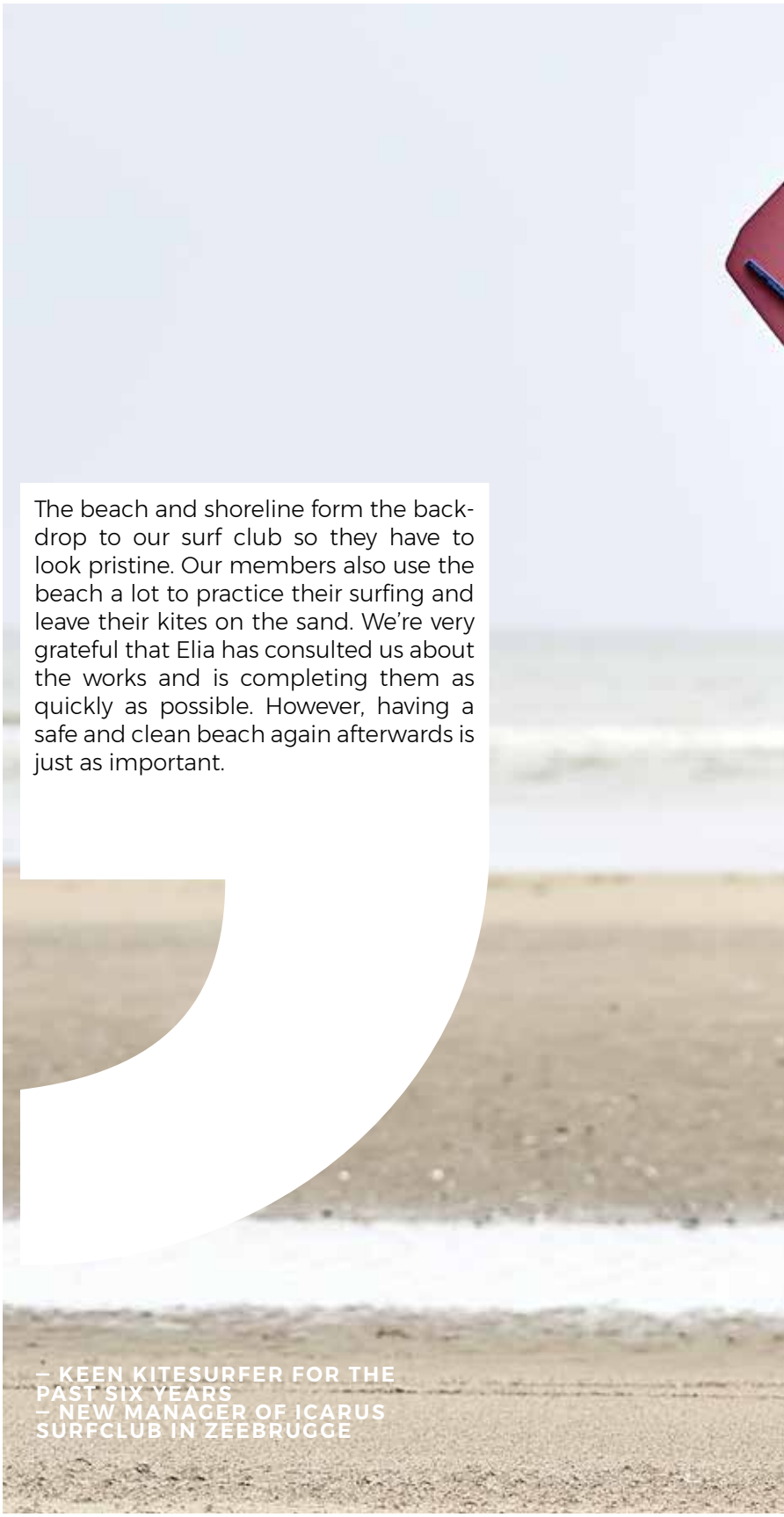
On 18 October, 50Hertz's CEO Boris Schucht took part in an open discussion in Brussels on the future operation of the European electricity system as part of the Clean Energy Package. In a joint effort with other European transmission system operators, the Regional Energy Forum (REF) model was presented to Maroš Šefcovic, the European Commissioner for Energy Union. These REFs could improve coordination between existing Regional Security Centres (RSCs) such as Coreso and TSCNET.



#4_

How will Elia return our beach to its former glory once the cable works have been completed?

LEON INKEBERGHE - MANAGER OF ICARUS SURFCLUB, ZEEBRUGGE



The beach and shoreline form the backdrop to our surf club so they have to look pristine. Our members also use the beach a lot to practice their surfing and leave their kites on the sand. We're very grateful that Elia has consulted us about the works and is completing them as quickly as possible. However, having a safe and clean beach again afterwards is just as important.

– KEEN KITESURFER FOR THE PAST SIX YEARS
– NEW MANAGER OF ICARUS SURFCLUB IN ZEEBRUGGE

MATHIEU DONCHE – NEMO LINK BE PROJECT MANAGER AT ELIA

"Ensuring that the beach looks its best after the works is a priority for us. This means carrying out the work to a high standard to prevent subsidence, and not leaving any waste behind. We will therefore dig the work area to make it level and sift the sand. We determine and discuss our working method in advance with stakeholders, in this case the surf club."

21,824 m

STEVIN PROJECT LINES INTEGRATED IN THE LANDSCAPE

85 ha

THE SURFACE AREA OF SUSTAINABLE CORRIDORS CREATED EACH YEAR SINCE 2015

We cooperate to strengthen our TSO position

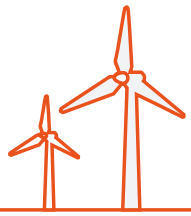
Elia's activities have an impact on the country's socio-economic development. As a key player in the energy system, Elia is committed to improving dialogue and coordination with the various market parties. It also aims to be a sustainable and responsible company that works hard to help reduce the ecological footprint of its operations and develop projects for the community.

ILSE TANT, CHIEF PUBLIC ACCEPTANCE OFFICER AT ELIA

"WE STRENGTHEN DIALOGUE WITH ALL STAKEHOLDERS AND OUR INTERNATIONAL COLLEAGUES TO PUT FORWARD SOLUTIONS THAT ARE IN THE INTEREST OF SOCIETY."

Elia wishes to take account of society's needs and concerns at every stage of its infrastructure projects. We approach our stakeholders with empathy and integrity. To this end, Elia has developed a policy defining its ambitions and actions on sustainable development. The policy focuses on four main areas: economy, environment, society and employment.

Our ambitions



Economy

Elia upgrades its grid to enable greater renewable integration and thus supports Belgium's energy mix and the EU's ambitions on renewables.

Employment

Elia aspires to be a sustainable employer concerned for the safety of all. To achieve this, it relies on a motivational and robust corporate culture that allows it to meet all the challenges of the energy sector in an agile way.

Environment

Elia incorporates more environmental targets into its activities in order to make the best possible contribution to the energy transition and promotes biodiversity around its facilities.

Society

Elia seeks to upgrade its grid in a spirit of dialogue and cooperation with local residents. Its electricity system must be reliable and affordable, and must be maintained and developed in the interest of the community.

OBJECTIVES

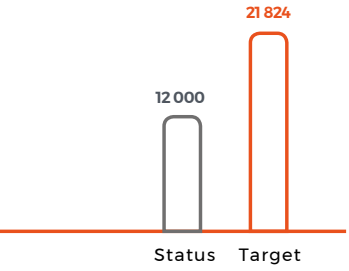
We realise the grid of the future through proactive dialogue with a variety of stakeholders, based on mutual respect and empathy to come to the best societal and environmental solutions.

- **Having a positive impact on society by realising further grid development enabling proper integration of renewable energy in the EU grid of the future**
- **Expanding dialogue with stakeholders and keeping them informed throughout the entire duration of projects**
- **Performing the necessary studies and analyses and acting as an advisor to the different governments with regard to the realisation of the energy transition in the interest of society**

What we achieved in 2017

Building a relationship on trust and dialogue

BIODIVERSITY - STEVIN LANDSCAPING INTEGRATION



Elia is keen to lessen the impact of its facilities on the landscape and plants large numbers of trees and shrubs on the land it owns. For more information about Elia's sustainability measures, see the annex.

MEETINGS WITH LOCAL RESIDENTS AFFECTED BY INFRASTRUCTURE PROJECTS

Informing and listening to residents impacted by its infrastructure projects is a priority for Elia. As such, the transmission system operator organises regular information sessions in partnership with affected municipalities. These sessions inform local residents about the impacts, objectives and challenges of upcoming works, as well as answering any questions they may have. Newsletters, websites and brochures are also used to ensure optimal communication throughout the works.

INVITING LOCAL RESIDENTS TO LEARN ABOUT WHAT WE DO

In May, Elia held an open day for the public at its brand new Stevin high-voltage substation in Zeebrugge. The visit was part of the Open Site Days, an initiative by the Belgian Construction Confederation which sees a number of projects opened to the general public. It was the first time Elia had taken part in the event. With over 2,000 people attending, the day proved such a success that Elia plans to initiate another project in 2018. For more information about Stevin, see page 43.

COOPERATION WITH CUSTOMERS AND PARTNERS

Elia is committed to maintaining good relations with its customers and its partners, the distribution system operators (DSOs). To this end, it adopts a number of approaches.

Naturally, it has key account managers who deal with these parties directly on a day-to-day basis. In addition, events and meetings are organised to keep them informed of Elia's activities, the various products it offers and how it sees the future of the grid in Belgium.

SCHOOLS' DAY AT THE STEVIN SUBSTATION

On Friday 5 May, Elia organised a Schools' Day at its Stevin site in Zeebrugge. The initiative helped to raise awareness among future generations about changes in the energy system. The unique experience of visiting a new, high-voltage substation proved a hit with students and teachers alike.

PHILIPPE CORNELIS, PUBLIC ACCEPTANCE OFFICER AT ELIA

"OUR AIM IS TO INVOLVE CITIZENS AND LOCAL AUTHORITIES AS EARLY AS POSSIBLE IN ORDER TO ACCOMMODATE THEIR NEEDS AND PRIORITIES. IT'S ALSO IMPORTANT TO MAINTAIN THE CLOSEST POSSIBLE CONTACT THROUGHOUT THE PROCESS SO THAT WE CAN REACT AS QUICKLY AS POSSIBLE."

DIALOGUE AT THE HEART OF THE STEVIN PROJECT

Elia informed and involved hundreds of stakeholders at each stage of the Stevin project, from the eight municipal administrations through to local residents. In other words, it implemented the Stevin project in a way that took its surroundings into account. So how do local mayors feel about the project now?

Renaat Landuyt (Mayor of Bruges)
"The additional measures that Elia proposed were key to reaching a compromise. The Stevin substation blends in as well as it can and is surrounded by vegetation. The city council is happy with this solution as it allows us to protect our residents, while also enhancing their living environment."

Joachim Coens (Mayor of Damme)
"Damme places a high value on the quality of its surroundings. We're pleased that we were able to work with Elia to find a solution for those residents who were still being impacted visually. They were able to request free planting of vegetation to reduce the visual impact. The town council felt this was a very constructive way forward."

Marleen Van Den Bussche (Mayor of Maldegem)
"Elia was always willing to reach a mutual agreement on a suitable route. We hope that it will continue to engage with us on a permanent basis as this is the best guarantee for the well-being of Maldegem's residents."

ELIA'S USERS' GROUPS

The Users' Groups are specific discussion groups comprising representatives of grid users, partner DSOs and other market players. They enable Elia to disseminate information to market players and to consult them on specific issues relating to the operation of the electricity market. The Users' Groups can convey views and problems to the relevant minister, administrative authority or regulator, or undertake other initiatives. Three working groups are active: System Operation, Belgian Grid and European Market Design. Ad hoc groups may also be set up to address more specific topics.

Elia carries out a satisfaction survey every other year to gather feedback on its services from its customers and partners. This survey is a very important tool for Elia to find out about expectations and areas for improvement. The next one is due in late 2018.

SATISFACTION SURVEY

RAPHAËL BOURGEOIS, KEY ACCOUNT MANAGER AT ELIA

"ELIA ALSO ORGANISES A NUMBER OF ANNUAL EVENTS TO INFORM GRID USERS, OUR PARTNERS AND STAKEHOLDERS MORE GENERALLY ABOUT OUR STRATEGY, ACTIVITIES AND PRODUCTS. THESE INCLUDE THE STAKEHOLDERS' DAY, ARP DAY FOR ACCESS RESPONSIBLE PARTIES, AND CUSTOMERS' DAY FOR CUSTOMERS DIRECTLY CONNECTED TO ELIA'S GRID AND OUR PARTNER DSOS."

COOPERATION WITH REGULATORS

CREG

In late 2017, CREG approved a revision of all the levies that Elia receives in connection with its public service obligations. The revised levies have been applied from 1 January 2018. The levy for Walloon green certificates was maintained at its existing level by freezing a certain volume of certificates in late summer 2017.

In the field of ancillary services, CREG granted approval for the method that Elia has developed to gauge the volumes of ancillary services that it will require to manage the electricity system safely and reliably.

In late June, CREG set the various targets that Elia will be encouraged to achieve in 2018 within the framework created by the Tariff Methodology and left to CREG's discretion. Among other things, the targets aim to promote a better match between supply and demand.

CREG adopted a decision on the tariff balances for 2016 following Elia's tariff report.

CREG also adopted a series of decisions relating to the integration of the European energy markets, in particular the Common Grid Model, as well as regional requirements for harmonised allocation rules and long-term transmission rights for the CORE Region. It also addressed the single allocation platform and its cost-sharing methodology.

The rules on the operation of the balancing market were amended to open up the primary reserve market to new technologies and to open up non-reserved tertiary control power to non-CIPU technical units.

In late January, CREG approved the changes made to the Access Responsible Party contract, allowing the participation of free bids for tertiary energy control for non-CIPU technical units (BidLadder project) among other things.

VREG

In 2017, the Flemish Electricity and Gas Regulatory Body, VREG, was required to approve the changes made to the Access Responsible Party contract. VREG also approved the Investment Plan that Elia prepared in order to develop the networks it operates at voltage levels of 70 kV and below, which is in line with the regulatory obligations incumbent on it as a local transmission system operator in Flanders.

CWAPE

The Walloon Energy Commission, CWaPE, approved the Adaptation Plan prepared by Elia for the development of the local transmission network in the Walloon Region. In addition, CWaPE and Elia exchanged information within the framework of the operation of the Walloon green certificates market and, more specifically, in the areas in which Elia has obligations.

BRUGEL

The Brussels Energy Regulator, Brugel, issued a favourable opinion on Elia's Investment Plan for the regional transmission network that Elia operates in the Brussels Region.

GO15 ANNUAL MEETING IN BRUSSELS

The Elia Group organised GO15's 2017 Annual Meeting, which took place in Brussels from 22 to 24 October. GO15 is an initiative launched by the world's 19 largest system operators, which account for 70% of global electricity demand and provide electricity to 3.4 billion users on six continents. The Annual Meeting was an opportunity for the CEOs of participating TSOs to discuss the future of power grids and reaffirm their commitment to facilitating the energy transition.

INTERNATIONAL COOPERATION

Elia and 50Hertz are active members of various international organisations that work to promote the security, sustainability and reliability of the world's electricity grids.

ENTSO-E

The European Network of Transmission System Operators for Electricity (ENTSO-E) represents all European Union operators and other transmission system operators that are connected to the European electricity grid. ENTSO-E acts as a point of contact for bodies such as the European Commission and the Agency for the Cooperation of Energy Regulators (ACER) for matters concerning technical problems and market-related issues.

CORESO

The regional technical coordination centre 'Coordination of Electricity System Operators' (Coreso) brings together various European transmission system operators with a view to enhancing the operational security of grids in Central West Europe. The development of intraday markets has triggered a rise in cross-border electricity flows. Coreso also strives to improve the region's integration of renewable energy generation by exchanging data and expertise.

EPEX SPOT SE

Elia has a minority stake (17%) in the holding HGRT[1], which is a shareholder (49%) in the European Power Exchange SE. EPEX SPOT manages a number of electricity trading platforms, mainly in the Central West Europe region (i.e. Germany, France, the United Kingdom, the Netherlands, Belgium, Austria, Switzerland and Luxembourg). These markets account for 50% of Europe's electricity consumption.

GO15

The Elia Group is a founding member of GO15, a voluntary initiative that brings together the world's 19 largest transmission system operators. The organisation represents 3.4 billion consumers on six continents and draws up joint action plans designed to improve the security and reliability of the global electricity grid.

1.. HGRT stands for Holding de Gestionnaires de Réseau de Transport, a holding company comprising Amprion, APG, Elia, RTE, Swissgrid and TenneT.

Helping community projects

SUPPORTING PROJECTS OUR EMPLOYEES ARE INVOLVED IN

Any Elia employee involved in a community or charity-run project can request a contribution from Elia. The contribution is worth €250 and can be applied for once a year. Elia donated a total of €4,000 to 16 of these projects in 2017. Elia supported initiatives to provide meals for young refugees, construct new buildings for the Scouts and run arts workshops in a children's hospital, amongst others.

HELPING YOUNG REFUGEES GET INTO WORK

In 2017, Elia took part in a training scheme for young refugees, 'Rising Youth', in partnership with the Flemish employment agency VDAB and IRIS Anticorrosion, a company specialising in the condition and maintenance of industrial production sites.

"24 young refugees received training under the Rising Youth scheme, and 23 of them went on to get jobs. This is something we're extremely proud of. In December 2017, the project won the Best Sustainable Partnership Award at an event organised by The Shift, the Belgian network association on sustainability. We intend to build on this momentum by organising another training session in spring 2018." Valérie Legat, Environmental Expert at Elia

TEACHING YOUNG PEOPLE ABOUT THE CHALLENGES OF THE ENERGY TRANSITION

In October 2017, the system operators Elia, Eandis and Infrax launched ElectriCITY, a free educational pack for children aged 10 to 14. The pack aims to make young people aware of the importance of electricity and the rational use of energy. In 2018, Elia will finalise the German and French versions with the distribution system operators in Brussels and Wallonia.

Partnering with experts

Elia is aware of the importance of taking advice from experts to boost the sustainable development of its activities. It therefore forges partnerships with organisations that can guide it in its sustainable and socially responsible choices.

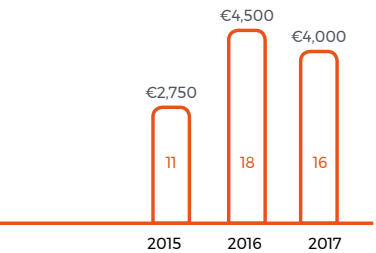
COLLABORATING WITH BE PLANET TO MAKE OUR ACTIONS MORE SUSTAINABLE

In February 2017, Elia became a partner of Be Planet, a 'public utility foundation' (fondation d'utilité publique/stichting van openbaar nut). Be Planet supports innovative citizens' initiatives that have a beneficial environmental impact and that could play a role in the energy transition.

IGOR LEFEBVRE, ENVIRONMENT MANAGER AT ELIA

"BE PLANET'S MISSION DOVETAILS PERFECTLY WITH OUR SOCIAL ROLE AS A GRID OPERATOR. BE PLANET HAS THE POTENTIAL TO HELP US BRIDGE THE GAP WITH LOCAL NETWORKS AND TO WORK BOTTOM-UP ON ENHANCING BIODIVERSITY AND ENERGY EFFICIENCY."

CHARITY PROJECTS SUPPORTED



- Number of employees who proposed a charity project
- Total budget invested to support charity projects

FLEMISH ENERGY MINISTER PLAYS ELECTRICITY

The Flemish version of ElectriCITY was unveiled on 17 October 2017 during study days for teachers at Technopolis in Mechelen. Flemish Energy Minister Bart Tommelein came to support the initiative and was soon trying it out for himself - with great enthusiasm!

Following a call for projects organised for Elia by Be Planet, six projects were selected:

— Bûûmplanters (focusing on biodiversity in Brussels),
— 'Maximilian Park's Farm' (training the public to reuse waste and consider bio-energy solutions),
— 'Days Without Meat' (raising participants' awareness of their impact on the climate),
— 'Terre@air', (educating the public about sustainable energy),
— SeaWatch-B (addressing biodiversity in a maritime environment)
— 'Samenwerking voor Agrarisch Landschap'/ the 'Cooperation for Agricultural Landscape Association' (dealing with reusing wood waste).

These organisations were selected in connection with Elia infrastructure projects to create and support environmental and social initiatives in the regions where Elia operates.

Reducing the impact of our activities

In addition to partnerships with organisations, Elia also works to minimise the impact of its activities on the environment, both in its activities in the field and in its administrative buildings.

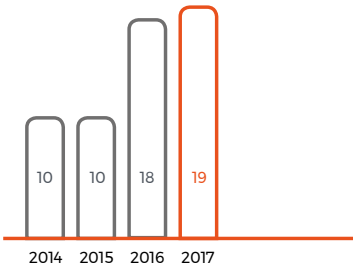
GREENPULSE: FOR STRUCTURED ENVIRONMENTAL MANAGEMENT

In 2016, Elia set up an environmental governance programme called Greenpulse to make a lasting contribution to the energy transition. Greenpulse defines Elia's environmental mission and responsibility, its environmental priorities, and the applicable policies and procedures. A three-year action plan was drafted in order to implement these changes. In time, the Greenpulse programme will enable Elia to establish an integrated environmental management system within the company.

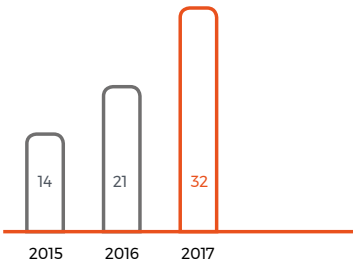
SOIL STUDIES AND REMEDIATION

Elia has developed a new soil management policy. Its aim is to draw up an inventory of the soil condition of land belonging to Elia in the Walloon and Brussels regions. This will enable environmental risks and the associated costs to be managed more effectively and a schedule of priorities to be drawn up in accordance with existing and future legislation. This policy will be amended in the Walloon Region in 2018, in response to likely changes in legislation.

SOIL STUDIES CARRIED OUT



NOISE STUDIES CARRIED OUT



NOISE MANAGEMENT

Elia's facilities should not generate noise pollution. They are governed by acoustic standards, varying from region to region, which must be respected. Noise pollution can be caused, for example, by transformers in high-voltage substations, high-voltage lines and pylons. Underground lines do not make any noise.

In addition, noise studies are always carried out upstream of Elia's infrastructure projects to ensure that the standards are not exceeded.

VALÉRIE JADOT, ENVIRONMENTAL EXPERT AT ELIA

"ELIA'S ENVIRONMENTAL POLICY ON NOISE AIMS NOT ONLY TO COMPLY WITH CURRENT LEGISLATION BUT ALSO TO MINIMISE NOISE POLLUTION, WHICH CAN SOMETIMES BE REPORTED BY PEOPLE LIVING NEAR OUR FACILITIES."

SF_6

SF_6 gas has been used for over 30 years as an electrical insulator in high-voltage devices, including gas-insulated switchgear (GIS). GIS is often used in densely populated areas because it is much more compact when compared to traditional switchgear which uses air as an insulator.

Elia has developed an investment and maintenance policy to reduce the risk of SF_6 leakage. Manufacturers must guarantee a very stringent maximum percentage of SF_6 loss throughout the lifetime of the facilities. The maintenance policy aims to keep operations involving compartments filled with SF_6 to a minimum. The volume of SF_6 gas installed on the Elia grid (36 kV to 380 kV inclusive) is 98 tonnes.

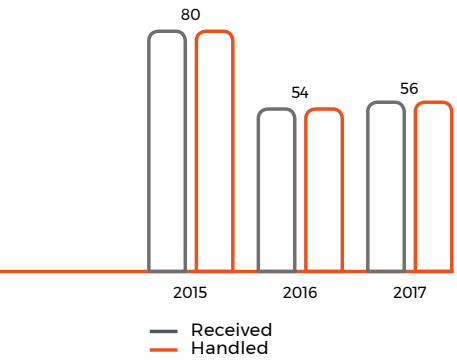
Consumption of SF_6 gas (as a replacement and as a top-up in the event of a leak) is closely monitored using a system that tracks each cylinder of SF_6. The SF_6 leak rate for all Elia facilities was 0.59% in 2017.

ELECTRIC AND MAGNETIC FIELDS

The electric and magnetic fields given off by high-voltage infrastructure have a very low frequency (50 Hz). Elia is very much aware of local residents' concerns over the potential health risks posed by electromagnetic fields, and as such keeps them informed as much as possible.

Around 78 measurements were performed in the field in 2017 at the request of local residents, and approximately 30 requests for information were handled.

FOLLOW-UP OF REQUESTS FOR INFORMATION CONCERNING ELECTROMAGNETIC FIELDS[1]



Upon request, Elia offers free measurements of electromagnetic fields at properties close to its facilities. For more information, see the annex.

BBEMG PRESENTS FINDINGS ON ELECTROMAGNETIC RADIATION

The Belgian BioElectroMagnetics Group (BBEMG) held a seminar on 22 September 2017 to present the findings of its ongoing research into electromagnetic radiation. Such seminars are held every four years. Once again, the same conclusion was reached: there is no proof that magnetic fields have an effect on health but the research cannot entirely rule it out.

"We continue to cooperate fully with research into the possible impact of magnetic fields. We know that many people living near high-voltage lines wonder whether this has implications for their health. We have to take this into account and it is therefore in everyone's interest that further scientific research is carried out." **Vincent Du Four, Environmental Expert at Elia**

1. Please note that these measurements are performed on third-party requests received at the contact centre

STRIPPING AND PAINTING OF PYLONS

As part of its facility maintenance activities, Elia regularly (every 15 years on average) strips and paints its pylons to protect them from corrosion. It subcontracts this work to companies specialised in painting.

Elia's grid still features a number of black steel pylons coated with lead paint; after all, lead paint treatment was very common in the past. To prevent lead dust or lead chips from spreading when the paint is stripped off the pylons, the pylons are wrapped up in tarpaulins before work begins. Once the pylons have been stripped, the tarpaulins are removed and the pylons are painted in the open air.

The paints used nowadays meet the highest environmental standards. When work is complete, Elia and its subcontractors jointly inspect the ground around the pylons to make sure that their activities have not polluted the surrounding area.

CARBON ASSESSMENT

Elia has been conducting a carbon assessment since 2010 to identify direct and indirect emissions from its activities and is taking steps to reduce greenhouse gas emissions from its activities.

Elia has set a target of reducing emissions related to mobility and building consumption by 20% compared to 2010. It aims to:

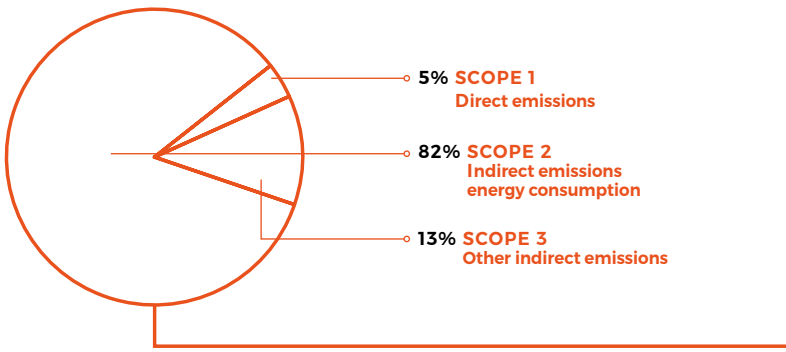
- **reduce the carbon impact of mobility** by, among other things, encouraging decentralised work (teleworking or satellite offices), promoting public transport over cars, giving training in ecodriving and incorporating clean vehicles with low CO_2 emissions into its fleet;
- **reduce the energy consumption of its administrative sites** by conducting regular energy audits and integrating sustainability into day-to-day building management.

Developing a grid that allows the integration of renewable energies has a positive impact on the quality of the energy mix and will therefore be beneficial in terms of loss-related emissions.

VALÉRIE LEGAT,
ENVIRONMENTAL EXPERT AT ELIA

"IN ADDITION, ELIA IS ROLLING OUT A PROGRAMME TO MEASURE AND MONITOR CONSUMPTION AT HIGH-VOLTAGE SUBSTATIONS AND IS EXPLORING WAYS TO REDUCE CO_2 EMISSIONS FROM ANCILLARY-EQUIPMENT LOSSES AT SUBSTATIONS. ELIA IS THEREFORE DOING EVERYTHING IT CAN TO REDUCE SF_6 LEAKS."

CARBON ASSESSMENT



More details can be found on the annex.

ELIA AWARDED 'AWARENESS' STATUS BY CDP

Elia completed the Carbon Disclosure Project (CDP) questionnaire for the first time in 2017. CDP is an organisation that evaluates companies' environmental measures. Elia was awarded a C classification ('Awareness'). The assessment shows that Elia has started to implement changes in its strategy by reducing greenhouse gas emissions or identifying risks and opportunities.

LIFE BIODIVERSITY PROJECT DELIVERS ITS CONCLUSIONS

The LIFE Elia-RTE project, which was launched in September 2011 with funding from the European Commission and the Walloon Region, delivered its conclusions in late December 2017. Aimed at transforming the corridors under high-voltage lines into eco-corridors, the project exceeded its initial objectives by some margin. The corridors beneath high-voltage lines are now no longer considered as areas of no interest but rather as places in which local biodiversity can flourish. In view of these positive results, Elia decided to launch a five-year follow-up project, LIFE 2, but this time without any external funding.

In the past, trees were cut down and vegetation shredded. Now, Elia plants small trees, creates ponds or brings in sheep to graze the vegetation naturally. This method presents no risk to the grid or wildlife and encourages local fauna and flora, which are gradually reclaiming the land.

LIFE PROJECT EXTENDED TO FLANDERS

As it was co-funded by the Walloon Region, the LIFE project was initially only implemented in Wallonia. However, Elia has decided to extend the concept to Flanders by financing biodiversity measures itself. It has also allowed a shepherd to use some of the land under the 380 kV Zutendaal-Maaseik line. The area is now grazed by around 250 sheep, which help to manage the vegetation.

LANDSCAPING THE SPACE BENEATH PYLONS

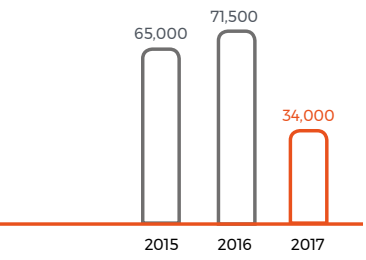
Keen to adopt a sustainable method for managing its pylons while strengthening the ecological network, Elia asked non-profit organisation Faune & Biotopes to implement biodiversity enhancement measures along the high-voltage line between Gramme and Achêne. Some 32 native shrub species and seven wildflower meadows were planted along the 70-pylon section in 2016.

The choice of landscaping at each pylon base is a compromise between biodiversity, landscape and the associated cost. Some pylons cannot be enhanced in this way, such as those situated along a boundary or hedge and those in grazed meadows. In any case, their location means that no additional boost to biodiversity is needed.

JOHAN MORTIER, LIFE PROJECT MANAGER AT ELIA

"AS WELL AS ENHANCING AND RESPECTING LOCAL BIODIVERSITY, THE LIFE PROJECT ALSO SIGNIFICANTLY REDUCES COSTS AND DIRECTLY CONTRIBUTES TO BETTER ACCEPTANCE AND INTEGRATION OF OUR LINES IN THEIR ENVIRONMENT."

NUMBER OF SHRUBS PLANTED AS PART OF LIFE



PROTECTING BIRDS FLYING NEAR OUR LINES

Elia wants its high-voltage overhead lines to have as little negative impact on birdlife as possible, in line with its environmental policy aimed at preserving and enhancing biodiversity in Belgium. It has therefore developed a bird protection policy comprising a number of focal areas.

Installing bird markers

In 2015, a joint study by Elia, Natuurpunt, Natagora, Vogelbescherming Vlaanderen and the Flemish Institute for Nature and Forest Research (INBO) found that 3.4% of Elia's network of overhead lines was hazardous to birds. This is because some high-voltage lines are almost invisible to flying birds.

Based on precise mapping of the areas most at risk, Elia drew up an action plan to reduce the risk of bird mortality by installing bird markers. These spring-like devices are fitted on the lines and considerably reduce the risk of collision.

Installing nest boxes on our facilities

Elia places nest boxes on some of its facilities to provide secure nesting places to help to preserve endangered species. The birds' natural nesting periods are taken into consideration when installing these boxes.

Reducing nuisance caused by large flocks of birds

Where possible, Elia reduces the noise pollution caused by birds that sometimes congregate in large numbers on our facilities. Such animal behaviours are not always easy to control and also cause problems for Elia, such as paint corrosion due to excrement.

Felling and pruning trees and bushes

When trees and bushes near its facilities need to be felled or pruned, Elia takes care to do so at the correct time of year to limit the disruption to bird habitats.

13.62 km

OF BIRD PROTECTION SINCE 2016

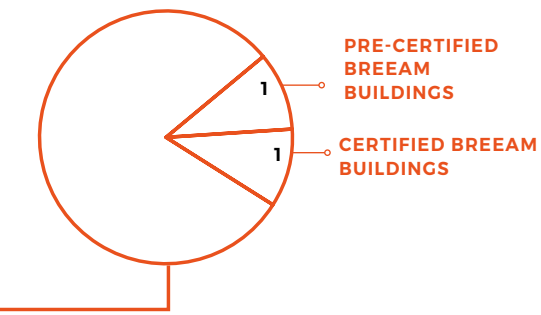
A SUSTAINABLE AND ECO-FRIENDLY WATER TREATMENT SOLUTION AT MONNOYER

As part of its commitment to sustainable buildings, Elia has developed an autonomous, sustainable and environmentally friendly solution for wastewater treatment at its Monnoyer site. For the site's drainage system, which was virtually non-existent, it created a 1,700 m² pool complete with vegetation, which serves as a storm basin, a haven for biodiversity and a lagoon. A reed bed ensures natural purification of wastewater. There is also a rainwater recovery tank, which reduces the amount of mains water used.

PIERRE VAN BAMBEKE, IT INFRASTRUCTURE & OPERATIONAL SERVICES MANAGER AT ELIA

"ELIA ALSO GIVES A SECOND LIFE TO ITS USED IT EQUIPMENT BY PARTNERING WITH SCHOOLS AND OTHER INTERESTED ORGANISATIONS."

OFFICES OWNED BY ELIA[1] (10 BUILDINGS)



SUSTAINABLE-BUILDING POLICY

With regard to its buildings, Elia follows a policy of sustainable development and respect for the environment. New Elia buildings (Créalys and Monnoyer) comply with sustainable-building principles as certified under the Building Research Establishment Environmental Assessment Method (BREEAM). This certification is based on nine analysis criteria (management, health and well-being, energy, transport, materials, waste, water, land use, ecology and pollution) and is the benchmark standard when it comes to sustainable construction.

A policy of sorting and reducing waste is also in place at each of Elia's administrative sites. The company seeks to reduce the amount of paper it uses and has opted for fair trade and/or organic food in all of its canteens.

BEEHIVES ON ELIA SITES

In keeping with its sustainable building-management policy, Elia has two beehives at its Monnoyer site. Once a year, the honey harvested from the hives is sold to staff and the proceeds are donated to a good cause. Elia will set up three beehives at its Créalys site near Gembloux in 2018, and in 2019 it will be the turn of the Merksem site to welcome bees.

As well as doing its bit to help bees, Elia is also involved in analysing air quality in Brussels. In late 2016, the company BeeOdiversity, which helped Elia set up its beehives, teamed up with Elia and a number of other Brussels-based companies to take an inventory of biodiversity and pollution in the Belgian capital. The results of the analysis are available on BeeOdiversity's website.

(1) Elia also hires an office building.

WASTE MANAGEMENT

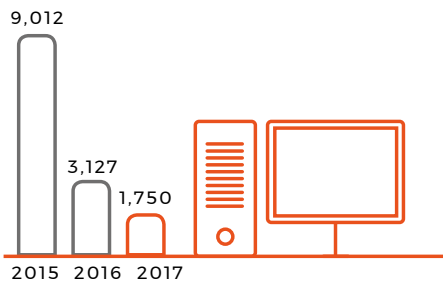
Elia has adopted a sustainable waste sorting policy that relies on the responsible behaviour of its employees. At its administrative sites, it has set up a sorting system facilitated by centralised islands, in which the staff restaurants participate. These sites also operate a comprehensive waste reduction policy, including measures to reduce excessive packaging, cut down on paper towels in the toilets and eliminate plastic cups in coffee machines. Plastic cups alone used to generate 3.3 tonnes of waste each year.

At its technical sites, Elia created two new waste facilities in 2017, ensuring optimal storage of all types of waste, including hazardous materials. A further four such facilities are planned. By taking these measures, Elia aims to guarantee high-quality sorting of each type of waste and to ensure that where possible, waste is recycled or reused.

PROMOTING SUSTAINABLE FOOD

As of September 2017, Elia's new catering contract stipulates the introduction of the Good Food label, which helps businesses in the Brussels-Capital Region to serve sustainable food in their restaurants. The underlying reason for the label is that Elia wants to offer its employees sustainable food that adheres to its environmental, ethical and health commitments. Elia therefore favours organic, local and seasonal produce, products with minimal packaging and/or products that are part of a fair trade scheme.

IT EQUIPMENT GIVEN A SECOND LIFE (Kg)



50hertz

WHAT HAPPENED AT **50HERTZ**?

50Hertz accepts its social responsibility and feels an obligation to support the common good. This includes active commitment to environmental and climate protection in our sphere of activity. 50Hertz protects flora, fauna and biodiversity, uses natural resources conservatively and keeps the energy consumption and emissions of our activities as low as possible.

Dialogue with stakeholders

GRI 102-43

Transparent and proactive dialogue with our stakeholders concerning grid development and the enhancement of existing grid capacity is very important to 50Hertz.

Dialogue with stakeholders begins at a very early planning stage. This includes consultation on the network development plan, as well as on grid reinforcement and expansion projects. Info-markets, district conferences, planning forums, expert workshops, theme-specific brochures or freephone numbers are essential components of civic participation.

In 2017, Dialog Mobil received the "Good Practice of the Year Award" from the Renewables Grid Initiative (RGI). With the "Dialog Mobil", 50Hertz informs local residents of cable construction projects in the affected regions and gives them the opportunity to get involved.

Environmentally conscious player

The development of the high-voltage grid is necessary for transporting steadily increasing amounts of renewable energies over long distances. 50Hertz works every day to keep the impact of its activities on people and nature to a minimum, from the reinforcement of its grid to its administrative activities. This is demonstrated by the following two examples.

Grid losses

In 2017, grid losses amounted to 2.4 TWh. The average grid losses of the extra-high voltage level were 231.7 MW and those of the substation were 43.5 MW. 50Hertz is rolling out new techniques which are better suited than conventional technology.

SF_6

Since 2005, 50Hertz has been following the "Voluntary Commitment of SF_6 Manufacturers and Users". Its aim is to reduce the loss rate measured in the total stock from 0.8 percent in 2004 to 0.6 percent in 2020.

50Hertz achieved the reduction of the loss rate far below 0,6% already in 2017. The exact loss rate in 2017 was at 0,06%.

Protection of birds

High-voltage lines affect bird life but 50Hertz is making great efforts to minimise this impact.

In 2017, a new species-specific method was developed for the systematic determination of the effects on the species population in order to identify more targeted precautionary and compensatory measures. The installation of 30 km of bird protection markers in the existing network is planned for 2018.

50Hertz actively supported the establishment of a hotline developed by NABU, a German environmental association, so bird accidents with high-voltage lines can be reported and analysed.

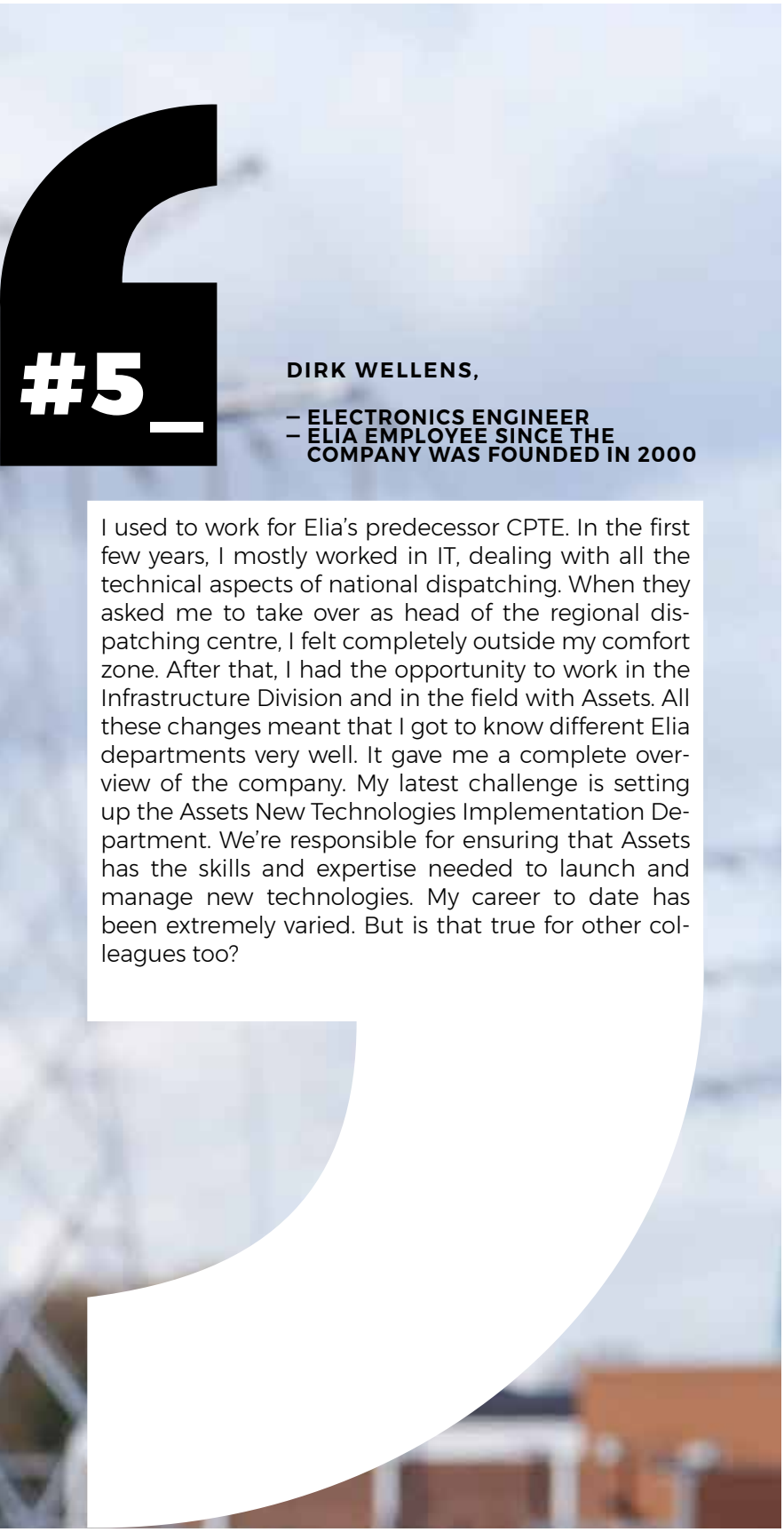
50Hertz also carried out a comparative study on the effectiveness of spiral and flap markers and also installed cameras on two voltage fields of the electricity grid in a bird sanctuary. All measures and projects are designed to prevent future collisions at such locations with even greater precision.

In 2017 the 50Hertz conference "Bird protection on extra-high voltage overhead lines - methods, scope and feasibility" took place. More than 80 representatives of public authorities, environmental associations, infrastructure planners and experts exchanged views on how bird protection can succeed without endangering energy turnaround projects.

30 km

30 KM OF BIRD PROTECTION MARKERS PLANNED IN 2018

How can I be sure I'm in the best role at every stage of my career?



#5_

DIRK WELLENS,

– ELECTRONICS ENGINEER
– ELIA EMPLOYEE SINCE THE COMPANY WAS FOUNDED IN 2000

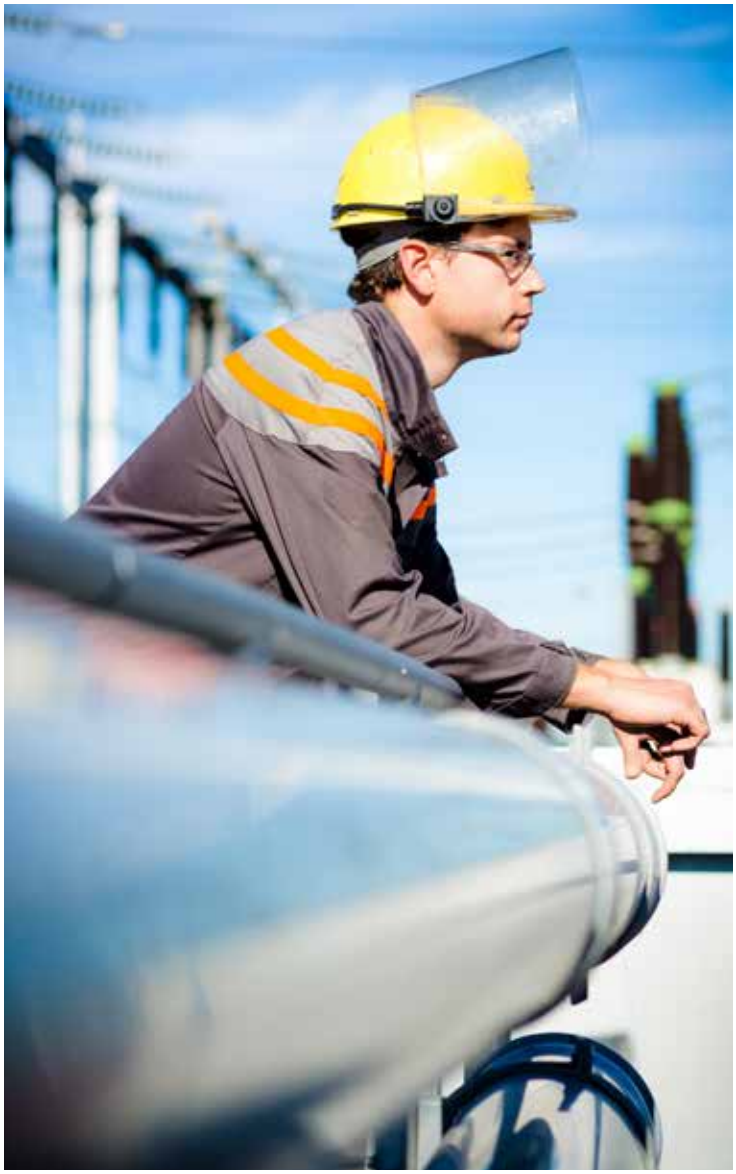
I used to work for Elia's predecessor CPTE. In the first few years, I mostly worked in IT, dealing with all the technical aspects of national dispatching. When they asked me to take over as head of the regional dispatching centre, I felt completely outside my comfort zone. After that, I had the opportunity to work in the Infrastructure Division and in the field with Assets. All these changes meant that I got to know different Elia departments very well. It gave me a complete overview of the company. My latest challenge is setting up the Assets New Technologies Implementation Department. We're responsible for ensuring that Assets has the skills and expertise needed to launch and manage new technologies. My career to date has been extremely varied. But is that true for other colleagues too?

MARIANNE CELIS,
BUSINESS PARTNER AT ELIA

"At Elia, we have a system of career and competency management that encourages people to develop as individuals and thereby improve their performance. They work with their line managers to identify the right training for them. We also discuss their short- and longer-term career ambitions. Our talent team promotes mobility among executives to ensure cross-functionality and cross-fertilisation between divisions. This is a win-win for both Elia and its employees, who get to experience a range of roles and can continue to learn and evolve throughout their career with us. This system creates a special dynamic within the company."

1,350
COLLEAGUES (ELIA)

2,343
COLLEAGUES (ELIA GROUP)



We align culture with strategy

As a transmission system operator, Elia is committed to developing the competencies needed to cope with the many challenges of the future. It has to be an agile company with the right expertise, one that can change at the same pace as the world around it. The energy world is changing, so Elia has to change too. That is why, in 2016, Elia introduced a new set of values designed to inspire a new corporate culture, with the aim of strengthening its teams and activities and making sure it is all set to manage the grid of the future.

In 2017, Elia surveyed every one of its employees to see how much progress was being made. Where were they in relation to the new values? How much further did we still have to go? What processes were needed to facilitate the cultural change currently taking place at Elia?

To implement this cultural change, Elia is adopting a top-down approach in which management sets an example for every employee. An action plan is currently being developed to bring Elia's new culture to life. It will start with the management, then senior managers and gradually work its way down to all Elia employees.

**PETER MICHIELS,
CHIEF HR & INTERNAL
COMMUNICATION OFFICER AT ELIA**

"WE ARE COMMITTED TO EACH OTHER'S SUCCESS AND EACH OTHER'S IMPROVEMENT SO THAT EVERYONE WHO WORKS WITH US HAS OPPORTUNITIES TO PERFORM AT THEIR BEST, IN A WAY THAT IS SUSTAINABLE OVER TIME. WE ARE ONE TEAM WHERE EVERYONE COUNTS, IN ORDER TO SERVE THE SOCIETY."

Our core values and aspirational values

Our core values

Our three core values reflect fundamental principles that are deeply rooted within Elia.

SAFETY ALWAYS COMES FIRST

Safety always comes first, everywhere and for everyone! As a company, we constantly invest in safety and expect our staff (both in the field and at administrative sites), our subcontractors, our colleagues - the distribution system operators -, and all others to work safely and responsibly at all times.

SERVING THE COMMUNITY

Elia wants to play its central role in the sector to the full and create value for the society. Elia's employees keep that aim in mind in everything they do, constantly asking themselves what the society wants, and how they can help make improvements.

TARGETING PERFORMANCE

Elia's employees strive for maximum efficiency and quality so as to attain or, better yet, surpass their targets. They are results-oriented and deliver projects and services on time.

Our aspirational values

In a changing energy sector, four 'revamped' aspirational values are key to achieving Elia's strategy. They are reflected in the behaviour and attitude of our staff.

WE ARE ENTREPRENEURIAL

Our staff work proactively and take initiatives with a view to improving how they work and exploring new ways of doing things.

WE COLLABORATE

Elia values collaboration, both within the company and with external partners. Our staff share their expertise and their information and question each other, thus enabling their ideas to mature. They seek fruitful collaborations and win-win partnerships.

WE ARE ACCOUNTABLE

All of our staff take full responsibility for their projects and tasks. They achieve their motivating, ambitious targets and work hard on their projects until they are completed.

WE ARE AGILE

In a world of constant change, our staff embrace new developments, are proactive and persevere.

OBJECTIVES

We want to attract the brightest talents by being the leading energy company in Belgium and a leading TSO in Europe.

- Establishing a new corporate culture with a new vision and ambition
- Developing an extended talent and organisational development programme
- Embedding a safety culture by increasing the safety awareness of employees and contractors
- Creating a high performance organisation to empower people to take more initiatives and enable quicker decision-making

Our ambitions

Elia as Top Employer

We strive to have a thorough understanding of the available and required talent in the organisation, to identify possible talent gaps and create action plans to fill them, including internal recruitment and succession planning strategies. In order to ensure excellent performance at work, we encourage an open feedback culture, which outlines our expectations regarding competencies and behaviours. From these dialogues, we derive consequences to keep performance at a high level.

**SHANNA JACOBS,
RECRUITMENT MANAGER AT ELIA**

"ELIA IS COMMITTED TO EQUAL OPPORTUNITIES FOR ALL CANDIDATES, REGARDLESS OF GENDER, AGE, BACKGROUND OR RELIGION. IT ALSO BELIEVES IN GIVING A CHANCE TO YOUNG PEOPLE AND LESS YOUNG PEOPLE, WHO CAN SOMETIMES FIND IT DIFFICULT TO LAND A JOB. ELIA REGULARLY ATTENDS JOB FAIRS TO MEET FUTURE CANDIDATES FROM ALL EDUCATIONAL BACKGROUNDS (ENGINEERS, TECHNICIANS, ETC.)."

Our culture is based on four pillars to ensure a strong and efficient team working towards the same vision:

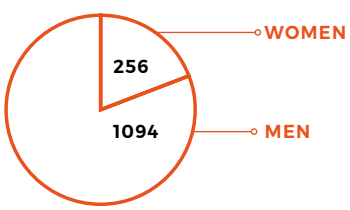
Leadership development

Health and safety culture

Acting in the interest of society

Agility and initiative-taking

GENDER DISTRIBUTION AT ELIA



The percentage of male employees is largely reflective of the energy sector, with most of the technicians working in the field being men. For more information about gender distribution within the Elia Group, see the annex.

Performance & career development

Since 2015, Elia has been developing a catalogue of specific technical competencies. It has identified priority competencies and the support needed to develop local competencies. A learning path has also been developed to train staff in priority competencies where necessary.

To develop a competency, Elia relies on three key components: a clear and shared understanding of the results to be achieved, proficiency indicators, and a continuous learning environment.

Diversity

People in all their diversity are what matter. Elia has staff spanning a range of nationalities, age groups and experiences. Our activities require a multiplicity of talents, and we strive to form teams that excel at what they do. We believe that our teams are enriched by diversity. Because accountability and the good of the community are central to our culture, we aim to use our company's diversity as a tool for social and professional integration.

INTERNATIONAL EXCHANGE PROGRAMME BETWEEN ELIA AND 50HERTZ

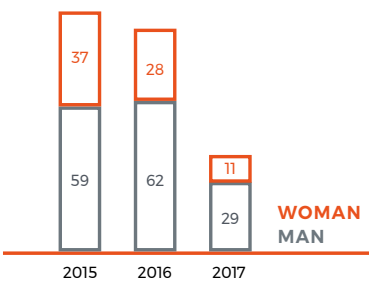
In 2017, Elia and 50Hertz developed a joint exchange programme for employees of the two companies. Eight employees were selected to take part for a period of two to six months. A report will be produced in the first months of 2018 to share the conclusions and give more details about a possible second round of exchanges.

"The exchange programme between Elia and 50Hertz is a great opportunity to expand our knowledge, share our respective experiences and forge new ties. It's also a great way to strengthen intergroup cooperation. I'm only at the start of my time at 50Hertz but I've already learnt a lot about offshore projects in Germany." **Erwann Bauwens, Project Leader Nemo**

Developing our employees' competencies

Thanks to a large catalogue of workshops, we enable executives to develop and empower their teams, lead change and deliver results, thereby promoting leadership development. We provide training for technical, safety and soft competencies and establish continuous improvement routines to ensure consistent and sustainable safety behaviours. We incorporate public acceptance and transparency into day-to-day processes to promote and reward modest and responsible behaviours as well as assertive, yet collaborative communication.

AVERAGE HOURS OF TRAINING BY GENDER (BELGIUM)



What we achieved in 2017

Horizon 2020: factoring in the impact of an ageing population

The ageing population is an undisputed fact and also has an impact on businesses and how they are structured - a trend reinforced by changes to Belgian legislation governing pensions. The top of the age pyramid is widening and the number of older workers is on the rise. For example, almost 38% of Elia employees are over the age of 45. This situation requires a conversation between the employer and more experienced employees about career aspirations and prospects.

With this in mind, in 2014 Elia launched the Horizon 2020 project aimed at drawing up a HR and corporate policy factoring in age to provide an attractive and sustainable career framework. Mindful of the fact that there is no one-size-fits-all solution, Elia is currently working on a range of career development plans, all of which seek to strike an appropriate work-life balance.

38%

OF ELIA EMPLOYEES ARE OVER THE AGE OF 45

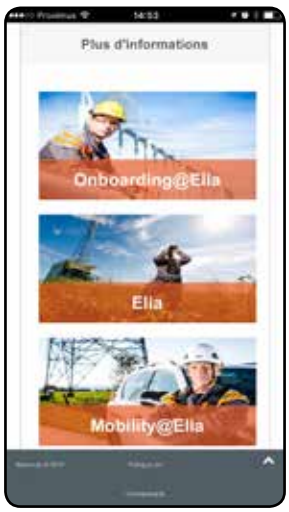
New employer value proposition

'*Powering Your Future. What is your impact on Tomorrow?*' Elia's new employer value proposition, unveiled in 2017, aims to give fresh impetus to its positioning as an employer and to exemplify its new values.

Care4Energy: promoting well-being

In 2016, Elia launched Care4Energy, an umbrella programme bringing together all of the company's initiatives to promote well-being. It aims to work with employees and for employees to create a sustainable, healthy and safe environment based on well-being and respect, so that everyone has the energy and vitality they need to shape the energy landscape of the future together.

Elia's focus in 2017 was on mental and emotional health. Following a survey to identify employees' stress levels and sources of stress, a general action plan was drawn up for each department. Training sessions about stress were a key component of this plan.



WELCOME APP FOR NEW HIRES

June 2017 saw the launch of a mobile app for new Elia employees. The Welcome App allows new hires to learn about Elia in an interactive way between signing their contract and their first day at work.

"It's important to us that we give each and every newcomer the best possible welcome. This new app ensures that every new hire has the key information they need well ahead of their first day so they feel more at ease and can hit the ground running from day one." **Kimberly De Laet, Training & Development Manager at Elia**

BARBARA VERHAEGEN, INTERNAL COMMUNICATION MANAGER AT ELIA

"CULTURAL CHANGE IS PIVOTAL IN ENABLING THE EXECUTION OF THE ELIA STRATEGY. WE ARE HITTING THE LIMITS OF WHAT WE CAN ACHIEVE IN THE CURRENT WAY OF WORKING."

Cultural change

With decarbonisation, digitalisation and decentralisation, the energy sector is going through many changes at present. Elia is committed to developing the competencies needed to cope with the challenges of the future. It has to be an agile company with the right expertise, one that can change at the same pace as the world around it.

That is why, in 2016, Elia introduced a new set of values designed to instil a new corporate culture that will stand us in good stead for managing the grid of the future.

In 2017, Elia surveyed every one of its employees to see how much progress was being made. Where were they in relation to the new values? How much further did we still have to go? What measures were needed to facilitate the cultural change currently taking place at Elia?

To implement this transformation, Elia believes in an approach based on personal change, in which management sets an example for every employee. An action plan is currently being developed to bring Elia's new culture to life. It will start with the management, then senior managers and gradually work its way down to all Elia employees.

Satisfaction surveys

In 2017, Elia's HR Department conducted numerous satisfaction surveys to find out how employees were feeling about the cultural changes currently underway. As a result, Elia has the information it needs to implement an action plan to facilitate this change.

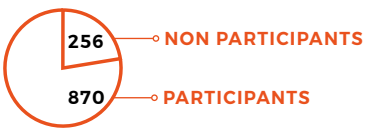
A survey of psychosocial risks among Elia employees enabled a better assessment of the situation within the company and identified areas for attention to be included in the action plan that will be launched in 2018. In 2017, team workshops helped to deliver improvements in psychosocial risks, and a training programme on awareness/management of stress and burnout was also rolled out.

Mobility at Elia

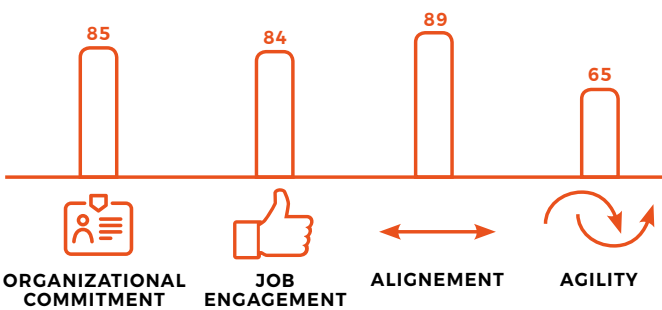
Congestion on the roads, and the time wasted as a result, are a strong argument for introducing a different approach to mobility. In addition to offering staff the option to work remotely, Elia is continuing to apply its sustainable mobility policy, which aims to limit journeys and offer a flexible, varied range of solutions for getting to work or travelling for other professional reasons.

TOTAL PARTICIPATION IN THE SURVEY ON PSYCHOSOCIAL RISKS

TOTAL PARTICIPATION SURVEY ON SAFETY CULTURE



A survey on safety culture undertaken in 2017 found that Elia's employees have a positive perception of safety within the company. The results were used to assess the suitability of the actions being taken and to determine the priorities that need to be worked on in order to continue improving safety.



In 2017, a satisfaction survey was conducted among all Elia employees. It found commitment levels among Elia staff remained high, except when it came to agility. More information about the survey can be found in the annex.

WHAT HAPPENED AT **50HERTZ** IN 2017?

50Hertz is convinced that the success of a company is entirely based on the success of its employees. It is the responsibility of the company to help employees develop their skills, to foster their health and commitment, involve them in decisions and guarantee equal opportunities for all.

2.8%
SEVERELY DISABLED EMPLOYEES

"Say it!" - the employee satisfaction survey launched in 2017

"Say it!", 50Hertz's comprehensive survey of employees, took place for the third time in 2017. Topics such as cooperation, cross-divisional processes and leadership behaviour were evaluated, and all employees, as well as members of the Management Board, were able to share their views openly. The detailed results will be discussed within the respective teams in workshops in the first quarter of 2018, and any necessary measures put in place. The survey participation rate was 91%.

Annedore-Leber-Berufsbildungswerk

Promoting diversity and equal opportunities at 50Hertz also means giving people with health impairments the same opportunities as their other colleagues. As early as 2013, an inclusion agreement was concluded to promote people with health impairments in their working lives. In 2017, the proportion of severely disabled employees in our workforce was 2.8 percent. Depending on the job requirements in the commercial and technical areas, the quota will be successively increased in the future. In 2017, a cooperation agreement was concluded with the Annedore-Leber-Berufsbildungswerk and a special apprenticeship scheme for those with impairments was established.

Give the word to young employees

50Hertz is keen to give its youngest employees a voice, as they are the future of our economy. It therefore held the first trade union elections especially for young employees in 2017.

50Hertz gains OHSAS recertification

In December 2016, 50Hertz was again awarded Occupational Health and Safety Assessment (OHSAS) certification. OHSAS is a British standard that assesses and certifies companies' occupational health and safety management systems. A successful, follow-up audit was conducted in November 2017. Security is also a top priority for 50Hertz.

Further development of employees' competencies

The average training costs per participating employee amounted to around 1350 euros in the reporting year 2017. In addition, executives can participate in 50Hertz tailor-made training modules to develop their own leadership skills. Since 2014, 94 employees have collaborated on practical cases encountered in their day-to-day management across divisions and hierarchies.

Diversity

50Hertz is committed to promoting diversity and strongly condemns any discriminatory act in the work environment. All employees have equal rights, regardless of their ethnic origin, age, gender, sexual identity, religious affiliation, political views, nationality, social background or other factors. The number of different nationalities among 50Hertz staff has increased significantly. The company employed its first severely disabled apprentice in 2017. There is also a very active women's network at 50Hertz.

For more information on the distribution of men and women at 50Hertz, see the annex.

Happy birthday, 50Hertz!

50Hertz celebrated its 15th birthday in 2017. And what better way to do it than in the company of all its employees?

15 years

How does Elia stay up-to-date with technological developments to make the energy transition happen?

#6_

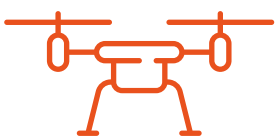
Our electricity system is facing huge challenges. As small-scale generation and decentralisation increase, there is a greater need for digitalisation and platforms to facilitate multi-level cooperation. As well as integrating renewable energy, our grid will also have to be capable of transmitting substantial volumes of imported and exported power. Over the past 25 years we have imported an average of 6 TWh net per year, but this will be rising to 13-30 TWh by 2030, depending on the scenarios. Technology can play its part in keeping the grid secure and manageable, alongside cooperation and exchanges with our neighbours. However, it's important that we have an accurate idea of their future generating facilities so that we can assess the needs of the Belgian system as efficiently as possible.

DANIELLE DEVOGELAER, ENERGY EXPERT, FEDERAL PLANNING BUREAU

– MEMBER OF THE FPB'S ENERGY AND TRANSPORT TEAM SINCE 2004
– ENERGY EXPERT SPECIALISING IN ELECTRICITY MODELLING

ALEXANDRE TORREELE, ELIA STRATEGY & INNOVATION

"Changes in the energy sector are gathering pace. Driven by the energy transition, new players are emerging and new economic models are being developed. Technology facilitates and accelerates these changes. However, innovation also offers opportunities for the transmission system operators of the future. Elia tests and integrates new technologies in collaboration with all the market players. In 2017, we carried out tests involving digital technologies such as robots, machine learning and blockchain. Our aim is to determine whether these innovations can add value to our core business. This will help us to ensure that the market continues to operate efficiently in a new renewable and decentralised energy system."



We have our eyes wide open for innovation & growth opportunities

In a rapidly changing energy landscape, innovation plays a key role in understanding, anticipating and promptly adopting the changes needed to ensure the transition towards a more reliable, affordable and efficient energy system. We continue to innovate in our industry, so the power sector can evolve and benefit us now and in the future.

Innovation is the catalyst for a swift energy transition. We are preparing for the future by keeping our eyes open for new developments in infrastructure management, system operation and the integration of our markets in a European context.

As well as continuing to integrate innovative technologies, we stay abreast of the latest developments in the energy sector. We see this as an opportunity and want to play a pioneering role. Elia has a range of initiatives that foster and reward innovative thinking, to ensure that our employees remain at the forefront of new developments.

MENNO JANSSENS,
INNOVATION MANAGER AT ELIA

"WE ARE COLLABORATING WITH DIFFERENT PLAYERS TO DEVELOP SOLUTIONS THAT WILL ALLOW US TO FURTHER DEVELOP THE GRID AND OPERATE THE SYSTEM IN A MORE DIGITAL, DECENTRAL AND RENEWABLE WORLD."

Our ambitions

Excelling in managing assets on the grid of tomorrow

Renewable energy integration and increased interconnection demands more of our infrastructure. The adoption of new technologies allows Elia to improve the use of our assets in many ways, providing increased capacity, lower risk or higher efficiency and reliability without increasing the impact of our infrastructure.

Developing and managing the electricity grid 2.0

Elia designs the expansion and the reinforcement of the grid according to the expected needs. Today and certainly more in the future, Elia will have to cope with the increase of renewable energy within the energy system and progressive decentralisation, whereby more production capacity is being installed in Belgian households. So, to meet future needs, Elia plans to develop and operate the power system 2.0.

Continuing to play a pioneering role in market facilitation

Elia is the market facilitator and design an efficient and transparent electricity market in Belgium to ensure a smooth transition to European market integration. Elia continuously collaborates with different stakeholders so the market can be adapted in line with the evolving needs of the power system. To keep this position, Elia is working on increasing the liquidity on the balancing market.

Open innovation through collaboration

In a world of widely distributed knowledge, Elia has decided to go for open innovation. We cannot afford to rely entirely on our own ideas and expertise to advance our technology. Buying or licensing processes or inventions from other companies, like start-ups, also makes a valuable contribution.

OBJECTIVES

We create a culture of innovation and entrepreneurship to accelerate the energy transition.

– We build an ecosystem to develop the tools and methods that will enable a more digital, decentralised and renewable energy system

We have our eyes wide open for innovation & growth opportunities

What we achieved in 2017

Spatial imagery

Drones, photogrammetry, LIDAR, ground penetrating radar and more: new technologies with a spatial component are arriving at Elia, bringing both challenges and opportunities. The Spatial Imagery project aims to distribute knowledge about this technology, encouraging business departments to create opportunities that utilise it with a view to developing a structural and visionary approach.

Two types of spatial imagery technology are investigated:

– **Photogrammetry** = the art of obtaining reliable information about physical objects and the environment by recording, measuring and interpreting photographic images and patterns. This allows engineering teams to design high-quality 3D models quicker and more accurately. With photogrammetry, a series of photos can be used as a basis for creating a 3D model. This requires far less work than a manual 3D drawing.

– **LIDAR** (Light Detection and Ranging technology) = extensively used for atmospheric research and meteorology. It is also being tested as a way of better managing vegetation under high-voltage corridors as it can model infrastructure and line sag more accurately. With LIDAR, a point cloud reflected by light can reveal what is happening on the ground. In practice, we can use LIDAR to put together a point cloud for all infrastructures and the environment surrounding them. Once processing the data, the sag of high-voltage lines can be accurately modelled under various circumstances, thus improving efficiency and quality.

MICHIEL UWAERTS, INNOVATION EXPERT AT ELIA

"THE GROWTH TOWARDS A DIGITISED, MORE ACCURATE AND AI-SUPPORTED VIEW OF OUR GRID INFRASTRUCTURE IS EXPECTED TO GREATLY BENEFIT THE VALUE TRIANGLE: SAFETY, QUALITY AND EFFICIENCY."

INNOVATIVE INSULATING ARMS FOR STEVIN

In 2017, two new technologies were commissioned in connection with the Stevin project.

Insulating arms were fitted to compact pylons to replace an existing 150 kV line. Transforming pylons in this way made it possible to increase the voltage level to 380 kV without having to increase the height of the new pylons. High-temperature low-sag (HTLS) conductors – which reduce the effects of sag when the temperature on the line is high – now make it possible to increase power on the new 380 kV lines.

3D printing at Elia

Starting with logistics and spare parts management, Elia is exploring the use of 3D printing throughout the company. The aim is to find cost-effective ways to deliver qualitative spare parts as and when they are needed. The first case has been successfully implemented in the field, representing a long-term cost saving.

Previously circuit breaker caps deteriorated prematurely due to the UV sensitivity of the material. For almost the same cost, Elia used 3D printing to develop a more qualitative spare part, which requires less maintenance, saving both time and money.

GARPUR

Historically in Europe, power system reliability management has been predominantly relying on the 'N-1' criterion – whereby the system should be able to withstand an unexpected failure or outage of a system component (power plant, transmission line or transformers) at all times.

Today, the increasing uncertainty of generation due to intermittent energy sources, and the growing complexity of the pan-European power system, increase the need for new reliability criteria with a better balance between reliability and costs.

The European project GARPUR aims to develop new probabilistic criteria and relevant indicators for assessing reliability at various stages (grid development, asset management and grid operation) and evaluate their practical use (compared to the current 'N-1' criterion).

To that end, GARPUR is examining every facet of the approach applied between the grid development stage (which is decided upon several years in advance) and real-time operation, and devising European recommendations to enable a gradual switch to a probabilistic approach.

Distributed flexibility

Having explored the industrial and residential sector, Elia wants to facilitate the medium sized consumers (tertiary sector) to unlock their flexibility. In order to get an initial idea about the needs and potential of the tertiary sector, Elia has conducted a demo on one of its own buildings that enabled it to assess the controllability of three devices: a chiller, an air handling unit and a humidifier.

The test showed that the chiller and the humidifier were able to deliver flexibility in an aggregated way, in other words their activation and hold-on times fulfilled provision requirements. Elia also paid attention to the lessons learnt during the test. The main one being that controllability of the load is not guaranteed. Devices sometimes cannot be curtailed as they are following a given operation schedule and are bound to strong interdependencies with other devices.

GIANNOPOULOS GEORGIOS, SYSTEM SERVICES PRODUCT MANAGER AT ELIA

"ACCESSING DECENTRALISED FLEXIBILITY IS A COMPLEX TASK THAT NEEDS TO BE TRANSLATED INTO SIMPLE, AUTOMATED ACTIONS THAT CONSUMERS CAN UNDERSTAND AND TAKE ON BOARD."

Advanced machine learning to support dispatching

The integration of renewable energy is making the grid more and more complex; as a result, it is becoming vital to be able to predict grid imbalances within a very short time frame.

This project sets out to develop a model to detect the correlation between the various parameters influencing grid imbalance and predict any imbalance within a period of 15 minutes to an hour.

Elia hopes to first test and then demonstrate the usefulness of artificial intelligence in heightening the control centre engineers' awareness of the situations they face and in supporting their decision-making.

"As a system operator it has become much harder to understand system imbalance scenarios. The impact of variable generation, such as wind power and solar energy, is just one consideration, but there are also others, like increased activity on intraday markets, flexible generation units and so on. This means that system operators have to process and interpret huge quantities of data very quickly. Technologies and models built by data scientists will help to crunch down all this information and enable us to make correct decisions." Matthias Masschelin, Head of Energy Scheduling & Balancing at Elia

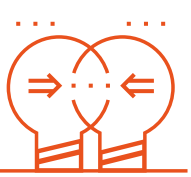
ADRIEN GILLÈS, INNOVATION PROJECT LEADER AT ELIA

"BLOCKCHAIN TECHNOLOGY HAS THE POTENTIAL TO PROFOUNDLY ALTER HOW THE ENERGY SECTOR OPERATES. BY ENABLING CITIZENS TO MAKE ELECTRICITY TRANSACTIONS DIRECTLY BETWEEN EACH OTHER, BLOCKCHAIN COULD SERVE AS A VECTOR IN THE ENERGY TRANSITION."

Blockchain

With an increasingly distributed enerBlockchain is a technology that can be used to for the decentralised validation and storage of transactions between parties. The financial sector was the first to take an interest in this technology, but recent developments have expanded its scope and made it attractive to other industries. Organisations and start-ups around the world are now considering blockchain technology to be a potential solution for a decentralised energy system.

Blockchain should reduce transaction costs, enable the active involvement of a larger number of participants and, consequently, accelerate the transition to a cleaner, more reliable and more affordable energy system.To assess the impact of blockchain technology on its sectors, Elia joined the Energy Web Foundation (EWF), an organisation that focuses on developing blockchain technology in the energy sector. Harnessing the EWF ecosystem, Elia aims to demonstrate the potential of blockchain by testing use cases based on actual internal processes.



GRASP

In collaboration with the Université Libre de Bruxelles (ULB), Elia is working on the development of new methods to plan and operate the Belgian power system within the PhD project GRASP.

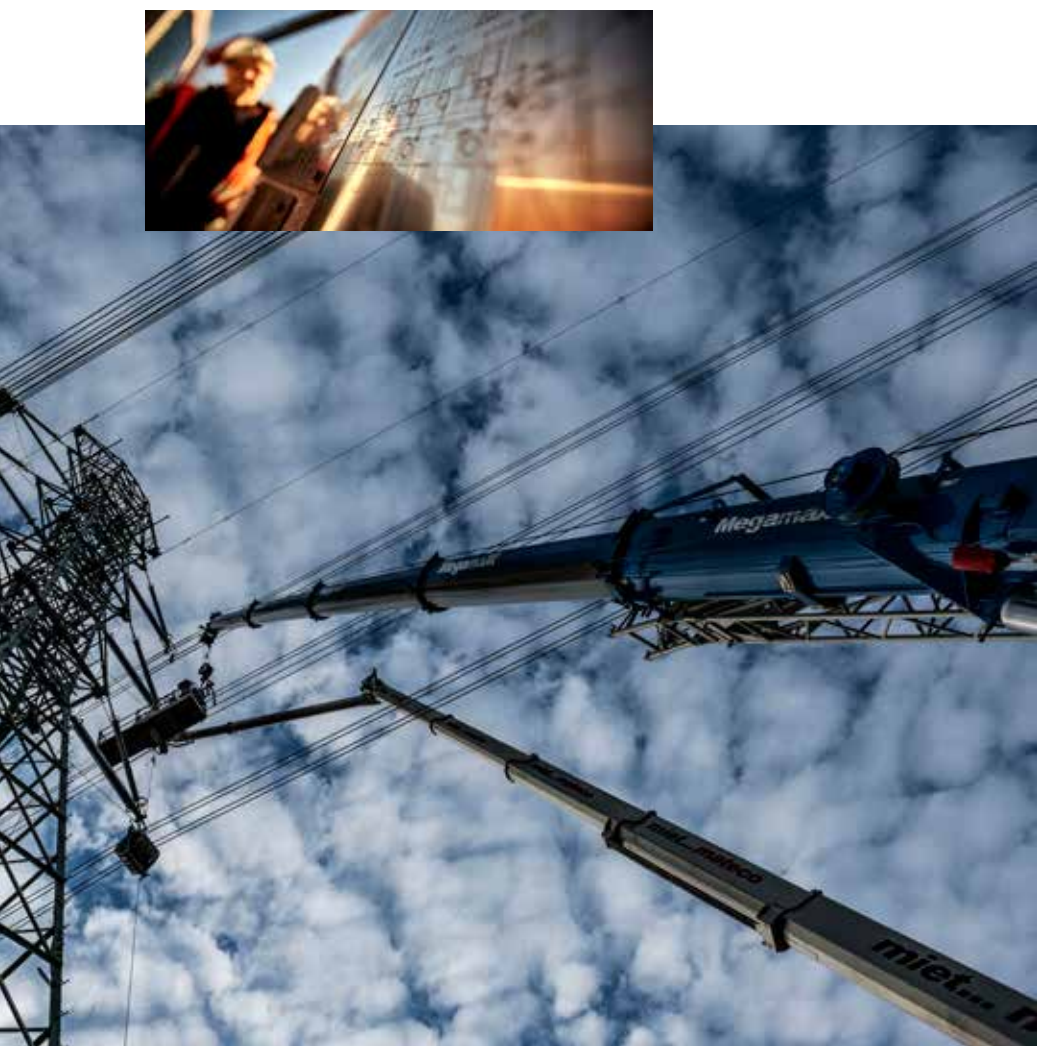
GRASP seeks to develop a grid reliability assessment model for the operational planning stage. This model would factor in the scope for forecasting errors regarding wind and solar power generation.

Moreover, GRASP is rooted in existing practices and suggests new procedures with a view to issuing recommendations based on a prototype that can be tested directly using real-life situations in Belgium.

Enervalis

In September 2017, Elia acquired a stake in Enervalis, a start-up that develops energy management software. By partnering with Enervalis, Elia aims to innovate and strengthen its expertise in order to better contribute to the development of the future electricity system in which digitalisation and decentralisation will play an increasingly important role.

"The goal of our company is to deliver sustainable energy solutions that allow electricity producers, distributors and consumers to optimise energy supply, storage and demand flexibility. I am convinced that our cooperation with Elia will bring these to a new scale and this will benefit the community." Stefan Lodeweyckx, founder and CEO of Enervalis.



HACK BELGIUM: INNOVATING FOR BELGIUM

Fifteen Elia employees took part in Hack Belgium on 4, 5 and 6 May. The event brought together experts from various sectors, entrepreneurs and other enthusiastic and talented individuals to develop innovative ideas that will benefit Belgian society. By participating in events such as Hack Belgium, Elia demonstrates its commitment to taking innovative and socially responsible action on behalf of the energy transition and Belgium's future. This also allows Elia's employees to cultivate the entrepreneurial and innovative mindset that is so important to the company's future. Elia will be taking part in the next Hack Belgium between 26 and 28 April 2018.

"With the development of new technologies like Internet of Things and Electric Vehicles, interaction with different sectors like IT, Telecom and Automotive becomes increasingly important. The Hack was the perfect occasion to meet innovators from these industries and develop a new perspective on innovation projects for Elia."
Manoël Rekinger, Innovation Project Manager at Elia

Local inertia

With the increasing penetration of renewable energy sources at the expense of conventional sources and the growth in storage solutions connected to the grid, the total inertia available on the network is decreasing. While this reduction does not pose a risk to the European continental grid, it does raise the issue of inertia distribution. If an imbalance in this distribution occurs (as has already happened on the UK network), grid protection systems can be triggered, causing local power cuts.

This project investigates the phenomena related to the distribution of inertial response that may significantly impact future power system operation. The research investigation will develop modelling tools, techniques and expertise with specific regard to the effect of distribution of inertia in the power grid, as well as considering related factors such as grid topology, RES penetration, and overall system security.

This project was granted financial support by the 2017 Energy Transition Fund. It aims to finance measures to encourage and support research and development in innovative energy projects, as well as to maintain or develop any system ensuring security of supply and the balance of the network. This fund is financed by a fee payable by Engie Electrabel, amounting to 20 million euros per year, in exchange for the extension of the reactors of Doel 1 and 2.

ELIA'S FIRST OPEN INNOVATION CONTEST

In October 2016, Elia organised the Open Innovation Challenge in order to identify start-ups that are proposing tools to enhance public acceptance of infrastructure projects. The contest was won on 16 February 2017 by Gilytics, a Zurich-based start-up. Gilytics provides an interactive platform using 3D visualisation and augmented reality to improve public participation in the planning phases of new projects.
"The tool of Gilytics allows us to define various constraints (soil, habitat, protected nature area, technical limitations, etc.) and allocate them a specific weight. It then identifies the optimum route. In the proof of concept, the results converged with the route that Elia had proposed, which validated the work done by our experts."
Johan Maricq, Innovation Project Leader at Elia.

50hertz

WHAT IS HAPPENING AT **50HERTZ**?

Pilot project with a new type of insulating gas

A new type of 110 kV, gas-insulated switchgear is being built at the Charlottenburg high-voltage substation. Instead of sulphur hexafluoride (SF_6), a mix of insulating gases with less environmental impact will be tested. The gas mixture, known as g^3, has the same technical characteristics as SF_6 but a global warming potential that is 99% lower.

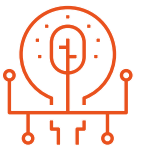
CompactLine

In late 2017, 50Hertz began building a pilot of a new type of line with shorter, narrower pylons and therefore a reduced environmental impact.

The test line runs for two kilometres and will include five pylons. It is connected to the Jessen North substation. The design of CompactLine should enable a 220 kV line to be replaced with a 380 kV line, without altering the route. 50Hertz plans to start testing the pilot project from summer 2018.

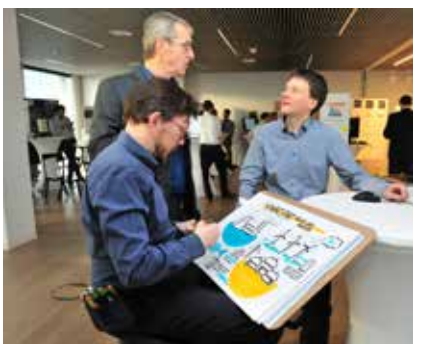
Innovation Day @ 50Hertz

The company held its 5th Innovation Day on 13 November. 50Hertz employees were briefed on 19 ongoing research and development projects, and exchanged ideas about technical developments and process innovations.



99%

THE GAS MIXTURE, KNOWN AS G^3, HAS THE SAME TECHNICAL CHARACTERISTICS AS SF_6 BUT A GLOBAL WARMING POTENTIAL THAT IS 99% LOWER.



Corporate Governance Statement

Elia satisfies specific obligations in terms of transparency, neutrality and non-discrimination towards all stakeholders involved in its activities.
At Elia, corporate governance is based on two pillars:

— the 2009 Corporate Governance Code[1], which Elia has adopted as its benchmark code;
— the Act of 29 April 1999 on the organisation of the electricity market and the Royal Decree of 3 May 1999 on the management of the electricity transmission system applicable to Elia as a transmission system operator.

Board of Directors


Bernard Gustin


Claude Grégoire


Geert Versnick


Michel Allé


Luc De Temmerman


Frank Donck


Cécile Flandre


Philip Heylen


Luc Hujoel


Roberte Kesteman


Jane Murphy


Dominique Offergeld


Rudy Provoost


Saskia Van Uffelen

Composition of the management bodies as at 31 December 2017

Board of Directors

CHAIRPERSON[2]

— Bernard Gustin, independent director

DIRECTORS[3]

— Michel Allé, independent director
— Luc De Temmerman, independent director
— Frank Donck, independent director
— Cécile Flandre, director appointed upon proposal of Publi-T
— Claude Grégoire, director appointed upon proposal of Publi-T
— Bernard Gustin, independent director[4]
— Philip Heylen, director appointed upon proposal of Publi-T
— Luc Hujoel, director appointed upon proposal of Publi-T
— Roberte Kesteman, independent director[5]
— Jane Murphy, independent director
— Dominique Offergeld, director appointed upon proposal of Publi-T
— Rudy Provoost, director appointed upon proposal of Publi-T[6]
— Saskia Van Uffelen, independent director
— Geert Versnick, director appointed upon proposal of Publi-T

REPRESENTATIVE OF THE FEDERAL GOVERNMENT WITH AN ADVISORY ROLE

— Nele Roobrouck

Advisory committees to the Board of Directors

CORPORATE GOVERNANCE COMMITTEE

— Luc Hujoel, Chairman
— Frank Donck
— Philip Heylen
— Jane Murphy
— Saskia Van Uffelen

AUDIT COMMITTEE[7]

— Michel Allé, Acting Chairman
— Luc De Temmerman
— Frank Donck
— Dominique Offergeld
— Geert Versnick

REMUNERATION COMMITTEE[8]

— Luc De Temmerman, Chairman
— Claude Grégoire
— Saskia Van Uffelen

Auditors[9]

— KPMG Réviseurs d'Entreprises SCCRL, represented by Alexis Palm
— Ernst & Young Réviseurs d'Entreprises SCCRL, represented by Patrick Rottiers

Management Committee[10]

— Chris Peeters, Chairman and Chief Executive Officer
— Markus Berger, Chief Infrastructure Officer
— Patrick De Leener, Chief Customers, Market & System Officer
— Frédéric Dunon, Chief Assets Officer
— Pascale Fonck, Chief Officer External Relations
— Peter Michiels, Chief Human Resources & Internal Communication Officer
— Ilse Tant, Chief Public Acceptance Officer
— Catherine Vandenborre, Chief Financial Officer

Secretary-General

— Gregory Pattou

(1) The Corporate Governance Code can be found on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be).
(2) Miriam Maes, independent director, was chairwoman until 16 May 2017. Claude Grégoire was vice-chairman until 16 May 2017 and acting chairman from 16 May 2017 until 21 December 2017. Geert Versnick was vice-chairman until 16 May 2017. Bernard Gustin was appointed as chairman from 21 December 2017.
(3) Peter Vanvelthoven was appointed director upon the proposal of Publi-T until 19 March 2017. Jacques de Smet was appointed independent director until 16 May 2017. Miriam Maes was appointed independent director until 27 October 2017.
(4) Bernard Gustin was appointed director from 16 May 2017.
(5) Roberte Kesteman was appointed director from 27 October 2017.
(6) Rudy Provoost was appointed director from 16 May 2017.
(7) Jacques de Smet was chairman of the Audit Committee until 16 May 2017. Michel Allé was appointed acting chairman from 22 June 2017.
(8) Jacques de Smet was a member of the Remuneration Committee until 16 May 2017.
(9) KPMG Réviseurs d'Entreprises SCCRL was represented by Benoît Van Roost until 16 May 2017. Ernst & Young Réviseurs d'Entreprises SCCRL was represented by Marnix Van Dooren until 16 May 2017.
(10) Peter Michiels was appointed member of the Management Committee from 3 January 2017 and Patrick De Leener was appointed member of the Management Committee from 1st February 2017. Frank Vandenberghe was Chief Customers, Market & System Officer until 1st February 2017.

Board of Directors

The Boards of Directors of Elia System Operator and Elia Asset consist of 14 members, none of whom perform an executive role within either of those two companies.

The same directors sit on the Boards of both companies.

Half of the directors are independent directors, satisfying the conditions set out in Article 526ter of the Belgian Companies Code, Article 2(30) of the Act of 29 April 1999 on the organisation of the electricity market and in the articles of association, and having received a positive opinion ("avis conforme"/ "eensluitend advies") by the CREG on their independence. The other half are non-independent directors appointed by the General Meeting upon proposal of Publi-T, as per the current shareholder structure (see also the 'Shareholder structure' secti on on page 113 of this statement).

In accordance with provisions stipulated by legislation and the articles of association, these Boards of Directors are supported by three committees – the Corporate Governance Committee, the Audit Committee and the Remuneration Committee – which are the same for Elia System Operator and Elia Asset. The Boards of Directors ensure that these committees operate in an efficient manner.

In accordance with the Act of 29 April 1999 on the organisation of the electricity market, the Belgian Companies Code and the articles of association of Elia System Operator and Elia Asset, at least one third (1/3) of the Board members must be of the opposite gender to the remaining two thirds. This one-third rule is applied proportionately to the independent and non-independent directors.

In addition, in accordance with the Corporate Governance Code 2009, the Internal Regulations of the Board of Directors and the Act of 3 September 2017 on the disclosure of non-financial information and diversity information by certain large companies and groups, the composition of the Board of Directors is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge.

When searching for and appointing new directors, special attention is paid to diversity parameters in terms of age, gender and complementarity.

DIVERSITY WITHIN THE BOARD OF DIRECTORS

Number of people on the Board of Directors of Elia System Operator and Elia Asset as at 31 December 2017	Unit	2017
Men	Aged 30 - 50	2
	Aged over 50	7
Women	Aged 30 - 50	1
	Aged over 50	4

CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

The directorships of the following directors were renewed in 2017, having expired during the year:

- Jane Murphy was reappointed by the Ordinary General Meeting of 16 May 2017 as an independent director of Elia System Operator and Elia Asset.
- Cécile Flandre, Claude Grégoire, Philip Heylen and Dominique Offergeld were reappointed by the Ordinary General Meeting of 16 May 2017 as non-independent directors of Elia System Operator and Elia Asset.

The following persons were appointed as directors of Elia System Operator and Elia Asset in 2017:

- Bernard Gustin was appointed by the Ordinary General Meeting of 16 May 2017 as an independent director of Elia System Operator and Elia Asset (succeeding Jacques de Smet).
- Rudy Provoost was appointed by the Ordinary General Meeting of 16 May 2017 as a non-independent director of Elia System Operator and Elia Asset (succeeding Peter Vanvelthoven, who resigned as a non-independent director of Elia System Operator and Elia Asset with effect from 19 March 2017).
- Roberte Kesteman was appointed by the Special General Meeting of 27 October 2017 as an independent director of Elia System Operator and Elia Asset (succeeding Miriam Maes).

In addition, Bernard Gustin was appointed Chairman of the Board of Directors on 21 December 2017, succeeding Claude Grégoire, who had been appointed Acting Chairman on 16 May 2017.

Michel Allé was appointed Acting Chairman of the Audit Committee from 22 June 2017.

TERM AND EXPIRY OF DIRECTORSHIPS AND APPOINTMENT PROCEDURE

The directors of Elia System Operator and Elia Asset are appointed or reappointed for a six-year term.

The directorships of all of the directors are due to expire after the 2023 Ordin-

ary General Meeting of Elia System Operator and of Elia Asset for the financial year ending 31 December 2022, with the exception of the directors mentioned below, whose directorships expire on different dates.

Luc De Temmerman, Frank Donck, Luc Hujoel, Saskia Van Uffelen and Geert Versnick's directorships of Elia System Operator and Elia Asset will expire after the companies' 2020 Ordinary General Meeting for the financial year ending 31 December 2019.

Michel Allé's independent directorship of Elia System Operator and Elia Asset will expire after the companies' 2022 Ordinary General Meeting for the financial year ending 31 December 2021.

The six-year term of these directorships diverges from the term of four years recommended by the Belgian Corporate Governance Code, a fact justified by the technical, financial and legal specificities and complexities associated with the tasks of the transmission system operator, which call for greater experience in those areas.

It should be remembered that the appointment of independent and non-independent directors of the Elia System Operator and Elia Asset Boards of Directors, as well as the composition and operation of their committees, are subject to specific corporate governance rules. These provisions are laid down in the Act of 29 April 1999 on the organisation of the electricity market and in the companies' articles of association.

The Act of 29 April 1999 on the organisation of the electricity market gave the Corporate Governance Committee an important task in the proposal of candidates for the role of independent director. The directors are appointed on the basis of a list of candidates drawn up by the Corporate Governance Committee. For each candidate, the Committee takes into account the up-to-date CV and their sworn declaration concerning the independence criteria as stipulated by legislation applying to Elia and the company's articles of association. The General Meeting then appoints the independent directors. These appointments are submitted to the CREG for its opinion ("avis conforme"/ "eensluitend advies") on the independence of each independent director. A similar procedure applies where an independent directorship becomes vacant during the relevant term of office and where the Board co-opts a candidate proposed by the Corporate Governance Committee.

The Corporate Governance Committee therefore acts as a nominating committee for independent directors. For the appointment of non-independent directors, there is no nominating committee to make recommendations to the Board. This situation therefore deviates from that prescribed by the Corporate Governance Code. This divergence can be explained by the fact that the Board of Directors always strives, insofar as possible, for consensus. Moreover, no significant decision can be made without a majority within the groups of independent directors and non-independent directors.

BOARD OF DIRECTORS' ACTIVITY REPORT

The Board of Directors exercises at least the following powers (non-exhaustive list):

— It defines the general, financial and dividends policy of the company, as well as its values and strategy. In transposing the values and strategy into primary guidelines, the Board of Directors takes into account corporate social responsibility, gender diversity and diversity in general.

— It exercises the powers given to it by or pursuant to the Belgian Companies Code, by the Act of 29 April 1999 on the organisation of the electricity market and by the articles of association.

— It takes all action appropriate or necessary to carry out the corporate purpose, excluding powers reserved for the General Meeting by law or the articles of association.

— It ensures oversight. Within this context it provides, inter alia, general oversight of the Management Committee in accordance with legal restrictions concerning access to commercial data and other confidential information relating to grid users and the processing of such data; as part of this oversight it also monitors the way in which the business of the company is carried out and developed in order to, among other things, assess whether the company is being properly managed. In addition, it monitors and evaluates the effectiveness of the advisory committees to the Board and the manner in which business is carried out.

The Boards of Directors of Elia System Operator and Elia Asset met 12 times in 2017.

Members who are unable to attend usually have a representative. In accordance with Article 19.4 of the Elia System Operator articles of association and Article 18.4 of the Elia Asset articles of association, members who are absent or unable to attend may grant a written proxy to another member of the Board to represent them at a given meeting of the Board of Directors and vote on their behalf at that meeting. However, no representative can represent more than two directors.

EVALUATION

In 2016, the Board of Directors of Elia System Operator and Elia Asset organised a procedure for evaluating its own functioning (including an evaluation of the overall contribution of directors), that of its committees and the interaction between the Board of Directors and the Management Committee. In 2016, the Board did not organise an individual evaluation in accordance with provision 4.13 of the Corporate Governance Code.

The evaluation procedure in 2016 was conducted in accordance with principle 4 of the Corporate Governance Code, which the company has adopted as its benchmark code.

A new evaluation will take place within the time frame stipulated by the Corporate Governance Charter.

Auditors

The Ordinary General Meeting of Elia System Operator and Elia Asset held on 16 May 2017 reappointed Ernst & Young Réviseurs d'Entreprises SCCRL and KPMG Réviseurs d'Entreprises SCCRL as auditors of these companies for a period of three years. Their term of office will come to an end after the 2020 Ordinary General Meeting of Elia System Operator and Elia Asset relating to the financial year ending 31 December 2019.

Ernst & Young Réviseurs d'Entreprises SCCRL was represented for the exercise of this office by Marnix Van Dooren until 16 May 2017 and is represented as of this date by Patrick Rottiers.

KPMG Réviseurs d'Entreprises SCCRL was represented for the exercise of this office by Benoît Van Roost until 16 May 2017 and is represented by Alexis Palm as of this date.

Significant events in 2017

AMENDMENTS TO THE ARTICLES OF ASSOCIATION FOLLOWING IMPLEMENTATION OF THE CAPITAL INCREASE RESERVED FOR STAFF MEMBERS

The Extraordinary General Meeting of Elia System Operator of 17 May 2016 approved the proposed capital increase reserved for members of staff of the company and its Belgian subsidiaries.

This capital increase took place in two stages, in December 2016 and March 2017, for a maximum total of €6 million (maximum of €5,300,000 in 2016 and maximum of €700,000 in 2017) subject to the issuing of new Class B shares, with cancellation of the preferential subscription right of existing shareholders in favour of staff members of the company and its Belgian subsidiaries, if necessary below the accounting par value of the existing shares in the same class.

The Extraordinary General Meeting decided to set the issue price for the 2017 capital increase at a price equal to the average of the closing prices on the 30 calendar days prior to 31 January 2017, less 16.66%.

The total value of the 2017 capital increase (including share premium) was €391,087.26. 9,861 Class B shares in Elia System Operator were issued.

Following the 2017 capital increase, Articles 4.1 and 4.2 of the articles of association of Elia System Operator relating to the share capital and the number of shares were amended accordingly on 23 March 2017.

The latest version of Elia System Operator's articles of association is available in full on the company's website (www.eliagroup.eu, under 'Investor Relations' and www.elia.be, under 'Elia', 'Corporate Governance').

CHANGE IN THE COMPOSITION OF THE BOARD OF DIRECTORS AND THE MANAGEMENT COMMITTEE

For the change in the composition of the Board of Directors and the Management Committee, reference is made to the 'Board of Directors' and 'Management Committee' sections of this corporate governance statement.

For the other significant events in 2017, see pages 12 to 17.

Remuneration Committee

In addition to its usual support role to the Board of Directors, the Remuneration Committee is responsible, pursuant to Article 526quater of the Belgian Companies Code, the Act of 29 April 1999 on the organisation of the electricity market and the articles of association, for making recommendations to the Board of Directors regarding remuneration policy and the individual remuneration of members of the Management Committee and directors. The Remuneration Committee also draws up a remuneration report for presentation at the Ordinary General Meeting.

The Remuneration Committee of Elia System Operator met six times in 2017[11]. The Remuneration Committee of Elia Asset met five times in 2017.

The company evaluates its management staff on a yearly basis in accordance with its performance management policy.
This policy also applies to members of the Management Committee. Accordingly, the Remuneration Committee evaluates the members of the Management Committee on the basis of a series of collective and individual targets of a quantitative and qualitative nature and also taking into account feedback from internal and external stakeholders.

It should be noted that remuneration policy concerning the variable portion of the Management Committee's remuneration was adapted to take account of the implementation of multi-year tariffs. Consequently, since 2008 the salary scheme for members of the Management Committee has included, among other things, an annual variable remuneration and long-term profit-sharing spread out over the multi-year regulation period. The annual variable remuneration has two parts: the attainment of collective quantitative targets and individual performance, including progress on collective infrastructure projects, safety and AIT ('Average Interruption Time' – average time of interruption of electricity supply)[12].

The Remuneration Committee also approved the proposed collective targets for the Management Committee for 2017. In addition, the Remuneration Committee approved the remuneration report, which is part of the annual report for 2017, and issued a favourable opinion on the capital increase reserved for personnel.

Audit Committee

In addition to its usual support role to the Board of Directors, the Audit Committee is, pursuant to Article 526bis of the Belgian Companies Code, the Act of 29 April 1999 on the organisation of the electricity market and the articles of association, responsible in particular for:

- examining accounts and controlling budgets;
- monitoring financial reporting procedures;
- ensuring the effectiveness of the company's internal control and risk management systems;
- following up on internal audits and their effectiveness;

(11) Including one meeting held before a notary in order to formally record the capital increase reserved for staff members.
(12) Supply reliability indicator: number of minutes per consumer per year.

— following up on the statutory audit of annual accounts;
— evaluating and verifying the independence of auditors;
— making proposals to the Board of Directors on the appointment and re-election of auditors and on the terms of their appointment;
— investigating, where appropriate, any issues that resulted in the resignation of auditors and making proposals as to what actions, if any, should be taken in this respect;
— verifying the nature and extent of non-audit services provided by auditors;
— verifying the effectiveness of external audit procedures.

Pursuant to Article 96, §1, 9° of the Belgian Companies Code and the articles of association, this report must contain justification of the independence and accounting and auditing competence of at least one member of the Audit Committee. The internal rules of procedure of the Audit Committee require, in this respect, that all members of the Audit Committee have the sufficient experience and expertise required to exercise the role of the Audit Committee, particularly in terms of accounting, auditing and finance. On the basis of this rule, the professional experience of at least two members of the Audit Committee must be detailed in this report.

The experience of the Chairman of the Audit Committee (Jacques de Smet until 16 May 2017 and Michel Allé from that date), and Dominique Offergeld, member of the Audit Committee, is described in detail below.

Jacques de Smet (independent director and Chairman of the Audit Committee of Elia System Operator and Elia Asset until 16 May 2017) has an economics degree from the University of Brussels. He started his career as an auditor with Peat Marwick Mitchell & Co (now KPMG). He joined the Tractionel group (now Engie) in 1979, initially as assistant to the CEO of the holding company. He was subsequently assigned to the financial department of the company of the Frima Viking SA group, later becoming CFO of Chamebel SA. In 1987, he was a member of the Management Committee of the venture capital investment company Prominvest SA. From 1988 to 2002 he was Chief Financial Officer and a member of the Management Committee of D'Ieteren SA and the Boards of Directors of all subsidiaries of the group, including AVIS EUROPE PLC and BELRON. Between 2002 and 2005, he was Chief Financial Officer of the Ziegler group. In 2009, he was appointed as a member of the Board of Directors of SABCA S.A. He has also been a member of the Boards of Directors of UCO S.A. (1977-2001), LA LIEVE S.A. (1978-1996), LYS-LIEVE S.A. (1975-1995), BELGO-KATANGA S.A. (1996-2000), IBEL S.A. (1995-2000) and President of the Financial Executives Institute of Belgium (2002-2013). Since 1986, he has been Managing Director of GEFOR S.A. (a consultancy firm specialising in the area of corporate finance and, in particular, the negotiation of bank credit). He sits on the Boards of Directors of SABCA (as a permanent representative of GEFOR) and Wereldhave Belgium and is Chairman of the Audit Committees of these companies.

Michel Allé (independent director of Elia System Operator and Elia Asset since 17 May 2016 and Acting Chairman of the Audit Committee from 22 June 2017) has degrees in physics civil engineering and economics (both from the Université Libre de Bruxelles (ULB)). Alongside his academic career as a professor of econo-mics and finance (Solvay Brussels School, ULB's École Polytechnique), he worked for many years as a Chief Financial Officer. In 1979, he began his career at the Belgian Prime Minister's Office, as an advisor in the Science Policy Office. He was appointed Director of the National Energy R&D Programme in 1982 and then Director in charge of Innovative Companies. In 1987, he joined the Cobepa group, where he held many positions including Vice President of Mosane from 1992 to 1995. From 1995 to 2000, he was a member of the Cobepa group's Executive Committee. He then served as Chief Financial Officer of BIAC between 2001 and 2005 and Chief Financial Officer of SNCB (Belgian Railways) between 2005 and 2015. He also has extensive experience as a director, including past and present roles at Telenet, Zetes, Eurvest, Mobistar and D'Ieteren. He has served on the Telenet Audit Committee and chaired the Zetes Audit Committee.

Dominique Offergeld (non-independent director of Elia System Operator and Elia Asset) has a degree in economics and social science (specialisation: public economics) from Université Notre-Dame de la Paix in Namur. She has taken various extra-academic programmes, including the General Management Program at Cedep (INSEAD) in Fontainebleau (France). She started her career at Générale de Banque (now BNP Paribas Fortis) in the corporate finance department in 1988, and was subsequently appointed as specialist advisor to the vice-president and minister for economic affairs of the Walloon Region in 1999. In 2001, she became advisor to the Deputy Prime Minister and Minister for Foreign Affairs. Between 2004 and 2005, she was deputy director of the office of the minister for energy, subsequently becoming general advisor to the SNCB holding company in 2005. She was previously director of (among others) Publigaz and government commissioner at Fluxys. She was also Chairwoman of the Board of Directors and of the Audit Committee of SNCB. Between 2014 and 2016, she was Director of the Minister for Mobility's Strategy Unit, with responsibility for Belgocontrol and the SNCB. She has been CFO of ORES SCRL since August 2016, a position she also held between 2008 and 2014.

The Audit Committee may investigate any matter that falls within its remit. For this purpose, it is given the resources it needs to perform this task, has access to all information, with the exception of confidential commercial data concerning grid users, and can call on internal and external experts for advice.

The Audit Committee met six times in 2017.

The Committee examined the annual accounts for 2016, under both Belgian GAAP and IFRS. It also examined the half-yearly results as at 30 June 2017 and the 2017 quarterly results, in accordance with Belgian GAAP and IFRS rules.

The Committee took note of the internal audits carried out and the recommendations made.

The Committee follows an action plan for each audit carried out in order to improve the efficiency, traceability and awareness of the areas audited and thereby reduce the associated risks and provide assurance that the control environment and risk management are appropriate. The Committee followed the various action plans from a number of perspectives (timetable, results, priorities) on the basis, among other things, of an activity report from the internal audit department. The Audit Committee noted the strategic risks and the ad hoc risk analyses based on the environment in which the group operates. The Audit Committee also oversaw the monitoring of environmental issues.

Corporate Governance Committee

In addition to its usual support role to the Board of Directors, the Corporate Governance Committee is, pursuant to the Act of 29 April 1999 on the organisation of the electricity market and the articles of association, responsible for:

- proposing candidates to the General Meeting to be appointed as independent directors;
- giving prior approval for the appointment and/or removal (where applicable) of Management Committee members;
- examining, at the request of any independent director, the Chairman of the Management Committee or any competent federal and/or regional regulatory body or bodies for the electricity market, all cases of conflicts of interests between the system operator, on the one hand, and a dominant shareholder, municipal shareholder or company associated with or linked to a dominant shareholder, on the other hand, and to report to the Board of Directors on the matter. This responsibility aims to strengthen the directors' independence above and beyond the procedure detailed in Article 524 of the Belgian Companies Code, which the company also applies;
- deciding on cases of incompatibility on the part of members of the Management Committee and personnel;
- ensuring the application within the company of provisions laid down by law, regulations, decrees and other instruments relating to the operation of electricity systems, evaluating their effectiveness in view of the objectives for the independent and impartial operation of those systems, and ensuring compliance with Articles 4.4 and 13.1(2) and (3) of Elia System Operator's articles of association. A report on this subject is submitted every year to the Board of Directors and the federal and/or regional body or bodies responsible for regulating the electricity market;
- convening, at the request of at least one third of the members, meetings of the Board of Directors in accordance with the formalities for calling meetings as laid down in the articles of association;
- examining, after notification by a director, whether a director's membership of the supervisory board, the board of directors or bodies legally representing an undertaking which exercises control, directly or indirectly, over an electricity producer and/or supplier complies with Article 9.1b), c) and d) of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity, and reporting on this matter to the Board of Directors. As part of this examination, the Committee takes account of the role and influence that the director concerned has in the undertaking concerned and of the degree of control or influence that the undertaking concerned has over its subsidiary. The Committee also examines whether, in the exercising of the director's role within the company, there is the potential or motive for favouring certain generation or supply interests as regards access to and investment in the grid, to the detriment of other grid users;
- ensuring, prior to any appointment of a director, irrespective of whether such appointment concerns a new director or the re-election of an existing director, whether the candidate director takes account of the incompatibilities set forth in the company's articles of association. To this end, every candidate director is required to provide the Committee with an overview of (i) any offices he or she holds on the board of directors, the supervisory board or any other body of other legal entities other than the company and (ii) any other functions or activities, paid or unpaid, which he or she carries out for an undertaking performing any of the following functions: the generation or supply of electricity.

The Committee met 10 times in 2017.

In line with its competences under the law and the articles of association and in compliance with confidentiality rules, the Committee deals in particular with the following matters: the prior approval for the appointment of new members of the Management Committee, the proposal of candidates for independent directorships, the application and the compliance with the requirements of laws, regulations and the articles of association concerning the independence of the company's independent directors, the analysis of compliance with requirements in the area of full ownership unbundling as provided for by law and the articles of association, and the preparation of the corporate governance statement.

Management Committee

Pursuant to Article 9(9) of the Act of 29 April 1999 on the organisation of the electricity market and the articles of association, the Management Committee is responsible in particular for:

— the operational management of the electricity grids, including commercial, technical, financial, regulatory and personnel issues related to such operational management;

— day-to-day management of the system operator;

— the exercise of powers given to it under the articles of association;

— the exercise of powers delegated to it by the Board of Directors, in accordance with the general policy rules and principles and the resolutions adopted by the Board of Directors.

The Management Committee has all powers necessary, including the power of representation, and sufficient margin for manoeuvre to exercise the powers that have been delegated to it and to propose and implement a corporate strategy, without prejudice to the powers of the Board of Directors and the obligation on the part of the Board of Directors to observe the legal restrictions in terms of access to commercial data and other confidential data relating to grid users and the processing of such data.

The Management Committee generally meets formally at least once a month. Its members also attend informal weekly meetings. Members who are unable to attend usually have a representative. A written proxy, conveyed by any means (of which the authenticity of its source can be reasonably determined), can be given to another member of the Management Committee, in accordance with the internal rules of procedure of the Management Committee. However, no representative may represent more than two members.

In 2017, the Management Committee met on 20 occasions for Elia System Operator and on 20 occasions for Elia Asset.

Each quarter, the Management Committee reports to the Board of Directors on the company's financial situation (in particular on the balance between the budget and the results stated). It also reports on transmission system management at each meeting of the Board of Directors. As part of its reporting on management of the transmission system in 2017, the Management Committee kept the Board informed of strategic issues, developments in legislation applying to the company, the company's financial situation, the situation of its subsidiaries, the main decisions taken by regulators and administrations, as well as the monitoring and development of major investment projects.

Corporate social responsibility (CSR) at Elia System Operator and Elia Asset is the responsibility of the Chief Public Acceptance Officer.

MANAGEMENT COMMITTEE

Chris Peeters

Markus Berger

Patrick De Leener

Frédéric Dunon

Pascale Fonck

Peter Michiels

Ilse Tant

Catherine Vandenborre

CHANGES IN THE COMPOSITION OF THE MANAGEMENT COMMITTEE

Peter Michiels was appointed as a member of the Management Committee from 3 January 2017. Peter Michiels holds the position of Chief Human Resources & Internal Communication Officer.

In addition, Patrick De Leener was appointed as a member of the Management Committee from 1 February 2017, replacing Frank Vandenberghe. Patrick De Leener holds the position of Chief Customers, Market & System Officer.

In accordance with the Act of 3 September 2017 on the disclosure of non-financial information and diversity information by certain large companies and groups, the composition of the Management Committee is based on gender diversity and diversity in general, as well as on the complementarity of skills, experience and knowledge.

When searching for and appointing new members of the Management Committee, special attention is paid to diversity parameters in terms of age, gender and complementarity.

CODE OF CONDUCT

Following the entry into force of European Regulation (EU) No. 596/2014 on market abuse, Elia amended its Code of Conduct that aims to prevent staff and those with leadership responsibilities in the Elia Group from potentially breaking any laws on the use of privileged information and market manipulation. The Code of Conduct lays down a series of regulations and communication obligations for transactions by those individuals in relation to their Elia System Operator securities, in accordance with the provisions of the Market Abuse Regulation and the Act of 2 August 2002 on monitoring of the financial sector and other financial services. This Code of Conduct is available on the company's website (www.elia.be, under 'Elia', 'Corporate Governance').

CORPORATE GOVERNANCE CHARTER AND INTERNAL RULES OF PROCEDURE OF THE BOARD OF DIRECTORS, THE BOARD'S ADVISORY COMMITTEES AND THE MANAGEMENT COMMITTEE

The Corporate Governance Charter and the internal rules of procedure of the Board of Directors, the Board's advisory committees and the Management Committee can be found on the company's website (www.elia.be, under 'Elia', 'Corporate Governance').

DIVERSITY WITHIN THE MANAGEMENT COMMITTEE

Number of people on the Management Committee of Elia System Operator and Elia Asset as at 31 December 2017	Unit	2017
Men	Aged 30 - 50	1
	Aged over 50	4
Women	Aged 30 - 50	2
	Aged over 50	1

TRANSPARENCY RULES - NOTIFICATIONS

On 17 January 2017, Elia System Operator received notifications within the meaning of the Act of 2 May 2007 on the disclosure of major shareholdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions, and within the meaning of the Royal Decree of 14 February 2008 on the disclosure of major shareholdings. More specifically, following the capital increase reserved for Elia staff members of 22 December 2016, on 17 January 2017 Publi-T notified Elia that its stake in Elia had fallen below the threshold of 45% of total Elia shares on 22 December 2016 and that its shareholding in Elia was now 44.97%. Société Fédérale de Participations et d'Investissement, with which Publi-T acts in concert, also notified Elia on 17 January 2017 that its shareholding in Elia had decreased to 2.02% on 22 December 2016. Their total stake in Elia was therefore 46.99% on 22 December 2016. The change in the percentages of their shareholdings is passive in nature and is a result of the capital increase reserved for personnel in late 2016; the number of shares held by Publi-T and Société Fédérale de Participations et d'Investissement did not change.

In accordance with Article 15 of the Act of 2 May 2007, on 4 April 2017 Elia System Operator gave notice of the realisation of the capital increase reserved for the personnel of Elia System Operator SA and its Belgian subsidiaries, which was formally recorded before a notary on 23 March 2017 and led to the issuing of 9,861 new shares in Elia System Operator. See also the press release of 4 April 2017, published on the company's website.

The total number of shares issued by Elia is 60,901,019.

For more information about the shareholder structure as at 31 December 2017, see the section 'Shareholder structure on the closing date'.

Remuneration Report

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT COMMITTEE

Procedure approved in 2016 to define the remuneration policy and the remuneration of members of the board of directors and the management committee

In accordance with Articles 16.1 and 15.1 of the respective articles of association of Elia System Operator and Elia Asset, a draft remuneration policy for members of the Board of Directors and the Management Committee was drawn up in 2016 by the Remuneration Committee and approved by the Boards of Directors of Elia System Operator and Elia Asset.

The draft remuneration policy for directors was approved by the General Meeting of Shareholders of Elia System Operator and Elia Asset on 17 May 2016.

The Remuneration Committee also made recommendations regarding the remuneration policy and the remuneration of directors and Management Committee members.

The composition and activities of the Remuneration Committee are covered in greater detail on page 104 of the annual report.

Remuneration of members of the board of directors

Following the decision adopted by the Ordinary General Meeting of Elia System Operator and Elia Asset on 17 May 2016, the rules on the remuneration of directors were amended. The new rules, effective from 1 January 2016, are described below.

The total cost of gross remuneration paid to the 14 directors in 2017 was €872,583.54 (€437,177.27 for Elia System Operator and €435,406.27 for Elia Asset).

The table below lists the individual gross sums paid to each director for Elia System Operator and Elia Asset combined.

These amounts were calculated on the basis of 12 meetings of the Board of Directors of Elia System Operator and 12 meetings of the Board of Directors of Elia Asset in 2017. In 2017, the Audit Committee met six times, the Corporate Governance Committee 10 times, the Remuneration Committee of Elia System Operator six times[13] and the Remuneration Committee of Elia Asset five times.

Directors' remuneration consists of a basic remuneration of €25,000 per annum (€12,500 for Elia System Operator and €12,500 for Elia Asset) and an attendance fee of €1,500 (€750 for Elia System Operator and €750 for Elia Asset) per Board meeting, starting with the first Board meeting attended by the director. The basic annual remuneration and the attendance fee are increased by 100% for the Chairman of the Board of Directors and by 30% for each Vice-Chairman of the Board of Directors.

For each company, additional basic remuneration for each member of an advisory committee to the Board of Directors (the Audit Committee, the Remuneration Committee and the Corporate Governance Committee) is set at €3,000 per annum per committee, and the attendance fee for each member of a committee is €750 per committee meeting (starting with the first committee meeting attended by the member). Both the basic remuneration and the attendance fee are increased by 30% for each committee chairman.

The basic annual remuneration and the attendance fees are indexed in January each year on the basis of the consumer price index for January 2016.

The basic annual remuneration and the attendance fees cover all costs, except (a) any costs incurred by a director resident outside Belgium in connection with the exercise of his/her office (such as travel and accommodation costs) providing that the director in question was resident outside Belgium at the time of appointment or, if the director changed his/her place of residence after appointment, providing that the Remuneration Committee gave its approval; (b) any costs incurred by a director in the event that a meeting of the Board of Directors is held outside Belgium (e.g. in Germany); and (c) any costs incurred by a director travelling abroad in connection with the exercise of his/her office upon the request of the Chairman or a Vice-Chairman of the Board of Directors. All remuneration and costs are included in the company's operating costs.

(13) Including one meeting held before a notary in order to formally record the capital increase reserved for staff members.

DIRECTOR	REMUNERATION	BOARD OF DIRECTORS OF ELIA SYSTEM OPERATOR	BOARD OF DIRECTORS OF ELIA ASSET	AUDIT COMMITTEE OF ELIA SYSTEM OPERATOR	AUDIT COMMITTEE OF ELIA ASSET	GOVERNANCE COMMITTEE OF ELIA SYSTEM OPERATOR	GOVERNANCE COMMITTEE OF ELIA ASSET	REMUNERATION COMMITTEE OF ELIA SYSTEM OPERATOR	REMUNERATION COMMITTEE OF ELIA ASSET
Michel ALLÉ	€51,310.86	10/12	10/12	3/3[14]	3/3[15]	-	-	-	-
Jacques DE SMET[16]	€30.751.40	3/3	3/3	3/3	3/3	-	-	4/4	3/3
Luc DE TEMMERMAN[17]	€78,556.40	12/12	12/12	6/6	6/6	-	-	6/6	5/5
Frank DONCK[18]	€76,478.00	10/12	10/12	5/6	5/6	10/10	10/10	-	-
Cécile FLANDRE[19]	€37,982.00	8/12	8/12	-	-	-	-	-	-
Claude GRÉGOIRE[20]	€91,491.68	12/12	12/12	-	-	-	-	5/6	5/5
Bernard GUSTIN[21]	€29,000.30	8/9	8/9	-	-	-	-	-	-
Philip HEYLEN	€58,000.00	10/12	10/12	-	-	7/10	7/10	-	-
Luc HUJOEL[22]	€69,087.40	10/12	10/12	-	-	10/10	10/10	-	-
Roberte KESTEMAN[23]	€10,779.16	4/4	4/4	-	-	-	-	-	-
Miriam MAES[24]	€41,317.78	4/8	4/8	-	-	-	-	-	-
Jane MURPHY	€64,160.00	12/12	12/12	-	-	9/10	9/10	-	-
Dominique OFFERGELD	€54,920.00	11/12	11/12	4/6	4/6	-	-	-	-
Rudy PROVOOST[25]	€30,027.06	9/9	9/9	-	-	-	-	-	-
Saskia VAN UFFELEN[26]	€78,018.00	12/12	12/12	-	-	9/10	9/10	5/6	5/5
Geert VERSNICK	€63,774.48	12/12	12/12	6/6	6/6	-	-	-	-
Peter VANVELTHOVEN[27]	€6,929.02	1/1	1/1	-	-	-	-	-	-

(14) Michel Allé has been a member and Chairman of the Audit Committee of Elia System Operator since 22 June 2017.
(15) Michel Allé has been a member and Chairman of the Audit Committee of Elia Asset since 22 June 2017.
(16) Jacques de Smet's directorship expired on 16 May 2017.
(17) Luc De Temmerman's fees are paid to the company InDeBom Strategies Comm. V.
(18) Frank Donck's fees are paid to the company Ibervest NV.
(19) Cécile Flandre's fees are paid to the company Belfius Insurance SA.
(20) Claude Grégoire's fees are paid to the company Socofe SA.
(21)Bernard Gustin has been a director since 16 May 2017. Bernard Gustin's fees are paid to the company Bernard Gustin SPRL.
(22) Luc Hujoel's fees are paid to the company Interfin CVBA.
(23) Roberte Kesteman has been a director since 27 October 2017. Roberte Kesteman's fees are paid to the company Symvouli BVBA.
(24) Miriam Maes's directorship expired on 27 October 2017.
(25) Rudy Provoost has been a director since 16 May 2017.
(26) Saskia Van Uffelen's fees are paid to the company Quadrature SPRL.
(27) Peter Vanvelthoven resigned with effect from 19 March 2017.

All remuneration is paid on a pro rata basis according to the duration of the director's term of office.

An advance on annual remuneration is paid to the directors at the end of the 1st, 2nd and 3rd quarter. A detailed account is prepared during the month of December for the current year.

Directors do not receive any other benefits in kind, stock options, special loans or advances. Neither Elia System Operator nor Elia Asset has issued credit to or on behalf of any member of the Board of Directors.

Management committee remuneration policy

ASPIRATIONS

Our remuneration system is designed to attract, retain and motivate the most talented individuals to achieve our short- and long-term goals within a consistent framework.

THE PRINCIPLES GOVERNING REMUNERATION OF THE GROUP'S EXECUTIVES ARE:

- Focus on safety first and work in the interests of the company by targeting operational performance
- Design a salary scheme that encourages executives to live up to our core values of entrepreneurship, collaboration, accountability and agility
- Attract, retain and nurture the best talent to achieve our strategy and goals in the short- and long-term
- Ensure that our variable remuneration rewards both team success at company level and individual contributions
- Develop a job classification and staff remuneration system based on an objective and measurable methodology
- Position the remuneration system at the appropriate point of reference in the marketplace to attract the talent we need and to be competitive, using data from multiple providers (including Hay)
- Do not discriminate between employees on any grounds whatsoever through our remuneration system
- Design our benefit plans to promote retention and provide a secure environment for our employees and their families

The Remuneration Committee evaluates the members of the Management Committee once a year. Any change in the basic remuneration is linked to the position of each member of the Management Committee with respect to the general benchmark salary in the market and the assessment of the member's individual performance.

Since 2004, the Hay Group methodology has been used to define the weighting for each management position and to ensure that remuneration is in line with the going market rate.

The remuneration of members of the Management Committee consists of the following components:

- basic salary;
- short-term variable remuneration;
- long-term variable remuneration;
- pension;
- other benefits.

In accordance with Article 17.9 of the articles of association of Elia System Operator, an exemption from the provisions of Article 520ter(1) and (2) of the Belgian Companies Code is provided for members of the Management Committee.

As regards variable remuneration, the Remuneration Committee evaluates the members of the Management Committee at the end of each year based on a number of qualitative and quantitative targets. Since 2008, variable remuneration has comprised two components: a short-term one and a long-term one.

BASIC REMUNERATION

All the members of the Management Committee of Elia System Operator and Elia Asset have employee status.

In 2017, the basic remuneration paid to the Chairman of the Management Committee was €409,647.13. The recurring remuneration paid to the other members of the Management Committee totalled €1,417,147.29 (€948,406.65 for management employed by Elia System Operator and €468,740.64 for management employed by Elia Asset).

Total basic remuneration of €1,826,794.42 was therefore paid to members of the Management Committee in 2017.

SHORT-TERM VARIABLE REMUNERATION

The first component of variable remuneration is based on the attainment of a certain number of targets set by the Remuneration Committee at the start of the year, with a maximum of 25% of variable remuneration for the individual targets and 75% for the attainment of the Elia Group's collective targets ('short-term incentive plan').

In 2017, the short-term variable remuneration earned by the Chairman of the Management Committee was €259,997.44.

The variable remuneration earned by other members of the Management Committee in 2017 was €534,605.94 (€360,872.59 for management employed by Elia System Operator and €173,733.35 for management employed by Elia Asset).

A total of €794,603.37 in variable remuneration was therefore paid to members of the Management Committee in 2017.

The collective targets for 2017 were:

- **Net financial result after tax**
- **OPEX efficiency**
- **Safety**
- **Implementation and monitoring of collective projects and our company transformation**
- **AIT (grid reliability)**

TOTAL ANNUAL REMUNERATION

In 2017, the total remuneration paid to the Chairman of the Management Committee was €669,644.57.

The total annual remuneration of other members of the Management Committee was €1,951,753.23 (€1,309,279.24 for management employed by Elia System Operator and €642,473.99 for management employed by Elia Asset).

Total annual remuneration for all members of the Management Committee in 2017 was therefore €2,621,397.79.

LONG-TERM VARIABLE REMUNERATION

The second component of variable remuneration is based on multi-annual criteria covering a period of four years ('long-term incentive plan'). The variable remuneration earned in 2017 can be estimated at €56,671.96 (maximum amount in the event of full attainment of the multi-annual criteria for the tariff period concerned) for the Chairman of the Management Committee for services rendered in 2017 and €363,328.50 for the other members of the Management Committee (€245,649.94 for management employed by Elia System Operator and €117,678.56 for management employed by Elia Asset).

These amounts are reviewed at the end of each year based on the achievement of the multi-annual criteria. The first part of the long-term variable remuneration for the 2016-2019 tariff period will be paid in 2018 and the balance in 2020. No other variable remuneration was paid in 2017. Remuneration is definitively acquired at the moment of payment.

CLAWBACK

Bonuses paid for the prior period may be clawed back in case of proven fraud or significant misstatements in financial reporting.

CONTRIBUTIONS TO THE SUPPLEMENTARY PENSION SCHEME

Since 2007, all pension plans for Management Committee members have been defined contribution plans, where the amount paid, excluding tax, is calculated on the basis of annual remuneration. In 2017, Elia System Operator paid a total of €106,236.88 for the Chairman of the Management Committee.

For the other members of the Management Committee, Elia paid a total of €317,684.72 (€203,078.31 for management employed by Elia System Operator and €114,606.41 for management employed by Elia Asset).

OTHER BENEFITS

Other benefits awarded to members of the Management Committee, such as guaranteed income in the event of long-term illness or an accident, healthcare and hospitalisation insurance, invalidity insurance, life insurance, tariff benefits, other allowances, assistance with public transport costs, provision of a company car, employer-borne costs and other minor benefits are in line with the regulations applying to all company executives.

The cost of these other benefits for 2017 was valued at €40,701.54 for the Chairman of the Management Committee and at €209,718.96 for the other members of the Management Committee (€135,217.08 for management employed by Elia System Operator and €74,501.88 for management employed by Elia Asset).

There were no stock options awarded in Elia for the Management Committee in 2017.

PROVISIONS OF EMPLOYMENT CONTRACTS AND SEVERANCE BENEFITS OF MEMBERS OF THE MANAGEMENT COMMITTEE

The employment contracts of Management Committee members concluded after 3 May 2010 were drawn up in accordance with the prevailing legislation on notice periods and dismissal.

The employment contracts of members of the Management Committee hired before 3 May 2010 contain no specific provisions regarding dismissal.

If the company decides to impose a 12-month non-compete restriction on a Management Committee member, that member is entitled to an additional six months' compensation.

Elia System Operator shares held by members of the Management Committee

The members of the Management Committee held the following number of shares as at 31 December 2017:

MEMBERS OF THE MANAGEMENT COMMITTEE[28]	AS AT 31.12.2017	AS AT 31.12.2016
Chris PEETERS *Chief Executive Officer - Chairman of the Executive Committee*	1,844	1,805
Markus BERGER *Chief Infrastructure Officer*	9,156	9,156
Patrick DE LEENER[29] *Chief Customers, Market & System Officer*	3,125	-
Frédéric DUNON *Chief Assets Officer*	2,005	2,833
Pascale FONCK *Chief Officer External Relations*	661	661
Peter MICHIELS[30] *Chief Human Resources & Internal Communication Officer*	0	-
Ilse TANT *Chief Public Acceptance Officer*	2,460	2,460
Catherine VANDENBORRE *Chief Financial Officer*	1,389	1,355

No stock options were awarded at Elia System Operator for the members of the Management Committee in 2017. Members of the Management Committee may purchase shares via existing capital increases reserved for members of personnel or on the stock exchange.

(28) Positions held on 31/12/2017.
(29) Patrick De Leener was appointed Chief Customers, Market & System Officer from 1 February 2017.
(30) Peter Michiels was appointed Chief Human Resources & Internal Communication Officer from 3 January 2017.

OTHER INFORMATION TO BE COMMUNICATED PURSUANT TO ARTICLE 96 OF THE BELGIAN COMPANIES CODE AND ARTICLE 34 OF THE ROYAL DECREE OF 14 NOVEMBER 2007 ON THE OBLIGATIONS OF ISSUERS OF FINANCIAL INSTRUMENTS ADMITTED TO TRADING ON A REGULATED MARKET

This section contains the information required to be disclosed under the aforementioned legislation and not included in other parts of the annual report.

Information regarding special control rights of certain holders of securities

In accordance with Article 4.3 of the articles of association of Elia System Operator and Elia Asset, all shares in these two companies have the same rights, irrespective of the class to which they belong, unless otherwise stated in the articles of association.

In this context, the articles of association state that specific rights are associated with Class A and Class C shares regarding (i) the appointment of members of the Board of Directors (Article 13.5.2 of the articles of association of Elia System Operator and Article 12.5.2 of the articles of association of Elia Asset) and (ii) the approval of decisions by the General Meeting (Articles 28.2.1 and 28.2.2 of the articles of association of Elia System Operator and Article 27.2 of the articles of association of Elia Asset).

Information regarding statutory limitations or limitations under the articles of association on the exercising of voting rights

In accordance with Article 4.3(3) of the articles of association of Elia System Operator and Elia Asset, the voting rights associated with shares held directly or indirectly by companies active in the generation and/or supply of electricity and/or natural gas are suspended.

Information regarding the rules on amending the articles of association

In the event of the articles of association of Elia System Operator and Elia Asset being amended, Article 29 of the articles of association of Elia System Operator and Article 28 of the articles of association of Elia Asset are applicable.

Information regarding statutory limitations or limitations under the articles of association on transfers of securities

Transfers of securities within Elia System Operator are governed by Article 9 of the articles of association of Elia System Operator.

SHAREHOLDER STRUCTURE ON THE CLOSING DATE

	SHARES	% SHARES	% VOTING RIGHTS
Publi -T (Class B and C shares)	27,383,507[31]	44.96	44.96
Publipart (Class A shares)	1,526,756	2.51	2.51
Belfius Insurance (Société Fédérale de Participations et d'Investissement) (Class B shares)	1,134,760[32]	1.86	1.86
Katoen Natie Group (Class B shares)	4,231,148[32]	6.95	6.95
Interfin (Class B shares)	2,598,143	4.27	4.27
Other Free float (Class B shares)	24,026,705	39.45	39.45
Total	60,901,019	100	100

(31) Based on the Publi-T - Société Fédérale de Participations et d'Investissement declaration of transparency of 17 January 2017. For more information on declarations of transparency, see 'Transparency rules – Notifications' above.
(32) Based on the number of shares participating in the Ordinary General Meeting of Elia System Operator and Elia Asset on 16 May 2017.

Risks and uncertainties facing the company

1. Regulatory and income risks

INTERNATIONAL

The two transmission system operators in the Elia Group strive to proactively anticipate European legislation, new directives and regulations being prepared at EU level or awaiting transposition into Belgian and German law in order to minimise uncertainties. Elia and 50Hertz are paying particularly close attention to ongoing discussions at European level – formalised by measures including the 'winter package' – that could have a significant influence on the duties and responsibilities of transmission system operators in future.

Both Elia and 50 Hertz have received certification as ownership unbundled transmission system operators. They are thus considered to be fully independent of electricity and gas producers and suppliers. They must constantly stay in line with the obligations arising from this certification. In addition, both Elia and 50Hertz continue to actively participate in projects designed to arrive to the Single European Energy Market, as envisaged by the European Commission.

This authorisation is limited in time (20 years), but can be revoked earlier if Elia or 50Hertz do not have, inter alia, the human, technical and/or financial resources to guarantee the continuous and reliable operation of the grid in accordance with the applicable legislation, as well as the unbundling obligations as described in Article 9 of the EU Electricity Directive.

Such a revocation would have an adverse material impact on Elia and/or 50Hertz.

Elia and 50Hertz are also founding members of the European Network of Transmission System Operators for Electricity (ENTSO-E), which was set up in December 2008 and brings together 43 transmission system operators from 36 countries, including the EU Member States. Amongst other things, ENTSO-E performs the role of the European Network of Transmission System Operators provided for in the third package.

NATIONAL

The Belgian legal framework was established when the first EU Directive on the internal electricity market was transposed by the Electricity Act of 29 April 1999. The amendment of 8 January 2012 adapted the Electricity Act to comply with the third package of European directives.

In accordance with Article 258 of the Treaty on the Functioning of the European Union, the European Commission monitors the transposition of European directives into national legislation. In this connection, it sent a reasoned opinion to Belgium on 25 February 2016 in which it found – if the press release is to be believed – that Belgium had not correctly transposed certain rules on interconnections, the powers of the regulator, and consumers. The Belgian authorities are talking to the Commission about the measures that have been taken or should be taken to remedy the situation.

The company's net profit is largely determined by a fair return mechanism and by a tariff incentive mechanism. For the period 2016-2019, various incentives distributed over four years were introduced.

Elia's financial result is influenced annually by changes to Belgian linear bonds (10-year OLOs) and by a special mechanism that took effect in 2016. This mechanism includes an incentive linked to the progress of construction work for major projects mainly linked to interconnection capabilities, and a corrective term which reflects the gap between the real value of the OLO during the year and a benchmark value. Elia's financial result is also influenced by its ability to realise and/or exceed the factors for improving efficiency, by the results achieved by various incentives established by the regulation; and by the analyses of the various budget items implemented ex post by the federal regulator.

On 3 December 2015, the tariffs and mechanisms determining Elia's profitability as Belgium's transmission system operator were approved by CREG for a new four-year tariff period, effective 1 January 2016.

Elia's turnover also depends on the energy transported via its grid, and therefore on the level of business activity of its customers and the society it serves at large, including the rapid increase in decentralised electricity generation being directly injected to the distribution networks. The actual level of residential and household electricity consumption may result in differences between the electricity volumes actually transmitted and those estimates built into the 2016-2019 tariffs as approved by the regulator. Any deficit and/or extra costs incurred as a result, such as additional financing requirements, must be offset by the tariffs for the following regulatory periods, under the prevailing regulations. The impact on the electricity consumption and injection of Elia's various customer segments and the uncertainty surrounding the outlook for levels of business activity amongst industrial clients pose a risk to Elia's cash flow.

The Electricity Act recently made the transmission system operator responsible for developing a transmission grid in the marine areas over which Belgium can exercise its jurisdiction. Discussions are currently underway with CREG concerning a specific regulatory framework for this grid. This specific extension of the current regulatory framework must, in particular, take account of the risks associated with such an activity, including regulatory, contractual and technical risks. The significant increase in energy expected from the new offshore wind farms will also be accompanied by a considerable rise in the levy to cover the purchase costs of new green certificates. Greater attention will be paid to managing the cash flow resulting from this situation.

Elia's income is influenced by the dividends received from companies in which it has shareholdings, in particular those of 50Hertz, via Eurogrid International.

The tariffs charged by 50Hertz are subject to regulation by the German federal regulatory agency, Bundesnetzagentur (BNetzA). Decisions made and actions taken by the BNetzA under the current regulatory framework may have a substantial impact on 50Hertz.

Furthermore, the German regulatory framework governing the activities of 50Hertz is subject to extensive European, national and regional legislation and regulation. While 50Hertz tries to anticipate European legislation, new directives and regulations in preparation at European level or existing regulations and directives awaiting transposition into national law may always cause uncertainties.

Legislation and directives regarding renewable energy sources may also have a great impact on 50Hertz's liquidity. Changes in the legislation may lead to significant variations in the current regulatory and/or liquidity risk.

DIVISION OF POWERS

The regulatory and legal framework entails risks with regard to the division of powers between Belgium's federal and regional entities. For instance, contradictions between the various regulations, including the grid codes, could hinder the exercise of the company's activities. The further development of and changes to these regulations may also impact the company's liability in the event of a power outage on the grid or – in the context of a reform of the State – the division of powers between federal and regional authorities, potentially including the power to approve transmission tariffs.

As regards tariff levies, Wallonia's regulations were amended in 2017 and now lay out the principles for a new mechanism for freezing green certificates. Essentially, the mechanism provides that the Walloon Region will buy a set volume of green certificates from Elia each year, based on a proposal from GRTL and an opinion from CWaPE, in the aim of ensuring that the financial balance of the levy can be respected without the levy itself being increased. The Walloon Region will then hold onto the certificates until at least 2022 and will, if possible, gradually resell them on the market. After a nine-year 'freeze', any remaining certificates that could not be resold on the market will be resold to GRTL under a new Public Service Obligation placed on GRTL and covered by the levy. After the first freeze operation in September 2017, the regulatory receivable created by the levy was resorbed in full and should not, in principle, reappear in the first few months of 2018. It is also worth noting that the Walloon Government, which has been in office since summer 2017, has expressed its intention to carry out an in-depth review of the regional subsidy scheme for new renewable generation and, by extension, the future operation of the market for green certificates. Vigilant oversight of the change in the green certificates market therefore remains applicable. To a lesser extent, the ongoing saturation of the Flemish market for cogeneration certificates has led to the number of sales to Elia at the guaranteed minimum price remaining high, but nonetheless in line with forecasts.

2. Operational risks

ENERGY BALANCE

Every year, Elia and 50Hertz Transmission seek to contract, at the lowest possible cost, the reserves needed to ensure continual balance between production and consumption in their respective zones. To that end, they analyse, both at national and European level, how the growing proportion of intermittent renewable energy generation units can be safely integrated without compromising the energy balance. The growth across Europe in the number of cogeneration and renewable energy units connected to distribution systems and the connection of large offshore wind farms also create new challenges for operational grid management and require the further development of their infrastructure.

A new and important development since 2014 has been the negative trend in Belgium's national electricity production, as a result of closures and mothballing of production units, resulting in an overall decrease in the production capacity available to Belgian consumers and a growing dependency on electricity imports from foreign markets. A consequence of these supply conditions has been the creation of strategic electricity reserves for the winter period. These reserves consist of earmarked and reserved electricity generation capacity sitting outside the electricity market, to be called upon by the TSO in the event of electricity shortages. The many events that occurred in recent years regarding Belgian nuclear generating facilities illustrate the uncertainties impacting supply conditions. The actual availability and location of nuclear generation also interact with maintenance and/or investment programmes on the 400 kV networks, as well as the conditions governing access to resources capable of providing the auxiliary services needed for system operation.

It cannot be ruled out that other electricity production units may be closed or mothballed in future, which will keep the supply situation under pressure. In a similar vein, uncertainty regarding the dwindling availability of France's nuclear generation facilities may lead to a decrease in the quantities of energy imported from France. The need to continue resorting to strategic reserves and/or other mechanisms therefore remains a major concern for future years.

In addition, changing trends in offtake and injection and the enhancement of interconnection capacity between EU Member States are dependent on securing permits and approvals from local, regional, national and international authorities. The need to obtain such approvals and permits within certain timeframes represents a critical challenge to timely implementation. Moreover, these approvals and permits can be contested in the relevant courts.

Finally, while volumes of decentralised intermittent electricity generation are rising and while centralised generation capacity continues to decrease, Elia is also facing an ageing asset base. All three factors complicate the task of maintaining balance on the network.

POWER OUTAGES

The reliability of the transmission systems operated by Elia and 50Hertz is among the best in Europe. Nonetheless, unforeseen events, such as unfavourable weather conditions, may occur to a degree which interrupts the smooth operation of one or more infrastructure components. In most cases, these incidents have no impact on consumers' power supply because the meshed structure of the grids operated by Elia and 50Hertz means that consumers can be reached via a number of different connections. However, in extreme cases an incident in the electricity system may lead to a local or widespread outage (known as a blackout). Such outages may be caused by natural phenomena, unforeseen incidents or operational problems, either in Belgium or abroad. The Elia Group regularly holds crisis management drills so that it is ready to deal with the most unexpected and extreme situations. In the event of an error attributable to Elia, the general terms and conditions of its contracts limit the liability of Elia and 50Hertz to a reasonable level, while its insurance policy is designed to limit some of the financial repercussions of these risks.

RISKS ASSOCIATED WITH ELECTRONIC, IT AND TELECOMMUNICATION EQUIPMENT

The incorporation and embedding of electronic, IT and telecommunication technologies in electricity transmission systems for the purposes of operational management, communication and surveillance (such as smart grids) modifies the nature of the electricity systems and infrastructure used by TSOs such as Elia and 50Hertz.

Failures in the telecommunications network or IT systems used to operate the electricity system may harm the latter's performance. Elia takes appropriate measures to back up the IT network and associated systems to the maximum extent allowed by technical and financial considerations. It has drawn up and regularly tests recovery plans for the most critical IT systems. However, component failures in the telecommunication network and IT systems are impossible to rule out. Where systems do fail, Elia will strive to minimise the impact on customers.

ENVIRONMENTAL RISK

Elia's results may be affected by outgoings needed to keep up with environmental legislation, including costs associated with implementing preventive or corrective measures or settling third-party claims. The company's environmental policy is developed and monitored in such a way as to manage these risks. Where Elia or 50Hertz might in any way be liable for decontamination, the appropriate provisions are set aside.

PERMITTING RISK

Both Elia and 50Hertz have a duty to build an electricity grid consistent with the energy needs of their respective client bases and with the move by the energy industry into decentralised electricity generation, which necessitates a reinforced electrical grid.

Consequently, electrical installations need to be upgraded or built new, which means obtaining building permits. Occasionally, obtaining permits takes place after lengthy dialogue with local populations and authorities, which may delay the building of the infrastructure.

RISKS ASSOCIATED WITH THE SUPPLIERS OF INFRASTRUCTURE WORK

In 2017, like in 2016, Elia's infrastructure objectives were exposed to a greater risk of capacity problems affecting several key suppliers. This situation has arisen because demand is increasing steadily on the European market, while supply has remained relatively stable. To limit this risk, Elia will conduct regular forward-looking market capacity analyses.

The difficult economic situation on the European market (see also the 'Macroeconomic risks' section) may also jeopardise suppliers' financial health, preventing them from fulfilling their obligations. Infrastructure construction may be delayed as a result.

RISK OF LEGAL DISPUTES

Although the company operates in such a way as to minimise the risk of legal disputes, it may nonetheless become involved in such disputes. Where necessary, the appropriate provisions are laid aside for this.

SAFETY AND WELFARE

The Elia Group operates facilities where accidents or external attacks may cause bodily harm to persons. Persons working in or near electricity transmission facilities may be exposed, in the event of an accident, error or negligence, to the risk of electrocution. The safety and welfare of individuals (both Elia personnel and third parties) is a daily priority for the Elia Group's management, supervisory staff and personnel. Elia has in place a health and safety policy, undertakes safety analyses and promotes a safety culture.

RISKS ASSOCIATED WITH INEFFICIENT INTERNAL CONTROL MECHANISMS

All internal processes can have an impact on the company's results in some way. The multi-year tariff mechanism increases the need for year-on-year increases in the company's overall efficiency. To this end, the efficiency of internal processes is monitored regularly, using performance indicators and/or audits, to ensure they are kept under proper control. This is overseen by the Audit Committee, which controls and monitors the work of the Internal Audit & Enterprise Risk Management Department.

3. Financial risks

The Group is exposed to various financial risks in the exercise of its activities: market risk (namely interest rate risk, inflation risk, tax risk and limited exchange risk), liquidity risk and credit risk. The risks the company faces are identified and analysed in order to establish appropriate limits and controls and monitor risks and compliance with such limits. To this end, the Group has defined responsibilities and procedures specifically for the financial instruments to be used and the operating limits for managing them. These procedures and related systems are revised on a regular basis to reflect any changes in market conditions and the activities of the Group. The financial impact of these risks is limited, as Elia and 50Hertz operate under the Belgian or German regulatory framework. See the 'Regulatory framework' section for further details.

To finance their investments and achieve their short- and long-term strategic goals, Elia and 50Hertz turn to the capital markets, which are heavily influenced by macroeconomic trends. In 2018, these will mainly be shaped by a potential tightening of monetary policy in both the US and the eurozone and by a possible escalation of current geopolitical tensions. There is also continued uncertainty about the outcome of Brexit. All of these macroeconomic factors are reflected at market level by major volatility, which could have a negative impact on the growth of Elia and 50Hertz and on the pursuit of their objectives. However, both Elia and Eurogrid GmbH (50Hertz's parent company) have credit facilities in place to mitigate the risk of short-term financing difficulties.

Elia and Eurogrid GmbH are rated by S&P and Moody's respectively. Specific measures in connection with these evaluations are not foreseeable and could have an impact on financing. With the advent of Belgian laws and regulations governing decentralised or renewable energy generation, notably via photovoltaic solar panels and wind turbines, the Federal and Regional governments authorised the issuance of so-called 'green certificates', which are used as a financial support mechanism for renewable energy. Elia's obligation to buy these certificates at a guaranteed minimum price poses a cash flow risk, as 'green certificates' are effectively used as 'call' options and their execution is sometimes uncertain. Consequently, Elia is subject to unforeseeable influxes of large numbers of 'green certificates', which it is obliged to purchase, representing a risk to Elia's cash flow. In so far as there are regulations requiring the cancellation of certain certificates, the compensation for costs incurred by Elia requires the application of an appropriate levy. However, Elia has the option of asking CREG to adapt the tariffs so as to fill any gaps between expenses due to public service obligations and the cash flow generated by the periodically approved levies meant to cover such expenses. Elia has established regulatory and cash planning mechanisms allowing it to partially reduce the cash impact that this risk may pose.

Similarly, 50Hertz is exposed to a cash flow risk as it is obliged to buy the electricity generated by renewable sources for a fixed price, but to sell it at variable prices dictated by the market.

4. Contextual factors

MACROECONOMIC RISKS

The European economy has performed much better than expected this year, despite the continuing level of uncertainty and volatility. This performance was mainly due to increased private consumption, greater investment and falling unemployment.

The main risks are related to external factors, due to heightened geopolitical tensions, the possible tightening of financial conditions worldwide, and the upsurge in protectionist policies. In the European Union specifically, downward risks are linked to the outcome of the Brexit negotiations, the stronger euro, and higher interest rates in the long term.

HUMAN RESOURCES RISK

Elia pursues an active branding and recruitment policy to maintain an appropriate level of expertise and know-how in a tight labour market. This is an ongoing risk, bearing in mind the highly specialised and complex nature of its business.

IMAGE RISK

Generally speaking, circumstances may arise that have a negative impact on the company's image. Elia has an internal control mechanism to guarantee the confidentiality of data. Despite this, external parties may pass on information in their possession that could have an impact on the company's share price.

MISCELLANEOUS

Elia realises that there might be other risks of which the company is not yet aware. Some risks may seem limited today but could increase in the future. The subdivisions used give no indication of the potential consequences of the listed risks.

Features of the internal control and risk management systems

The reference framework for internal control and risk management, established by the Management Committee and approved by the Elia Board of Directors, is based on the COSO II framework. The framework has five closely linked basic components, providing an integrated procedure for internal control and risk management systems: control environment, risk management, control activities, information and communication, and monitoring. The use and inclusion of these concepts in Elia's various procedures and activities enables the company to control its activities, improve the effectiveness of its operations, optimally deploy its resources, and ultimately achieve its objectives. The implementation of COSO II at Elia is described below.

1. Control environment

ORGANISATION OF INTERNAL CONTROL

Pursuant to the Elia articles of association, the Board of Directors has established various committees to help it fulfil its duties: the Management Committee, the Audit Committee, the Remuneration Committee and the Corporate Governance Committee. The Board has charged the Audit Committee with the task of monitoring: (i) the financial reporting procedure; (ii) the effectiveness of internal control and corporate risk management systems; (iii) the internal audit and its effectiveness; (iv) the statutory audit of annual and consolidated accounts, including the follow-up of any issues raised or recommendations made by external auditors; (v) the independence of external auditors, (vi) examining accounts and controlling budgets.

The Audit Committee generally meets quarterly to discuss the above points.

The Finance Department helps the Management Committee by providing, in a timely manner, correct and reliable financial information to aid not only decision-making with a view to monitoring the profitability of activities, but also effective management of corporate financial services. External financial reporting – one of Elia's duties – includes (i) statutory financial and tax reporting; (ii) consolidated financial reporting; (iii) specific reporting obligations applicable to public companies; (iv) reporting obligations under the regulatory framework. The structured approach developed by Elia helps to ensure that financial data is both exhaustive and precise, taking into account the deadlines for activity reviews and the actions of key players so as to ensure adequate control and accounting.

INTEGRITY AND ETHICS

Elia's integrity and ethics are a crucial aspect of its internal control environment. The Management Committee and management regularly communicate about these principles in order to clarify the mutual rights and obligations of the company and its employees. These rules are disseminated to all new employees, and compliance with them is formally included in employment contracts. The Code of Conduct also helps to prevent employees from breaching any Belgian legislation on the use of privileged information or market manipulation and suspicious activities. Management consistently ensures that employees comply with internal values and procedures and – where applicable – take any actions deemed necessary, as laid down in the company regulations and employment contracts.

The Ethical Code defines what Elia regards as correct ethical conduct and sets out the policy and a number of principles on the avoidance of conflicts of interests. Acting honestly and independently with respect to all stakeholders is a key guiding principle for all of our employees. Elia's Ethical Code expressly states that the Group prohibits bribery in any form, misuse of prior knowledge and market manipulation. This is confirmed by the Elia Code of Conduct. Elia and its employees do not use gifts or entertainment to gain competitive advantage. Facilitation payments are not permitted by Elia. Disguising gifts or entertainment as charitable donations is also a violation of the Ethical Code. Moreover, the Ethical Code prohibits all forms of racism and discrimination, promotes equal opportunities for all employees, and ensures the protection and confidential use of IT systems. All parties involved in procurement must abide by Elia's Purchasing Code of Ethics and all associated regulations. Elia's Purchasing Code of Ethics is published internally and externally and is based on four pillars: confidentiality, non-discriminatory treatment of suppliers, transparency, and avoidance of conflicts of interest. The management of the employees involved in the procurement and payment processes regularly provides opportunities for training and awareness-raising on these topics.

By virtue of its legal status as a power transmission system operator, Elia is subject to a large number of statutory and regulatory rules setting out three fundamental principles: non-discriminatory conduct, confidential processing of information, and transparency towards all electricity market players as regards non-confidential market information. With a view to meeting these specific obligations, Elia has drawn up an Engagement Programme, which has been approved by the Corporate Governance Committee. The Compliance Officer reports annually to the relevant regulatory bodies in this regard.

Any violations of these codes can be reported to the Compliance Officer, who handles them objectively and confidentially. The Compliance Officer declares that no such violations were reported by internal employees or external stakeholders in 2017.

Internal Audit's annual programme includes a number of actions and verification audits designed to act as specific safeguards against fraud. Any findings are systematically reported to the Audit Committee. In 2017, no relevant findings relating to fraud were reported in the specific audit of employee expense claims, nor in the other audits making up the annual audit plan.

ROLES AND RESPONSIBILITIES

Elia's internal control system relies on clearly defined roles and responsibilities at all levels of the organisation. The roles and responsibilities of the various committees established within Elia are primarily identified in the legal framework applicable to Elia, the articles of association and the Corporate Governance Charter.

Under the supervision of the Chief Financial Officer, the Accounting Department is responsible for statutory financial and tax reporting and the consolidation of the Elia Group's various subsidiaries. The Controlling Department monitors analytical accounting and reporting and assumes responsibility for all financial reporting in a regulatory context. The Investor Relations Department is responsible for specific reporting applicable to companies listed on the stock exchange.

As regards the financial reporting process, the tasks and responsibilities of all employees in the Accounting Department have been clearly defined with a view to producing financial results that accurately and honestly reflect Elia's financial transactions. A detailed framework of tasks and responsibilities has been drawn up to identify the main control duties and the frequency with which tasks and control duties are performed.

An IFRS Accounting Manual is used by all entities within the scope of consolidation as a reference for accounting principles and procedures, thus ensuring consistency, comparability and accurate accounting and reporting within the Group.

The Finance Department has the appropriate means (including IT tools) to perform its tasks; all entities within the scope of consolidation use the same ERP software, which has a range of integrated controls and supports task separation as appropriate. Elia also clarifies the roles and responsibilities of all its employees by providing a description of each job in keeping with the Business Process Excellence methodology.

COMPETENCIES

With a view to ensuring its various activities are performed reliably and effectively, Elia clearly spells out the vital importance of its employees' competencies and expertise in its recruitment, training and retention procedures. The Human Resources Department has drawn up the appropriate policies and defined all jobs in order to identify the relevant roles and responsibilities as well as the qualifications needed to fulfil them.

Elia has drawn up a policy for the management of generic and specific competencies in line with the company's values, and promotes training so as to enable all its employees to effectively perform the tasks allocated to them. Requirements with regard to competency levels are continually analysed by means of formal and informal self-assessments at various stages of an employee's career.

Training programmes on financial reporting are offered to all employees involved directly or indirectly with that task. The training emphasises the existing regulatory framework, accounting obligations and actual activities, with a high level of understanding enabling participants to address the appropriate issues.

2. Risk management

Risk management is another internal control system that is crucial in helping Elia to achieve its strategic objectives as defined in its mission. The Board of Directors and the Risk Manager jointly and regularly identify, analyse and assess key strategic and tactical risks. The risks are assessed qualitatively and/or quantitatively depending on their nature and potential effect. The Risk Manager then makes recommendations on how best to manage each risk considering the close interaction of Elia's entire risk universe. Based on this assessment, preventive, remedial and/or corrective actions are implemented, including the strengthening of existing internal control activities where applicable.

As part of its responsibilities, Elia's management establishes an effective internal control system to ensure, among other objectives, accurate financial reporting. It emphasises the importance of risk management in financial reporting by taking into account, with the Audit Committee, a whole range of associated activities and risks. It ensures that risks are truly reflected in financial results and reports. In addition, Risk Management goes beyond those risks known to Elia and tries to anticipate the nature and characteristics of emerging risks, which may impact Elia's objectives.

Financial risk assessments primarily involve the identification of:

1. significant financial reporting data and its purpose;
2. major risks involved in the attainment of objectives;
3. risk control mechanisms, where possible.

Financial reporting objectives include (i) ensuring financial statements comply with widely accepted accounting principles; (ii) ensuring that the information presented in financial results is both transparent and accurate; (iii) using accounting principles appropriate to the sector and the company's transactions; (iv) ensuring the accuracy and reliability of financial results.

The activities undertaken by Elia, as an electricity transmission system operator in relation to its physical installations, contribute significantly to its financial results. Therefore, appropriate procedures and control systems have been established to ensure an exhaustive and realistic inventory of physical installations. Risk management is a company-wide activity, actively supported by the delegation of relevant responsibilities to all employees as part of their specific activities, as defined in the Policy.

CONTINUOUS ASSESSMENT

Employing a simultaneously top-down and bottom-up approach enables Elia to identify and, where possible, anticipate forthcoming events and react to any incidents occurring inside or outside the organisation which might affect the attainment of objectives.

TOP-DOWN APPROACH BASED ON STRATEGIC RISKS

Elia's strategic risk assessments are reviewed on a quarterly basis in the Audit Committee. Action plans or specific, theme-based risk assessments are carried out whenever there is a perception of potential threats or opportunities.

BOTTOM-UP APPROACH WITH REGARD TO BUSINESS

With a view to identifying new risks or evaluating changes in existing risks, the Risk Manager and management remain in contact and look out for any changes that may call for the relevant risk assessment and associated action plans to be amended. Various criteria are used to determine the need to re-evaluate financial reporting procedures and associated risks. Emphasis is put on risks associated with changes in the financial and regulatory context, industrial practices, accounting standards and corporate developments such as mergers and acquisitions.

Operational management assesses the relevant risks and puts forward action plans. Any significant changes to assessment rules must be approved by the Board of Directors. Risk Management is instrumental for Elia to maintain its value for stakeholders and the community, works with all departments with a view to optimising Elia's ability to achieve its strategic objectives, and advises the company regarding the nature and potential effects of future risks.

3. Control activities

MAIN CONTROL ACTIVITIES

Elia has established internal control mechanisms at its various structural levels so as to ensure compliance with standards and internal procedures geared to the proper management of identified risks. These include:

(i) clear task separation as part of procedures, preventing the same person from initiating, authorising and recording a transaction – policies have been drawn up regarding access to information systems and the delegation of powers;

(ii) integrated audit approach as part of internal procedures so as to link end results with the transactions supporting them;

(iii) data security and integrity through the appropriate allocation of rights;

(iv) appropriate documentation of procedures through the use of the Business Process Excellence Intranet, which centralises policies and procedures.

Departmental managers are responsible for establishing activities to control the risks inherent to their department.

FINANCIAL REPORTING PROCEDURE

For all significant financial reporting risks, Elia sets out appropriate control mechanisms to minimise the probability of error. Roles and responsibilities have been defined in connection with the closing procedure for financial results. Measures have been established for the continuous follow-up of each stage, with a detailed agenda of all activities undertaken by Group subsidiaries; control activities are performed to ensure quality and compliance with internal and external requirements and recommendations. During the financial closing period, a specific test is performed to ensure control over significantly unusual transactions, accounting checks and adjustments at the end of the relevant financial period, company transactions and critical estimates. The combination of all these controls ensures the reliability of financial results. Regular internal and external audits also contribute to financial reporting quality.

In identifying those risks that may affect the achievement of financial reporting objectives, the management takes into account the possibility of misreporting associated with fraud and takes appropriate action where internal control needs to be strengthened. Internal Audit performs specific audits based on the risk assessment for potential fraud, with a view to avoiding and preventing any instances of fraud.

4. Information and communication

Elia communicates relevant information to its employees to enable them to fulfil their responsibilities and achieve their objectives. Financial information is needed for budgeting, forecasts and ensuring compliance with the regulatory framework. Operational information is also vital for the production of various reports, essential for the well-functioning of the company. As such, Elia records recent and historical data needed for corporate risk assessments. Multiple communication channels are used: manuals, memos, emails, bulletin boards and intranet applications. Financial results are reported internally and validated at different levels. The management responsible for financial reporting regularly meets other internal departments (operational and control departments) to identify financial reporting data. It validates and documents the critical assumptions underpinning booked reserves and the company's accounts.

At Group level, consolidated results are broken down into segments and validated by means of a comparison with historical figures and a comparative analysis between forecasts and actual data. This financial information is reported monthly to the Management Committee and is discussed quarterly with the Audit Committee. The Chairman of the Audit Committee then reports to the Board of Directors.

5. Monitoring

Elia continually re-evaluates the adequacy of its risk management approach. Monitoring procedures include a combination of monitoring activities carried out as part of normal business operations, in addition to specific ad hoc assessments on selected topics. Monitoring activities include (i) monthly reporting of strategic indicators to the Management Committee and the management; (ii) follow-up on key operational indicators at departmental level; (iii) a monthly financial report including an assessment of variations as compared with the budget, comparisons with preceding periods and events liable to affect cost controlling. Consideration is also given to third-part y feedback from a range of sources, such as (i) stock market indices and reports by ratings agencies; (ii) share value; (iii) reports by federal and regional regulators on compliance with the legal and regulatory framework; (iv) reports by security and insurance companies. Comparing information from external sources with internally generated data and ensuing analyses allows Elia to keep on making improvements.

Internal Audit also plays a key role in monitoring activities by conducting independent reviews of key financial and operational procedures in view of the various regulations applicable to Elia. The findings of those reviews are reported to the Audit Committee to help it monitor internal control and risk management systems and corporate financial reporting procedures.

The Group's legal entities are also subject to external audits, which generally entail an evaluation of internal control and remarks on (annual and quarterly) statutory and consolidated financial results. External auditors make recommendations for improving internal control systems. In entities that have an Audit Committee, the recommendations, action plans and their implementation are reported annually to that Committee, which in turn reports to the Board of Directors on the independence of the auditor or statutory audit firm and drafts a motion for a resolution on the appointment of external auditors.

The Elia share in 2017

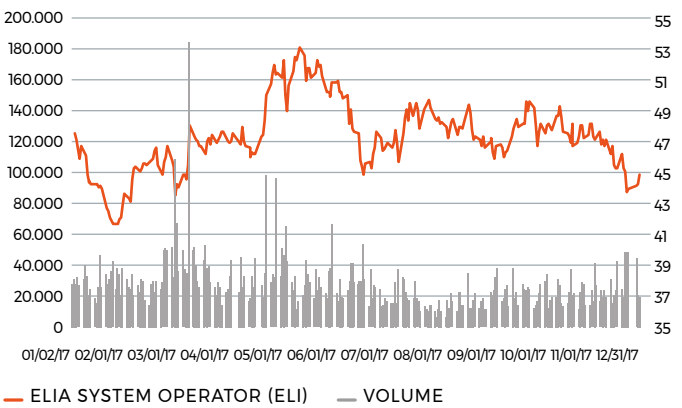
Despite dropping out the BEL20 Index, the Elia share hit a new record high in 2017. It ended the year at a price of €49.90, some 3.6% lower than in 2016.

CATHERINE VANDENBORRE, CHIEF FINANCE OFFICER AT ELIA

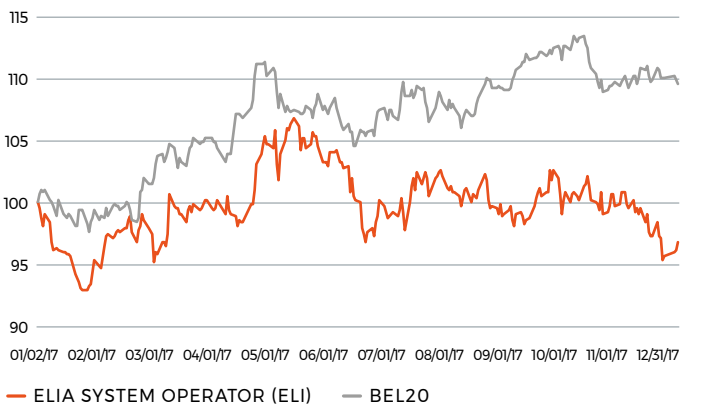
"DRIVEN BY IMPORTANT PROGRESS IN DELIVERING THE TRANSMISSION INFRASTRUCTURE OF THE FUTURE, IN 2017 ELIA'S GROUP HAS REGISTERED AN INCREASE IN NET PROFIT BOTH IN BELGIUM AS IN GERMANY."

Elia on the stock exchange

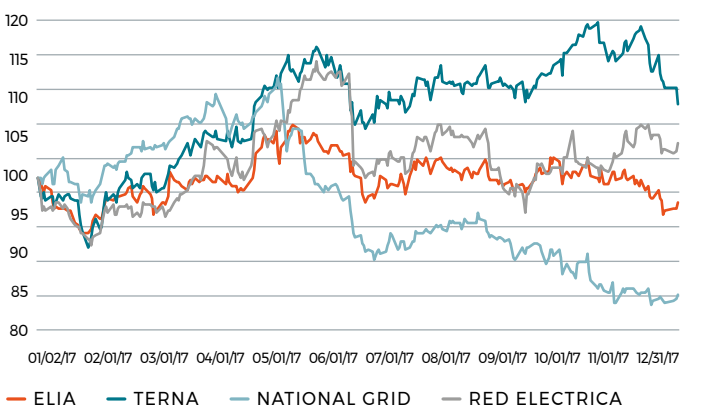
EVOLUTION IN THE ELIA SHARE AND TRADED VOLUMES



EVOLUTION OF THE ELIA SHARE AGAINST THE BEL20 INDEX



EVOLUTION OF THE ELIA SHARE AGAINST ITS EUROPEAN COUNTERPARTS



50 %
CONTRIBUTION OF GERMANY TO IFRS NORMALIZED RESULTS

€ 1.62
GROSS DIVIDEND PER SHARE

The Elia share's closing price at the end of 2017 was €47.90, down 3.59% from €49.685 at the end of 2016.

The lowest price in 2017 was €46.00 on 27 January, while the highest price was €52.85 on 26 May.

The liquidity of the share fell by 42.9% (from 49,197 shares per day on average in 2016 to 28.106 in 2017).

With 60,901,019 shares outstanding, the company's market capitalisation stood at €2.917.158.810 at the end of December. In 2017, 7,167,757 Elia shares were traded on the Euronext Brussels market.

In March 2017, Elia dropped out of the BEL20 index and joint the BEL MID index.

Appointment of three liquidity providers for the Elia share

In late 2009 Elia concluded a liquidity provider contract with KBC Securities and Bank Degroof, both of which are officially recognised by NYSE Euronext. In 2014, a third contract was concluded with Belfius Bank. These three financial institutions have been continually are present in the order book for the Elia share and are involved in both sales and purchases.

Dividend

On 22 February 2018, the Elia Board of Directors decided to propose a nominal dividend of €98.66 million, or €1.62 per share (gross) to the general meeting of shareholders of 15 May 2018, in accordance with the dividend policy and subject to approval of the profit appropriation by the annual general meeting of shareholders.

This gives a net dividend of €1.134 per share.

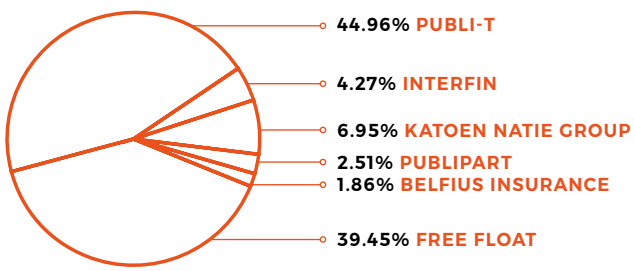
The following paying agents will pay out dividends to shareholders: BNP Paribas Fortis, ING Belgium, KBC and Belfius. Dividend payouts for shares held in a stock account will be settled automatically by the bank or stockbroker. Elia will pay out dividends on registered shares directly to shareholders.

Dividend policy

Elia is obliged by its articles of association to pay out at least 85% of profits earned in Belgium, after retaining 5% for the legal reserve, unless otherwise decided by the general meeting of shareholders.

The proposed dividend represents a payout ratio of 45.6% based on normalised net IFRS result.

SHAREHOLDER STRUCTURE



€ 1.134
NET DIVIDEND 2017

FINANCIAL CALENDAR	
23 February 2018	Full year results 2017
Early April 2018	Publication of 2017 Annual Report
15 May 2018	2018 General Meeting
16 May 2018	Interim statement Q1 2018
Early June 2018	Payment of dividend for 2017
27 July 2018	Publication of 2018 half-yearly results
30 November 2018	Interim statement Q3 2018

INVESTORS

For any questions regarding Elia and its shares, please contact:

Yannick Dekoninck
Investor Relations Manager,
Boulevard de l'Empereur 20
1000 Brussels, Belgium
Tel.: +32 2 546 75 79
Fax: +32 2 546 71 80
E-mail: investor.relations@elia.be

Information about the Group (press releases, annual reports, share prices, disclosures, etc.) can be found on the Elia Group website www.eliagroup.eu.

Management discussion and analysis of the 2017 results

— The Elia Group realised grid investments of €486 million in Belgium and €461 million in Germany to secure further the uninterrupted supply of electricity and to accommodate increasing renewable energy flows.

— Normalised net profit[1] up 28.9% to €216.6 million (Eurogrid up 58.2%, Elia up 8.8%), driven by containment of operating costs in particular in Germany and, in Belgium, full realisation of the strategic investment programme.

— A dividend of € 1.62 will be proposed at the General Assembly of 15 May 2018.

— Elia and 50Hertz continue to provide very high system reliability (99.999%), benefiting 30 million end-users in Belgium and Germany.

ELIA GROUP (IN MILLION EUR)	2016	2017
Total revenues	868.1	887.5
EBITDA	425.0	475.5
EBIT	295.0	344.6
Non-recurring items	*12.0*	*0.1*
Normalised EBIT	283.0	344.5
Net financial costs	(82.9)	(76.5)
Net profit	**179.8**	**229.1**
Non-recurring items	*11.8*	*12.5*
Normalised net profit	**168.0**	**216.6**
Normalised earnings per share (EUR)	*2.76*	*3.56*
Net financial debt	2,557.3	2,689.1
CAPEX[2]	1,177.5	946.2

EBIT (Earnings Before Interest and Taxes) = Results from operating activities + Share of profit of equity-accounted investees (net of income tax)

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

Normalised EBIT = EBIT – non-recurring items (see note 1 on the bellow of the page for the definition and page 127 for the reconciliation table)

1. The term "normalised" refers to performance measures (EBIT, Net Profit, EPS) before non-recurring items. Non-recurring items are either income or expenses which do not occur regularly as part of the normal activities of the company. They are presented separately because they are important for the understanding of the underlying sustainable performance of the company due to their size or nature.

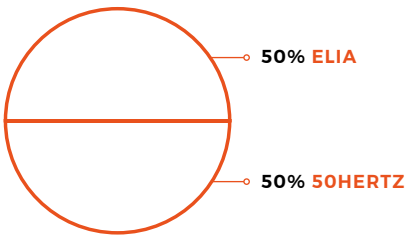
2. CAPEX amount include 100% of the investment realised in Germany.

Results

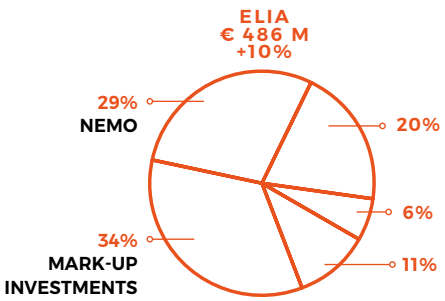
The Elia Group's normalised net profit increased by 28.9% to €216.6 million, the combined result of an increase in net profit in both Belgium (up 8.8%) and Germany (up 58.2%).

In **Belgium**, solid results were achieved, with a normalised net profit of €108.6 million, driven by the realisation of strategic investments. In more detail: the regulated net profit increased by €7.5 million thanks to the full realisation of the mark-up investments since the start of the tariff period in 2016 (up €9.5 million) and the increase in the yearly average OLO compared to 2016 (up €5.0 million). This was partially offset by lower contributions from incentives (down €5.2 million) and a regulatory settlement from prior year (down €1.7 million). Furthermore, the increasing investment programme also resulted in a significant increase in the customer contributions received (up €4.5 million), which was offset by a negative contribution from the movement in the pension provision (down €2.7 million) and a lower result recognised on associates (down €2.5 million). Finally, the nor-

NORMALISED NET PROFIT



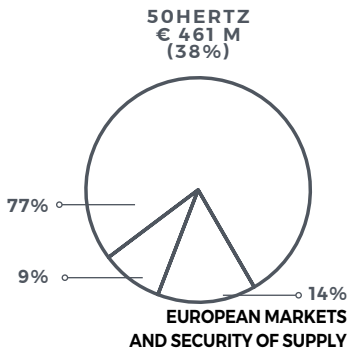
INVESTMENTS



REGIONAL SECURITY OF SUPPLY

RENEWABLE EVOLUTIONS

FUNCT. & TECH. CONFORMITY AND CUSTOMERS & DSOS



malised net profit benefited from limited damage to electrical installations (up €1.0 million).

In **Germany**, the normalised net profit increased considerably on the back of a strong operational performance. After peaking in the maintenance activity cycle in 2016, due in part to substantial damage to electrical installations, and thanks to the containment of operating costs, following the launch of an efficiency programme, operational costs declined significantly in 2017 (up €72.4 million). Furthermore, there was increased investment cost coverage as a result of both onshore and offshore investment activities (up €38.7 million). These effects were partly offset by higher depreciations (down €11.5 million) following commissionings that occurred during 2017. Together with higher taxes, this all resulted in a normalised net profit of €180.1 million for the German activities.

Taking into account the non-recurring items, which were slightly higher than in 2016, the **reported Elia Group net profit** increased by 27.4% to €229.1 million.

Capital expenditures

By expanding international connections and integrating ever-increasing amounts of renewable energy generation, the Elia Group promotes both the integration of the European energy market and the decarbonisation of our society. In 2017, progress was made on a number of strategic investment projects.

In **Belgium**, the **Stevin project** was officially inaugurated in November. Stevin will carry energy inland from the future offshore wind farms and from 2019 will enable the exchange of energy with the United Kingdom via the subsea interconnector Nemo Link.

Nemo Link, a joint venture between Elia and the British system operator National Grid, started laying the first 59 km of subsea cable in mid-2017. Since then, electrical works have started in Richborough (UK) and Bruges (BE) for the converter stations. Nemo Link commissioning is scheduled for Q1 2019.

Elia also obtained some important permits in 2017. Work can continue in 2018 on the second phase of the **Brabo project** to upgrade the grid around the Port of Antwerp, and on construction of **ALEGrO**, the first interconnector with Germany. The 90-km underground HVDC connection (of which 49 km is in Belgium) is being built in partnership with the German system operator Amprion.

Another important milestone was the approval of the bill for the **Modular Offshore Grid** in the federal parliament cancelling the option for offshore wind farm developers to connect directly to the shore. As a result of this law, any current concession holder for an offshore wind farm without a direct connection permit will have no choice but to connect to the Modular Offshore Grid. Located around 40 km off the coast, this offshore switch yard is important for the further development of an offshore grid in the Belgian North Sea. It will bundle together the cables from the new offshore wind farms and connect them to the mainland.

In **Germany**, the full commissioning of the 200-km **South-West Coupling** Line between Saxony-Anhalt and Bavaria was a major highlight, marking the culmination of more than 10 years of project development. The 380-kV line is intended to ensure a reliable power supply for Bavaria following Germany's nuclear power phase-out. The new line between the north-east of Germany and Bavaria decreases congestion on the grid and generates important savings in redispatch measures, to the benefit of end consumers.

50Hertz also made major progress on the offshore projects **Ostwind 1** and **Combined Grid Solution**. In the 90-km offshore grid connection project Ostwind 1, the laying of the first and second cable system was completed. This means that the Wikinger wind farm can be connected to the grid, according to the agreed schedule. Combined Grid Solution is a joint project with the Danish system operator Energinet and will be the world's first interconnector between two offshore wind farms: the Kriegers Flack (DK) and Baltic 2 (DE) projects, which are located barely 30 km apart. Commissioning is scheduled to take place from late 2018.

50Hertz also commissioned a number of **transformer substations** in 2017, at Wolmirstedt, Heinersdorf and Altentreptow, as well as successfully running a trial operation for phase-shifting transformers in Röhrsdorf on the border with the Czech Republic.

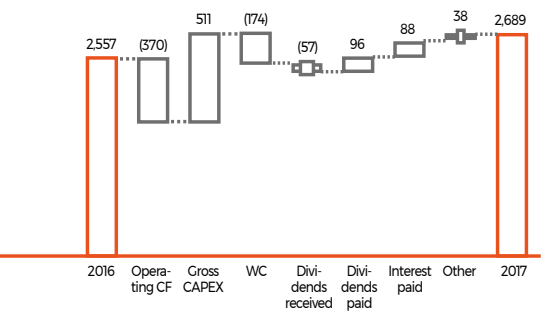
Net debt & credit metrics

(IN € MILLION)	2016	2017
Net debt	2,557.3	2,689.1
Leverage (D/D+EQ)	0.52x	0.52x
Net debt / EBITDA	6.0	5.7
EBITDA / Gross interest	4.7	5.8
Average cost of debt	3.06%	2.92%
% fixed of gross debt	89.0%	82.51%

The **net financial debt** increased slightly to €2,689.1 million (up 5.2%). Elia's sizeable CAPEX programme, 10% bigger than in 2016, was financed mainly by cash flows generated from operating activities (€370.2 million), the proceeds from the sale of 2.8 million green certificates to the Walloon Region leading to a cash inflow of €176.2 million and profit reservation from prior years. In addition, Elia Transmission issued a €250 million Eurobond in late March 2017.

The average cost of debt has further decreased as a result of a repayment of a €500 million bond in April 2016.

2017 NET DEBT EVOLUTION



Elia Transmission in Belgium

(IN € MILLION)	2016	2017
Total revenues	868.1	887.5
EBIT	219.6	236.5
Normalised EBIT	214.7	236.5
Net finance costs	(82.9)	(76.5)
Net profit	104.5	121.0
Normalised net profit	99.8	108.6
Total assets	5,463.6	5,765.1
Total equity	1,999.1	2,075.0
Net financial debt	2,557.3	2,689.1
Free cash flow	98.8	(32.8)

Elia Transmission's revenue increased by 2.2% compared with the same period the previous year, to €887.5 million. The increase in revenues is a result of a higher allowed regulated net profit, higher depreciations and higher taxes that are passed through into revenues. These increases were partly offset by lower costs, mainly for ancillary services and financing, which are all passed through into revenues to the benefit of consumers, and the lower revenues generated by Elia Grid International (EGI).

The **reported EBITDA** (up 5.1%) and **EBIT** (up 7.7%) were mainly impacted by increased regulated net profit, higher depreciations, lower financing costs to be passed on in the tariffs, partly offset by the lower contribution from EGI and the lower result of equity-accounted investments. As no non-recurring items were recognised in EBIT compared to 2016, the **normalised EBIT** increased more sharply by 10.2%.

In addition to this net **finance costs** (down 7.7%) fell by €6.4 million compared with 2016, mainly due to the repayment of a €500 million bond in April 2016. Also, with the settlement of the fiscal claim in 2016 and the cash inflow of € 176.2 million following the purchase of 2.8 million green certificates by the Walloon Region in September 2017, the financing was limited to the issuance of a €250 million Eurobond. Owing to strong investor interest and low market interest rates, the Eurobond had a coupon of 1.375%. The lower lending costs are entirely to the benefit of consumers, in accordance with the regulatory framework.

This resulted in an increased **reported net profit** of € 121.0 million (up 15.8%), excluding the non-recurrent items a **normalised net profit** of € 108.6 million (up 8.8%).

Total assets increased by 5.5% to €5,765.1 million, mainly as a result of the investment programme. The **equity** increased mainly as a result of the reservation of the 2017 profit and payment of dividends for 2016. Elia Transmissions ended the year with negative free cash flow of €32.8 million.

50Hertz Transmission in Germany

(IN € MILLION)	2016	2017
Total revenues	1,2 91.2	1,330.2
EBIT	237.2	321.7
Normalised EBIT	220.5	321.5
Net finance costs	(55.4)	(54.4)
Net profit	125.6	180.2
Normalised net profit	113.8	180.1
Total assets	5,663.6	6,196.0
Total equity	1,296.4	1,385.4
Net financial debt	1,623.5	1,435,6
Free cash flow	(593.3)	283.8

50Hertz Transmission's revenue increased by 3.0% compared with 2016. This was the result of increasing revenues following the increased onshore and offshore investments, as well as higher other revenues.

The **EBITDA** increased to €471.8 million (up 25.4%) mainly as a result of both the onshore and offshore investment activities (up €38.7 million) and lower operational expenditures (up €72.4 million). The material costs dropped significantly mainly due to lower maintenance costs, after reaching the peak in the maintenance activity cycle in 2016. Furthermore, with the substantial investment programme and lower maintenance activities, a higher portion of personnel cost could be allocated to

new investments, leading to higher own work capitalised revenues compared to 2016. **Normalised EBIT** (up 45.8%) was further impacted by the increased depreciations as a result of the commissioning of the Southwest Coupling Line and North Ring during 2017. Taking into account the non-recurring energy bonus realised in 2017 (€4.8 million), which decreased compared to 2016 (€7.6 million), and the non-recurring regulatory settlements (-€4.6 million), the **reported EBIT** came in at €321.7 million.

Total assets increased by 9.4% to €6,196.0 million, mainly due to a favourable development of the EEG cash and the investments made.

50Hertz ended the year with a positive **free cash flow** of €283.8 million linked to the positive EEG cash flows and the remuneration of the 2015 energy costs, recovered in 2017. Consequently, the **net financial debt** decreased to €1,435.6 million compared to the end of 2016. The net debt includes an EEG cash position of €775.7 million.

Non-recurring items - reconciliation table

(IN € MILLION) - PERIOD ENDED 31 DECEMBER 2017	ELIA TRANSMISSION	50HERTZ TRANSMISSION 100%	CONSOLIDATION ENTRIES	ELIA GROUP
EBIT – Non-recurring items				
Regulatory settlements prior year	0.0	(4.6)	4.6	0.0
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	0.1	0.1
Energy bonuses	0.0	4.8	(4.8)	0.0
Total EBIT non-recurring items	**0.0**	**0.2**	**(0.1)**	**0.1**
Impact tax reform on deferred tax	12.4	0.0	0.0	12.4
Tax impact	0.0	(0.1)	0.1	0.0
Net profit – non recurring items	**12.4**	**0.1**	**(0.1)**	**12.5**

(IN € MILLION) - PERIOD ENDED 31 DECEMBER 2016	ELIA TRANSMISSION	50HERTZ TRANSMISSION 100%	CONSOLIDATION ENTRIES	ELIA GROUP
EBIT – Non-recurring items				
Regulatory settlements prior year	8.1	9.1	(9.1)	8.1
Reversal IFRS adjustment prior year not covered via tariffs	(3.1)	0.0	0.0	(3.1)
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	7.1	7.1
Energy bonuses	0.0	7.6	(7.6)	0.0
Total EBIT non-recurring items	**4.9**	**16.7**	**(9.6)**	**12.0**
Impôt lié	(0.2)	(4.9)	4.9	(0.2)
Net profit – non recurring items	**4.7**	**11.8**	**(4.7)**	**11.8**

Following the approval of the legislation implementing the corporate income tax reform in late December 2017, Elia Transmission re-assessed its deferred tax assets and liabilities according to the new future tax rates that apply to the period when the asset will be realised or the liability will be settled, leading to a non-recurring result of €12.4 million for the period.

At 50Hertz Transmission these items are mainly linked to the energy bonus related to the management of energy cost compliant to the Korridor model and a regulatory settlement mainly to the treatment of building cost subsidies.

Consolidated financial statements

Consolidated statement of profit or loss

(IN € MILLION) - YEAR ENDED 31 DECEMBER	NOTES	2017	2016
Continuing operations			
Revenue	(6.1)	828.5	800.1
Raw materials, consumables and goods for resale	(6.3)	(9.6)	(18.8)
Other income	(6.2)	59.0	68.0
Services and other goods	(6.3)	(344.4)	(336.6)
Personnel expenses	(6.3)	(147.2)	(143.9)
Depreciation, amortisation and impairment	(6.3)	(131.2)	(124.8)
Changes in provisions	(6.3)	0.4	(5.3)
Other expenses	(6.3)	(19.6)	(22.1)
Results from operating activities		**235.9**	**216.6**
Share of profit of equity-accounted investees (net of tax)	(5.1- 5.2)	108.7	78.4
EBIT*		**344.6**	**295.0**
Net finance costs	(6.4)	**(76.5)**	**(82.8)**
Finance income		5.5	7.0
Finance costs		(81.9)	(89.9)
Profit before income tax		**268.2**	**212.2**
Income tax expense	(6.5)	(39.1)	(32.0)
Profit from continuing operations		**229.1**	**180.2**
Profit for the period		**229.1**	**180.2**
Profit attributable to:			
Owners of the company		229.1	179.9
Non-controlling interest		0.0	0.3
Profit for the period		**229.1**	**180.2**
Earnings per share (EUR)			
Basic earnings per share	(6.6)	3.76	2.95
Diluted earnings per share	(6.6)	3.76	2.95

* 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) - YEAR ENDED 31 DECEMBER	NOTES	2017	2016
Profit for the period		**229.1**	**180.2**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(6.7)	9.4	8.7
Related tax		(3.2)	(2.9)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(7.12)	(131.2)	(124.8)
Equity-accounted investees - share of OCI		1.1	(0.6)
Related tax	(7.12)	2.3	(0.4)
Other comprehensive income for the period, net of tax		**(4.1)**	**6.0**
Total comprehensive income for the period		**225.0**	**186.2**
Total comprehensive income attributable to:			
Owners of the company		225.0	185.9
Non-controlling interest		0.0	0.3
Total comprehensive income for the period		**225.0**	**186.2**

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

Consolidated statement of financial position

(IN € MILLION)	NOTES	31 DECEMBER 2017	31 DECEMBER 2016
ASSETS			
NON-CURRENT ASSETS		**6,093.3**	**5,653.9**
Property, plant and equipment	(7.1)	3,202.4	2,956.5
Intangible assets and goodwill	(7.2)	1,738.6	1,735.8
Trade and other receivables	(7.4)	147.8	63.0
Equity-accounted investees	(5.1+5.2)	942.7	832.4
Other financial assets (including derivatives)	(7.3)	60.8	65.4
Deferred tax assets	(7.5)	1.0	0.8
CURRENT ASSETS		**503.2**	**587.7**
Inventories	(7.6)	13.6	22.6
Trade and other receivables	(7.7)	281.1	379.6
Current tax assets	(7.8)	3.8	2.8
Cash and cash equivalents	(7.9)	195.2	176.6
Deferred charges and accrued revenues	(7.7)	9.5	6.1
Total assets		**6,596.5**	**6,241.6**
EQUITY AND LIABILITIES			
EQUITY		**2,641.8**	**2,512.6**
Equity attributable to owners of the company	(7.10)	2,640.7	2,511.4
Share capital		1,517.6	1,517.2
Share premium		11.9	11.8
Reserves		173.0	173.0
Hedging reserve		0.0	(6.2)
Retained earnings		938.2	815.6
Non-controlling interest		1.1	1.2
NON-CURRENT LIABILITIES		**2,984.5**	**2,728.0**
Loans and borrowings	(7.11)	2,834.7	2,586.4
Employee benefits	(7.12)	84.3	75.1
Derivatives	(8.2)	0.0	9.4
Provisions	(7.13)	20.8	23.3
Deferred tax liabilities	(7.5)	40.9	28.7
Other liabilities	(7.14)	3.8	5.1
CURRENT LIABILITIES		**970.2**	**1,001.0**
Loans and borrowings	(7.11)	49.5	147.5
Provisions	(7.13)	4.5	2.4
Trade and other payables	(7.15)	378.6	390.8
Current tax liabilities		2.9	0.5
Accruals and deferred income	(7.16)	534.7	459.8
Total equity and liabilities		**6,596.5**	**6,241.6**

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

Consolidated statement of changes in equity

(IN € MILLION)	NOTES	SHARE CAPITAL	SHARE PREMIUM	HEDGING RESERVE	FOREIGN CURRENCY TRANSLATION	RESERVES	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Balance at 1 January 2016		1,512.8	10.0	(11.9)	0.1	138.8	763.8	2,413.6	0.8	2,414.4
Profit for the period							179.8	179.8	0.3	180.2
Other comprehensive income net of tax	(6.7)			5.8			0.2	6.0		6.0
Total comprehensive income for the period				**5.8**			**180.0**	**185.8**	**0.3**	**186.2**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Shares issued	(7.10)	3.5	1.8					5.3		5.3
Share-based payment	(6.3)	0.9						0.9		0.9
Transfer to legal reserve	(7.10)					34.3	(34.3)			
Dividends	(7.10)						(94.1)	(94.1)		(94.1)
Total contributions and distributions		4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Total transactions with owners		4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Balance at 31 December 2016		**1,517.2**	**11.8**	**(6.1)**	**0.0**	**173.0**	**815.5**	**2,511.4**	**1.2**	**2,512.6**
Balance at 1 January 2017		1,517.2	11.8	(6.1)	0.0	173.0	815.5	2,511.4	1.2	2,512.6
Profit for the period	(6.7)						229.1	229.1	0.0	229.1
Other comprehensive income net of tax	(6.7)			6.2			(10.3)	(4.1)		(4.1)
Total comprehensive income for the period				**6.2**			**218.8**	**225.0**	**0.0**	**225.0**
Transactions with owners, recorded directly in equity									**(3.2)**	**(2.9)**
Contributions by and distributions to owners										
Shares issued	(7.10)	0.2	0.1					0.3		0.3
Share-based payment	(6.3)	0.1						0.1		0.1
Transfer to legal reserve	(7.10)									
Dividends	(7.10)						(96.2)	(96.2)		(96.2)
Total contributions and distributions		0.3	0.1				(96.2)	(95.8)		(95.8)
Total transactions with owners		0.3	0.1				(96.2)	(95.8)		(95.8)
Balance at 31 December 2017		**1,517.6**	**11.9**	**0.0**	**0.0**	**173.0**	**938.2**	**2,640.7**	**1.1**	**2,641.8**

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

Consolidated statement of cash flows

(IN € MILLION) - YEAR ENDED 31 DECEMBER	NOTES	2017	2016
Cash flows from operating activities			
Profit for the period		**229.1**	**179.9**
Adjustments for:			
Net finance costs	(6.4)	76.5	82.9
Other non-cash items		0.1	1.0
Current income tax expense	(6.5)	29.2	12.5
Profit or loss of equity accounted investees, net of tax	(5.1 – 5.2)	(108.7)	(78.5)
Depreciation of PP&E and amortisation of intangible assets	(7.1 - 7.2)	131.4	124.4
Gain on sale of property, plant and equipment and intangible assets	(7.1 - 7.2)	6.5	8.8
Impairment losses of current assets	(6.3)	0.0	0.6
Change in provisions	(6.3)	(5.3)	(1.2)
Change in fair value of derivatives	(8.2)	1.1	1.0
Change in deferred taxes	(7.5)	9.9	19.4
Cash flow from operating activities		**369.8**	**350.9**
Change in inventories	(7.6)	9.3	1.3
Change in trade and other receivables	(7.7)	98.2	(61.4)
Change in other current assets	(7.7)	4.8	3.9
Change in trade and other payables	(7.15)	(12.3)	80.5
Change in other current liabilities	(7.14 - 7.16)	74.9	91.2
Changes in working capital		**174.8**	**115.5**
Interest paid	(6.4)	(88.4)	(115.6)
Interest received	(6.4)	1.7	56.5
Income tax paid	(6.5)	(27.6)	80.3
Net cash from operating activities		**430.3**	**487.6**
Cash flows from investing activities			
Acquisition intangible assets	(7.2)	(10.6)	(9.6)
Acquisition of property, plant and equipment	(7.1)	(369.1)	(388.6)
Acquisition of equity-accounted investees	(5.1)	(57.2)	(25.8)
Proceeds from sale of property, plant and equipment		1.5	3.2
Proceeds from sales of investments	(7.3 - 8.1)	0.0	6.3
Proceeds from capital decrease from equity-accounted investees	(5.1)	0.1	7.2
Dividend received from equity-accounted investees	(5.1 - 5.2)	56.8	57.3
Loans to joint ventures	(7.4)	(84.6)	(38.7)
Net cash used in investing activities		**(463.1)**	**(388.7)**
Cash flow from financing activities			
Proceeds from issue share capital	(7.10)	0.4	5.3
Expenses related to issue share capital		0.0	(0.1)
Dividends paid (-)	(7.10)	(96.2)	(94.2)
Repayment of borrowings (-)	(6.4)	(100.0)	(540.0)
Proceeds from withdrawal borrowings (+)	(7.11)	247.2	80.0
Non-controlling interests		0.0	0.3
Net cash flow from (used in) financing activities		**51.4**	**(548.7)**
Net increase (decrease) in cash and cash equivalents		**18.6**	**(449.8)**
Cash and cash equivalents at 1 January		176.6	626.4
Cash and cash equivalents at 31 December		195.2	176.6
Net variations in cash and cash equivalents		**18.6**	**(449.8)**

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

Reporting parameters

Registered office

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

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

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

The registered office of Eurogrid International is located at
Rue Joseph Stevens, 7
1000 Bruxelles, Belgique

Reporting period

This annual report covers the period from 1 January 2016 to 31 December 2016.

Contact

Corporate Communication
Boulevard de l'Empereur 20
1000 Brussels
info@elia.be
T +32 2 546 72 41

Head office Elia

Boulevard de l'Empereur 20, B-1000 Bruxelles
T +32 2 546 70 11
F +32 2 546 70 10
info@elia.be

Editing and coordination

Eric De Schrijver, Yannick Dekoninck, Aude Gaudy, Lieve Kerckhof, Adrien Raicher, Mélodie Rollin, Wouter Temmerman, Mario Vandeputte, Kim Vander Haegen, Marleen Vanhecke, Gwendolyne Verstraelen.

Concept and editorial staff

Elia, Corporate Communication

Graphic design

www.chriscom.be

Photos Elia

Antonio Caliaro - Elia,
Mélodie Rollin - Elia,
Pieter Clicteur
Eric Herchaft - Reporters,
Thomas Léonard - Reporters,
Frédéric Raevens - I Love Light,
Olivier Anbergen - I Love Light,
Blueclic,
Phototèque Elia.

Photos 50Hertz

50Hertz archive

Editor

Pascale Fonck

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

April 2018

DISCOVER OUR ONLINE REPORT
http://annualreport.elia.be/2017

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

DECLARATION BY RESPONSIBLE PERSONS

The undersigned Chairman of the Management Committee and Chief Executive Officer Chris Peeters and Chief Financial Officer Catherine Vandenborre declare that to the best of their knowledge:

a. the consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and give a true and fair view of the consolidated financial position and results of the Elia Group and of its subsidiaries included in the consolidation;

b. the annual report for the year ended 31 December 2017 gives, in all material aspects, a true and fair view of the evolution of the business, the results and the situation of the Elia Group and of its entities included in the consolidation, as well as a description of the most significant risks and uncertainties the Elia Group is facing.

Brussels, 22 March 2018

Catherine Vandenborre
Chief Financial Officer

Chris Peeters
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in million EUR) - Year ended 31 December	Notes	2017	2016
Continuing operations			
Revenue	(6.1)	828.5	800.1
Raw materials, consumables and goods for resale	(6.3)	(9.6)	(18.8)
Other income	(6.2)	59.0	68.0
Services and other goods	(6.3)	(344.4)	(336.6)
Personnel expenses	(6.3)	(147.2)	(143.9)
Depreciation, amortisation and impairment	(6.3)	(131.2)	(124.8)
Changes in provisions	(6.3)	0.4	(5.3)
Other expenses	(6.3)	(19.6)	(22.1)
Results from operating activities		**235.9**	**216.6**
Share of profit of equity-accounted investees (net of tax)	(5.1- 5.2)	108.7	78.4
EBIT*		**344.6**	**295.0**
Net finance costs	(6.4)	**(76.5)**	**(82.8)**
Finance income		5.5	7.0
Finance costs		(81.9)	(89.9)
Profit before income tax		**268.2**	**212.2**
Income tax expense	(6.5)	(39.1)	(32.0)
Profit from continuing operations		**229.1**	**180.2**
Profit for the period		**229.1**	**180.2**
Profit attributable to:			
Owners of the company		229.1	179.9
Non-controlling interest		0.0	0.3
Profit for the period		**229.1**	**180.2**
Earnings per share (EUR)			
Basic earnings per share	(6.6)	3.76	2.95
Diluted earnings per share	(6.6)	3.76	2.95

* 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	2017	2016
Profit for the period		**229.1**	**180.2**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(6.7)	9.4	8.7
Related tax		(3.2)	(2.9)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(7.12)	(13.7)	1.2
Equity-accounted investees - share of OCI		1.1	(0.6)
Related tax	(7.12)	2.3	(0.4)
Other comprehensive income for the period, net of tax		**(4.1)**	**6.0**
Total comprehensive income for the period		**225.0**	**186.2**
Total comprehensive income attributable to:			
Owners of the company		225.0	185.9
Non-controlling interest		0.0	0.3
Total comprehensive income for the period		**225.0**	**186.2**

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

Consolidated statement of financial position

(in million EUR)	Notes	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS		**6,093.3**	**5,653.9**
Property, plant and equipment	(7.1)	3,202.4	2,956.5
Intangible assets and goodwill	(7.2)	1,738.6	1,735.8
Trade and other receivables	(7.4)	147.8	63.0
Equity-accounted investees	(5.1+5.2)	942.7	832.4
Other financial assets (including derivatives)	(7.3)	60.8	65.4
Deferred tax assets	(7.5)	1.0	0.8
CURRENT ASSETS		**503.2**	**587.7**
Inventories	(7.6)	13.6	22.6
Trade and other receivables	(7.7)	281.1	379.6
Current tax assets	(7.8)	3.8	2.8
Cash and cash equivalents	(7.9)	195.2	176.6
Deferred charges and accrued revenues	(7.7)	9.5	6.1
Total assets		**6,596.5**	**6,241.6**
EQUITY AND LIABILITIES			
EQUITY		**2,641.8**	**2,512.6**
Equity attributable to owners of the company	(7.10)	2,640.7	2,511.4
Share capital		1,517.6	1,517.2
Share premium		11.9	11.8
Reserves		173.0	173.0
Hedging reserve		0.0	(6.2)
Retained earnings		938.2	815.6
Non-controlling interest		1.1	1.2
NON-CURRENT LIABILITIES		**2,984.5**	**2,728.0**
Loans and borrowings	(7.11)	2,834.7	2,586.4
Employee benefits	(7.12)	84.3	75.1
Derivatives	(8.2)	0.0	9.4
Provisions	(7.13)	20.8	23.3
Deferred tax liabilities	(7.5)	40.9	28.7
Other liabilities	(7.14)	3.8	5.1
CURRENT LIABILITIES		**970.2**	**1,001.0**
Loans and borrowings	(7.11)	49.5	147.5
Provisions	(7.13)	4.5	2.4
Trade and other payables	(7.15)	378.6	390.8
Current tax liabilities		2.9	0.5
Accruals and deferred income	(7.16)	534.7	459.8
Total equity and liabilities		**6,596.5**	**6,241.6**

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

Consolidated statement of changes in equity

(in million EUR)	Notes	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016		1,512.8	10.0	(11.9)	0.1	138.8	763.8	2,413.6	0.8	2,414.4
Profit for the period							179.8	179.8	0.3	180.2
Other comprehensive income net of tax	(6.7)			5.8			0.2	6.0		6.0
Total comprehensive income for the period				**5.8**			**180.0**	**185.8**	**0.3**	**186.2**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Shares issued	(7.10)	3.5	1.8					5.3		5.3
Share-based payment	(6.3)	0.9						0.9		0.9
Transfer to legal reserve	(7.10)					34.3	(34.3)			
Dividends	(7.10)						(94.1)	(94.1)		(94.1)
Total contributions and distributions		4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Total transactions with owners		4.4	1.8			34.3	(128.4)	(88.0)		(88.0)
Balance at 31 December 2016		**1,517.2**	**11.8**	**(6.1)**	**0.0**	**173.0**	**815.5**	**2,511.4**	**1.2**	**2,512.6**
Balance at 1 January 2017		1,517.2	11.8	(6.1)	0.0	173.0	815.5	2,511.4	1.2	2,512.6
Profit for the period	(6.7)						229.1	229.1	0.0	229.1
Other comprehensive income net of tax	(6.7)			6.2			(10.3)	(4.1)		(4.1)
Total comprehensive income for the period				**6.2**			**218.8**	**225.0**	**0.0**	**225.0**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Shares issued	(7.10)	0.2	0.1					0.3		0.3
Share-based payment	(6.3)	0.1						0.1		0.1
Transfer to legal reserve	(7.10)									
Dividends	(7.10)						(96.2)	(96.2)		(96.2)
Total contributions and distributions		0.3	0.1				(96.2)	(95.8)		(95.8)
Total transactions with owners		0.3	0.1				(96.2)	(95.8)		(95.8)
Balance at 31 December 2017		**1,517.6**	**11.9**	**0.0**	**0.0**	**173.0**	**938.2**	**2,640.7**	**1.1**	**2,641.8**

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

Consolidated statement of cash flows

(in million EUR) - Year ended 31 December	Notes	2017	2016
Cash flows from operating activities			
Profit for the period		**229.1**	**179.9**
Adjustments for:			
Net finance costs	(6.4)	76.5	82.9
Other non-cash items		0.1	1.0
Current income tax expense	(6.5)	29.2	12.5
Profit or loss of equity accounted investees, net of tax	(5.1 - 5.2)	(108.7)	(78.5)
Depreciation of PP&E and amortisation of intangible assets	(7.1 - 7.2)	131.4	124.4
Gain on sale of property, plant and equipment and intangible assets	(7.1 - 7.2)	6.5	8.8
Impairment losses of current assets	(6.3)	0.0	0.6
Change in provisions	(6.3)	(5.3)	(1.2)
Change in fair value of derivatives	(8.2)	1.1	1.0
Change in deferred taxes	(7.5)	9.9	19.4
Cash flow from operating activities		**369.8**	**350.9**
Change in inventories	(7.6)	9.3	1.3
Change in trade and other receivables	(7.7)	98.2	(61.4)
Change in other current assets	(7.7)	4.8	3.9
Change in trade and other payables	(7.15)	(12.3)	80.5
Change in other current liabilities	(7.14 - 7.16)	74.9	91.2
Changes in working capital		**174.8**	**115.5**
Interest paid	(6.4)	(88.4)	(115.6)
Interest received	(6.4)	1.7	56.5
Income tax paid	(6.5)	(27.6)	80.3
Net cash from operating activities		**430.3**	**487.6**
Cash flows from investing activities			
Acquisition intangible assets	(7.2)	(10.6)	(9.6)
Acquisition of property, plant and equipment	(7.1)	(369.1)	(388.6)
Acquisition of equity-accounted investees	(5.1)	(57.2)	(25.8)
Proceeds from sale of property, plant and equipment		1.5	3.2
Proceeds from sales of investments	(7.3 - 8.1)	0.0	6.3
Proceeds from capital decrease from equity-accounted investees	(5.1)	0.1	7.2
Dividend received from equity-accounted investees	(5.1 - 5.2)	56.8	57.3
Loans to joint ventures	(7.4)	(84.6)	(38.7)
Net cash used in investing activities		**(463.1)**	**(388.7)**
Cash flow from financing activities			
Proceeds from issue share capital	(7.10)	0.4	5.3
Expenses related to issue share capital		0.0	(0.1)
Dividends paid (-)	(7.10)	(96.2)	(94.2)
Repayment of borrowings (-)	(6.4)	(100.0)	(540.0)
Proceeds from withdrawal borrowings (+)	(7.11)	247.2	80.0
Non-controlling interests		0.0	0.3
Net cash flow from (used in) financing activities		**51.4**	**(548.7)**
Net increase (decrease) in cash and cash equivalents		**18.6**	**(449.8)**
Cash and cash equivalents at 1 January		176.6	626.4
Cash and cash equivalents at 31 December		195.2	176.6
Net variations in cash and cash equivalents		**18.6**	**(449.8)**

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

NOTES ACCOMPANYING THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES ACCOMPANYING 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 2017 financial year 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 (in cooperation with Industry Funds Management) 50Hertz Transmission, one of the four German transmission system operators, active in the north and east of Germany. 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 2017.

New and amended standards and interpretations

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

- **Recognition of Deferred Tax Assets for Unrealised Losses** (amendments to IAS 12 – effective as of 1 January 2017)
  The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. Furthermore, the amendments provide guidance on estimating probable future taxable profits when assessing the recognition of deferred tax assets when there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity. The Group was not impacted by this new treatment.

- **Disclosure Initiative** (amendments to IAS 7 – effective as of 1 January 2017)
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 7.18.

- **Amendments to IFRS 12: Disclosure of Interests in Other Entities** (effective as of 1 January 2017)
  Clarification of the scope of disclosure requirements in IFRS 12 from Annual Improvements Cycle 2014-2016. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. In line with the Group's business model, none of the Group's participations are held for sale and therefore these amendments did not affect the Group's financial statements.

Standards, amendments and interpretations that are not yet effective in 2017

The standards, interpretations or amendments listed hereafter are 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 9: Financial Instruments** (effective as of 1 January 2018) reflects all phases of the financial instruments project and replaces IAS 39: Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

  The Group plans to adopt the new standard on the required effective date and will not restate comparative information. The Group has reviewed in detail the potential impact of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

  (a) 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. Therefore, reclassification for these instruments is not required.

  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 will apply the option to present fair-value changes in OCI. The Group considered that for the Belgian segment the application of IFRS 9 on these equity shares would have an effect of less than

€0.1 million. For the German segment, a positive effect of approx. €5.4 million is expected to occur which will be recognised through OCI.

There will be 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.

(b) 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 Group will apply the simplified approach and record lifetime expected losses on all trade receivables.

A preliminary assessment for the Belgian segment indicated that the application of the Expected Credit Losses (ECL) method at 31 December 2017 would increase the bad debt allowance for trade receivables by €0.3 million at that date compared with the allowance for trade receivables recognised under IAS 39. Deferred tax assets would increase by €0.1 million and net profit for the period would decrease by €0.2 million.

A similar assessment for the German segment indicates that the application of the Expected Credit Losses (ECL) method at 31 December 2017 would increase the bad debt allowance for trade receivables by €0.4 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 €0.3 million.

(c) 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 this stage the Group does not expect any new hedge relationships to be designated. The Group's existing hedge relationships appear to qualify as continuing hedges upon the adoption of IFRS 9. As a consequence, the Group does not expect a significant impact on its hedge relationships**.**

- **IFRS 15: Revenue from Contracts with Customers** (effective as of 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 has completed an assessment of the impact of the adoption of IFRS 15 on its consolidated financial statements. The Group only foresees an impact as a result of the application of IFRIC 18.

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

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

  The Group has a number of standard contracts for its customers, covering most of its revenue. These contracts are specific to each segment. As a consequence, the 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)
Elia Transmission (Belgium) revenues								
Grid connection	Revenue	Connection contract	complete	yes	no	no	no	0.0
Management and development of grid infrastructure	Revenue	Access contract	complete	yes	no	no	no	0.0
Management of the electrical system	Revenue	Access contract	complete	yes	no	no	no	0.0
Compensation for imbalances	Revenue	ARP contract	complete	yes	no	no	no	0.0
Market integration	Revenue	ARP contract	complete	yes	no	no	no	0.0
International revenues	Revenue	Congestion revenues	complete	yes	no	no	no	0.0
Other income	Transfers of assets from customers	Customer contributions	complete	yes	yes	no	yes	(63.3)
Other income	Revenue	EGI contracts	complete	yes	no	no	no	0.0
Other income	Optimal use of assets	Telecom contracts	complete	yes	no	no	no	0.0
50Hertz Transmission (Germany) revenues (at 100%)								
Vertical grid revenues	n/a	Grid use contract	complete	yes	no	no	no	0.0
Ancillary-services revenues	n/a	Contract for balancing groups	complete	yes	no	no	no	0.0
Other income	n/a	Customer contributions	complete	yes	yes	no	yes	(33.2)

Received client contributions (IFRIC 18) are currently directly recognised in full as revenue, whereas under IFRS 15 the cash considerations should be presented as deferred revenue and will be recognized 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	97.5	77.2	(20.4)
Subtotal revenues and other income	**979.8**	**959.4**	**(20.4)**
Settlement mechanism: deviations from approved budget	(92.3)	(92.3)	0.0
Total revenues and other income	**887.5**	**867.1**	**(20.4)**

50Hertz Transmission (Germany) revenues – Period ended	31 December 2017 as reported	31 December 2017 under IFRS 15	31 December 2017 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	73.5	72.7	(0.8)
Subtotal revenue and other income	**1,619.1**	**1,618.3**	**(0.8)**
Settlement mechanism: deviations from approved budget	(288.9)	(288.9)	0.0
Total revenues and other income	**1,330.2**	**1,329.4**	**(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 impact on the results of the Group can be found in the table below for the period ended 31 December 2017 as well as for the expected impact on the opening equity at 1 January 2018:

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

The summarised impact on the Group 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	107.9	(0.4)
Income tax expenses	(39.1)	(39.6)	(0.5)
Net profit	**229.1**	**207.4**	**(21.4)**
Total assets	6,596.5	6,576.5	(20.0)
Total equity	2,640.7	2,557.5	(83.2)
Key figures per share			
Basic earnings per share (EUR)	3.76	3.41	(0.35)
Equity per share (EUR)	43.4	42.0	(1.4)

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 tax reform, and having an effect of €7.4 million.

Transition method
The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018 using the full retrospective method. As a result, the Group will apply all of the IFRS 15 requirements to each comparative period presented and adjust its consolidated financial statements.
The Group also plans to use the practical expedients for completed contracts, if relevant, meaning that completed contracts that began and ended in the same comparative period, as well as those that are completed at the beginning of the earliest period presented, will not be restated.

- **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.

  The Group is currently in the process of quantifying the effect of IFRS 16 on the consolidated financial statements. Potential effects will be communicated during the financial year 2018.

- The following **standards, amendments and interpretations** had not yet taken effect in 2017. 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 14: Regulatory Deferral Accounts;
  - IFRS 2: Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
  - IFRS 17: Insurance Contracts;
  - Transfers of Investment Property – Amendments to IAS 40;
  - Annual Improvements to IFRS Standards 2014-2016 Cycle; particularly focused on IFRS 1 and IAS 28;
  - Annual Improvements to IFRS Standards 2015-2017 Cycle; particularly focused on IFRS 3, IFRS 11, IAS 12 and IAS 23;
  - Amendments to IFRS 9: Prepayment Features with Negative Compensation;
  - Applying IFRS 9: Financial Instruments with IFRS 4: Insurance Contracts – Amendments to IFRS 4;
  - Amendments to IAS 28: Long-term interests in Associates and Joint Ventures;
  - IFRIC 22: Foreign Currency Transactions and Advance Consideration; and
  - IFRIC Interpretation 23: Uncertainty over Income Tax Treatment.

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 and disposal groups held for sale are valued at the lowest of the carrying amount and the fair value less cost to sell. Employee benefits are valued at the present value of the defined benefit obligations, less fair value of the plan assets. Changes in fair value of financial assets are recorded through profit or loss.

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.

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 is included in the following notes:

- The net result of the Belgian segment and the German segment is 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 7.16, 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 (also see note 5).

- Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits in so far as it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In making its judgement, management takes into account elements such as long-term business strategy and tax planning opportunities (see Note 6.5).

- Credit risk related to customers: Management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (see Note 8.2).

- Employee benefits including reimbursement rights: The Group has defined-benefit plans and defined-contribution plans which are disclosed in Note 7.12. The calculation of the liabilities or assets related to these plans is based on actuarial and statistical assumptions. This is, for example, 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 consider 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 external expert. The extent of remediation costs is dependent on a limited number of uncertainties, among others newly identified cases of soil contamination (see Note 7.13);

- 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 7.13);

- 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 7.2);

- 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 to 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 8.2).

2.5. Approval by the Board of Directors

These consolidated financial statements were authorised for issue by the Board of Directors on 22 March 2018.

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 causes the non-controlling interests to have a deficit balance.

ASSOCIATED COMPANIES
Associated companies are those companies in which the Company has 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 subsidiary not wholly owned 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 previous 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 an available-for-sale 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, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination 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. Financial instruments

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.

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 of foreign-currency gains and losses.

3.4. Balance sheet items

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.

• Administrative buildings	2.00%
• Industrial buildings	2.00 - 4.00%
• Overhead lines	2.00 - 4.00%
• Underground cables	2.00 - 5.00%
• Substations (facilities and machines)	2.50 - 6.67%
• Remote control	3.00 - 12.50%
• Dispatching	4.00 - 10.00%
• Other PPE (fitting out rented buildings)	contractual period
• Vehicles	6.67 - 20.00%
• Tools and office furniture	6.67 - 20.00%
• Hardware	25.00 - 33.00%

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.

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 prospect 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.

Licenses, 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 is 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.

INVESTMENTS

Each type of investment is recognised on the date of the transaction.

Investments in equity securities

Investments in equity securities are undertakings in which the Group has no significant influence or control. This is the case in undertakings where the Group owns less than 20% of the voting rights. Such investments are designated as available-for-sale financial assets and are measured at fair value. Any resulting changes in fair value, except those related to impairment losses, are recognised directly in other comprehensive income (OCI). Upon disposal of an investment, the cumulative gain or loss previously recognised directly in OCI is recognised in profit or loss.

The equity investees are measured at cost price if there is no quoted price in an active market and the fair value cannot be measured reliably.

Investments in debt instruments

Investments in debt securities classified as held for trading purposes or as being available-for-sale are carried at fair value, with any resulting gain or loss respectively recognised in profit or loss or directly in equity. The fair value of these investments is determined as the quoted bid price at the end of the reporting period. Impairment charges and foreign exchange gains and losses are recognised in profit or loss. Investments in debt securities classified as held to maturity are measured at amortised cost.

Other investments

Other investments held by the Group are classified as available-for-sale and are measured at fair value, with any resulting gain or loss recognised directly in equity. Impairment charges are recognised in OCI (see the section 'Impairment').

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.

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.

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 and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

IMPAIRMENT – 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 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.

IMPAIRMENT – FINANCIAL ASSETS

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investments securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

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.

INTEREST-BEARING LOANS

Interest-bearing loans are recognised initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing loans 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.

EMPLOYEE BENEFITS

Defined-contribution plans

All Belgian 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.

As Belgian contribution-based promises are not back-loaded, the defined-benefit obligation (DBO) was determined following the Projected Unit Credit-method (PUC) without projection of future contributions. The fair value of assets equals for each plan the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any). Please also see the following section, 'Defined-benefit plans'.

Defined-benefit plans

For defined-benefit plans, the pension expenses are assessed on an annual basis by accredited actuaries separately for each plan, 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 as at the end of the reporting period on high-quality bonds which have maturity dates that approximate 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 of 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

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. The 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 changes in the period result from changes in financial assumptions; changes from experience adjustments or changes in demographic assumptions, 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 as at the end of the reporting period on high-quality bonds having maturity dates that approximate 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.

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 are, 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 lapse of time is classified as finance expenses.

TRADE AND OTHER PAYABLES

Trade and other payables are stated at amortised cost.

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.

3.5. Income-statement items

REVENUE

Revenue is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably and recovery of the compensation due is likely.

Revenue includes changes in the settlement mechanism (see Note 7.16).

Revenue represents the fair value of the consideration received in the ordinary course of the Group's activities.

Goods sold and services rendered

Revenue from services and the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Construction contracts in progress

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. An expected loss on a contract is immediately recognised in profit or loss.

Transfer of assets from customers

The revenue from customers (financial contribution) for the construction of connections and related enhancement to the high-voltage grid is recognised in profit or loss on the basis of the stage reached in recovery of the underlying property, plant and equipment.

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 chargeable to Elia Transmission (Belgium) are directly recognised in full (100%) as soon as ownership is certain (generally as of 1 January of the year). 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 a zero profit or loss impact.

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 available-for-sale financial assets as well as any losses from hedge ineffectiveness. Net finance expenses comprise interest on loans, calculated using the effective interest rate method and foreign-exchange gains and losses.

Finance income includes, amongst others, interest receivables on bank deposits, recognised in profit or loss as it accrues using the effective interest rate method.

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 to the extent that 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 to the extent that it is probable that they will 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 they 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.

3.6. 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 segmentation

The Group has opted for a geographical segmentation since this segmentation forms the basis for the Company's internal management reporting and enables the Chief Operating Decision-Maker (CODM) to evaluate and assess the type and financial profile of its 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 Elia System Operator NV/SA and the companies whose activities are directly linked to the role of Belgian transmission system operator (Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/SA, Ampacimon SA and Enervalis NV);
- 50Hertz Transmission (Germany), which comprises Eurogrid International CVBA/SCRL and companies whose activities are directly linked to the role of transmission system operator in Germany (Eurogrid GmbH, 50Hertz Transmission GmbH, 50Hertz Offshore GmbH and Gridlab GmbH);
- Atlantic Grid, comprising E-Offshore A LLC and Atlantic Grid Investment A Inc, who 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 and Elia Grid International GmbH), both 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;
- Nemo (Nemo Link Ltd), linked to the Nemo project, which will connect the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries.

Under IFRS 8, the Group is required to report segment information about each operating segment that exceeds certain quantitative thresholds. Since the operational activities of Atlantic Grid, EGI and Nemo do not exceed the thresholds, the operations of Atlantic Grid have been aggregated in the reporting segment 50Hertz Transmission (Germany) and the operations of EGI and Nemo in the reporting segment of Elia Transmission (Belgium) as their activities are regularly evaluated by the respective CODMs for those segments.

The two operating segments have also been identified as the Group's 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 being the Boards of Directors, the CEOs and the 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 company's geographical segments are mainly characterised by common revenue and cost drivers and the same public service mission in their respective geographical area, but differ from each other mainly in terms of country- specific regulatory frameworks. For more details about this topic, please see Note 9: 'Regulatory framework and tariffs'.

The information presented to the CODM follows the Group's IFRS accounting policies and therefore no reconciling items have to be disclosed.

4.2. Elia Transmission (Belgium)

The table hereafter shows the 2017 consolidated results of Elia Transmission (Belgium)

Elia Transmission key figures (in million EUR) – Year ended 31 December	**2017**	**2016**	**Difference (%)**
Total revenues and other income	887.5	868.1	2.2%
Depreciation, amortisation, impairment and changes in provisions	(130.8)	(130.0)	0.6%
Results from operating activities	235.9	216.6	8.9%
Share of profit of equity accounted investees, net of tax	0.6	3.1	(80.6%)
EBIT	236.5	219.6	7.7%
EBITDA	367.3	349.6	5.1%
Finance income	5.5	7.0	(21.4%)
Finance costs	(81.9)	(89.9)	(8.9%)
Income tax expense	(39.1)	(32.0)	22.2%
Profit attributable to the owners of the Company	121.0	104.5	15.8%
Consolidated statement of financial position (in million EUR)	**31 December 2017**	**31 December 2016**	**Difference (%)**
Total assets	5,765.1	5,463.6	5.5%
Capital expenditure	388.1	406.9	(4.6%)
Net financial debt	2,689.1	2,557.3	5.2%

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

In early 2016, the new tariff methodology approved by regulator CREG on 26 November 2015, came into force. The methodology is again applicable for a four-year period and introduces some new elements compared with the previous methodology which was applicable from 2012 until 2015. The most important changes are 1) the way the allowed net profit is built up, which is now more closely linked to operational performance, 2) the structure of the tariffs, which still use a 'cost plus' methodology, and 3) the definition of the cost categories: reservation costs of ancillary services (except black start) are classified as 'influenceable costs' (and no longer as 'non-controllable costs') and are eligible for an incentive within predefined limits. Finally, tariffs are no longer fixed for a four-year period, but annual tariffs are agreed within the four-year time frame. For more information about the new regulated framework, see Note 9.1.

Financial

Elia Transmission's revenue was up 2.2% on the same period the previous year, to €887.5 million. The increase in revenues is a result of a higher authorised 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, benefitting consumers and offsetting the lower revenues generated by Elia Grid International (EGI).

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

(in million EUR)	2017	2016	Difference (%)
Revenues according to old tariff mechanism	0.0	(1.3)	n/a
Grid connection	42.2	40.8	3.3%
Management and development of grid infrastructure	479.2	476.8	0.5%
Management of the electrical system	118.5	118.1	0.4%
Compensation for imbalances	170.7	146.4	16.6%
Market integration	24.3	23.5	3.3%
International revenue	47.3	38.9	21.4%
Other income (including EGI revenues)	97.5	105.8	(7.8%)
Subtotal revenues and other income	979.8	949.1	3.2%
Settlement mechanism: deviations from approved budget	(92.3)	(81.0)	14.0%
Total revenues and other income	**887.5**	**868.1**	**2.2%**

Grid connection revenues increased slightly to €42.2 million (up 3.3%) as a result of a tariff increase as well as an increase in the number of connected assets.

Revenues from **management and development of grid infrastructure** (up 0.5%) and **management of the electrical system** (up 0.4%) remained fairly stable.

Services rendered in the context of energy management (including black start) and individual balancing of balancing groups are paid as part of the **revenues from compensation for imbalances**. These revenues increased by 16.6% to €170.7 million, largely due to the tariff increase for energy management (up €13.7 million) and because of higher revenues from compensation for imbalances as a result of higher congestion (up €10.8 million).

Finally, the last section of the tariff revenues encompasses the services that Elia Transmission provides within the context of **market integration**, which increased slightly (up 3.3%) to €24.3 million.

International revenue increased by €8.4 million (up 21.4%), due to the higher congestion on the borders in early 2017 resulting from a lack of production in France and lower generation levels in Belgium at the year-end.

Other income decreased by €8.3 million (down 7.8%) compared with the same period the previous year to €97.6 million. This was driven principally by EGI revenues, which decreased from €19.7 million to €9.7 million, as fewer owner's engineering services were provided in 2017 than the previous year.

The **settlement mechanism** (€92.3 million) encompasses the deviation in the current year from the budget approved by CREG. The operating surplus, in relation to the budget of the costs and revenues authorised by the regulator, must be returned to consumers and therefore does not form part of the revenues. The operational surplus compared with the budget is primarily a result of the higher tariff sales (€13.0 million), increased cross-border revenues (€4.6 million), lower costs for ancillary services (€50.9 million) and lower financial charges (€19.6 million). This was partly offset by a higher-than-budget regulated net profit (€9.2 million) and the usage of a deferred tax asset for used notional interest deduction (€11.8 million).

The reported EBITDA (up 5.1%) and EBIT (up 7.7%) were mainly impacted by increased regulated net profit, higher depreciations and lower financing costs to be passed on in the tariffs, partly offset by the lower contribution from EGI and the lower result of equity-accounted investments.

Net finance costs (down 7.7%) fell by €6.4 million compared with 2016, mainly due to the repayment of a €500-million bond in April 2016. Also, with the settlement of the fiscal claim in 2016 and the cash inflow of €176.2 million following the purchase of 2.8 million green certificates by the Walloon Region in September 2017, the financing was limited to issuing a €250-million Eurobond. Owing to strong investor interest and low market interest rates, the Eurobond had a coupon rate of 1.375%. The lower lending costs are passed on in full to consumers, in accordance with the regulatory framework.

In a nutshell, the net profit increased by 15.8% to €121.0 million, mainly due to the following items:

- increase in the fair remuneration (up €5.0 million): The higher average OLO compared to 2016 (up 0.25%) and the increase in equity due to reservation of part of the 2016 result (€40.1 million) led to a fair remuneration of €41.1 million;
- decrease in the incentives realised (down €5.2 million): Good operational performance, primarily involving the incentives linked to innovation (up €0.5 million) and the discretionary incentive (up €0.4 million), was offset by a higher average tax rate (down €1.8 million), lower performance on the incentive linked to import capacity (down €2.3 million) following a change in the regulatory reference for 2017, and lower efficiency (down €2.0 million);
- a higher mark-up for strategic investments (up €9.5 million);
- higher customer contributions for specific investments (up €4.5 million);
- no major damage to electrical facilities compared with 2016 (up €1.0 million);
- IAS 19-related changes (down €2.7 million);
- a lower result on equity-accounted investments than 2016 (down €2.5 million);
- others (down €0.9 million): a lower EGI result (down €1.5 million), a lower regulatory settlement for the previous year (down €1.7 million), higher activation of software costs (up €1.5 million) and the capitalisation of issuance costs linked to the Eurobond (up €0.7 million).

The reported net profit increased more sharply by 15.8% to €121.0 million. Following the approval of the legislation implementing the corporate income tax reform in late December 2017, Elia Transmission reassessed its deferred tax assets and liabilities according to the new future tax rates that apply to the period when the asset will be realised or the liability will be settled, leading to a non-recurring result of €12.4 million for the period.

Total assets increased by 5.5% to €5,765.1 million, mainly as a result of the investment programme. The net financial debt also increased to €2,689.1 million (up 5.2%), as Elia's sizeable CAPEX programme (€485.6 million) was mainly financed by cash flows generated from operating activities (€370.2 million), the proceeds from the sale of 2.8 million green certificates to the Walloon Region leading to a cash inflow of €176.2 million and profit reservation from prior years. In addition, Elia Transmission issued a €250-million Eurobond in late March 2017, partially offset by the reimbursement of commercial paper and an EIB loan reaching maturity in 2017 (€20 million).

The equity increased mainly as a result of the reservation of the 2017 profit, partly offset by the payment of dividends for 2016 (€96.2 million).

4.3. 50Hertz Transmission (Germany)

The table below shows the 2017 consolidated results of the 50Hertz Transmission system operator activities in Germany:

50Hertz Transmission key figures (in million EUR) – Year ended 31 December*	**2017**	**2016**	**Difference (%)**
Total revenues and other income	1,330.2	1,291,2	3.0%
Depreciation, amortisation, impairment and changes in provisions	(150.1)	(139.1)	7.9%
EBIT	321.7	237.2	35.6%
EBITDA	471.8	376.3	25.4%
Finance income	1.9	1.8	5.6%
Finance costs	(56.2)	(57.1)	(1.6%)
Income tax expense	(87.1)	(56.3)	54.7%
Profit attributable to the owners of the Company	180.2	125.6	43.5%
Consolidated statement of financial position (in million EUR)	**31 December 2017**	**31 December 2016**	**Difference (%)**
Total assets	6,196.0	5,663.6	9.4%
Capital expenditure	478.1	737.3	(35.2%)
Net financial debt	1,435.6	1,623.5	(11.6%)

* 60% of the profit attributable to the owners of the Company is included in 'Share of profit of equity-accounted investees (net of income tax) of the Group'.

50Hertz Transmission's revenue increased by 3.0% compared with 2016. This was the result of increasing revenues following the increased onshore and offshore investments, as well as higher levels of other revenues.

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

Total revenues and other income (in million EUR)	**2017**	**2016**	**Difference (%)**
Vertical grid revenues	1,241.4	944.3	31.5%
Horizontal grid revenues	210.2	167.2	25.7%
Ancillary-services revenues	94.0	99.5	(5.5%)
Other revenues	73.5	64.9	13.3%
Subtotal revenues and other income	**1,619.1**	**1,275.9**	**26.9%**
Settlement mechanism: deviations from approved budget	(288.9)	15.3	n/a
Total revenues and other income	**1,330.2**	**1,291.2**	**3.0%**

Vertical grid revenue (tariffs to end customers) increased by €297.1 million primarily as a result of the increase in the total allowed revenues by the regulator. The allowed non-controllable costs for energy (up €353.6 million) to be passed on in the tariffs, which are updated each year, were impacted by a newly introduced allowance for renewable energy (RES) curtailment costs, as well as the recovery of the substantial 2015 tariff deficits for energy costs. Furthermore, following the ongoing investment programme, there was an increased allowed cost recovery for investments (up €16.4 million).

Horizontal grid revenues increased by €43.0 million compared with 2016, mainly due to higher congestion income (up €7.0 million) and higher offshore costs charged to other TSOs (up €33.7 million). In Germany, all offshore connection costs are shared among 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 the increasing offshore investments, which in 2017 related mainly to the offshore grid connection of Ostwind 1, the cost recovery charged horizontally to the other TSOs is rising and thus impacting the horizontal revenues.

Ancillary services revenues fell slightly, decreasing by €5.5 million. Cross-border redispatch revenues dropped sharply with the commissioning of phase-shifting transformers at the Czech border. This was partly compensated by higher revenues from balancing groups, as higher costs for control energy were passed on to the balancing-group owners.

The **settlement mechanism** includes both the annual offsetting of deficits and surpluses arising accounted for before 2017 (-€162.1 million) and the net surplus generated in 2017 between the costs allowed to be passed on in the tariffs and actual costs (-€126.8 million). The operational surplus in 2017 results mainly from the lower real energy costs as a result of favourable weather conditions and preventative grid measures.

The EBITDA increased to €471.8 million (up 25.4%) mainly as a result of both onshore and offshore investment activities (up €38.7 million) and lower operational expenditure (up €72.4 million). Material costs dropped significantly mainly due to lower maintenance costs, after peaking in the maintenance activity cycle in 2016. Furthermore, due to the substantial investment programme and the lower rate of maintenance activities, a higher portion of personnel costs could be allocated to new investments leading to higher own-work capitalised revenues than 2016. EBIT (up 35.6%) was further impacted by the increased depreciations as a result of the commissioning of the Southwest Coupling Line and the North Ring during 2017. Taking into account the non-recurring energy bonus realised in 2017 (€4.8 million), which was down from 2016 (€7.6 million), and non-recurring regulatory settlements (-€4.6 million), the reported EBIT came in at €321.7 million.

The net profit increased by 43.5% to €180.2 million as a result of:

- a growing asset base driven by the ongoing investment programme, leading to a higher onshore (up €17.4 million) and offshore (up €21.3 million) remuneration;
- lower OPEX and other costs (up €72.4 million);
- increased depreciation (down €11.5 million) driven by commissioning of investments;
- reduced net finance costs (up €2.3 million), with the full-year effect of the €750-million debt capital market transaction concluded in April 2016 offset by lower interest on provisions;
- increased income-tax expense (down €35.6 million).

Total assets increased by 9.4% to €6,196.0 million, mainly due to a favourable development of the EEG cash and the investments made.

50Hertz ended the year with a positive free cash flow of €283.8 million linked to the positive EEG cash flows and the remuneration of the 2015 energy costs, recovered in 2017. Consequently, the net financial debt decreased to €1,435.6 million compared with the end of 2016. The net debt includes an EEG cash position of €775.7 million.

4.4. Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in million EUR) – Year ended 31 December	2017 Elia Transmission (Belgium) (a)	2017 50Hertz Transmission (Germany) (b)	2017 Consolidation entries and intersegment transactions (c)	2017 Elia Group (a)+(b)+(c)
Total revenues and other income	887.5	1,330.2	(1,330.2)	887.5
Depreciation, amortisation, impairment and changes in provisions	(130.8)	(150.1)	150.1	(130.8)
Results from operating activities	235.9	321.7	(321.7)	235.9
Share of profit of equity-accounted investees, net of tax	0.6	0.0	108.1	108.7
EBIT	236.5	321.7	(213.6)	344.6
EBITDA	367.3	471.8	(363.6)	475.5
Finance income	5.5	1.9	(1.9)	5.5
Finance costs	(81.9)	(56.2)	56.2	(81.9)
Income tax expense	(39.1)	(87.1)	87.1	(39.1)
Profit attributable to the owners of the Company	**121.0**	**180.2**	**(72.1)**	**229.1**

Consolidated statement of financial position (in million EUR)	31 Dec 2017	31 Dec 2017	31 Dec 2017	31 Dec 2017
Total assets	5,765.1	6,196.0	(5,364.6)	6,596.5
Capital expenditure	388.1	478.1	(478.1)	388.1
Net financial debt	2,689.1	1,435.6	(1,435.6)	2,689.1

Consolidated results (in million EUR) – Year ended 31 December	2016 Elia Transmission (Belgium) (a)	2016 50Hertz Transmission (Germany) (b)	2016 Consolidation entries and intersegment transactions (c)	2016 Elia Group (a)+(b)+(c)
Total revenues and other income	868.1	1,291.2	(1,291.2)	868.1
Depreciation, amortisation, impairment and changes in provisions	(130.0)	(139.1)	139.1	(130.0)
Results from operating activities	216.6	237.2	(237.2)	216.6
Share of profit of equity-accounted investees, net of tax	3.1	0.0	75.3	78.4
EBIT	219.6	237.2	(161.8)	295.0
EBITDA	349.6	376.3	(300.9)	425.0
Finance income	7.0	1.8	(1.8)	7.0
Finance costs	(89.9)	(57.1)	57.1	(89.9)
Income tax expense	(32.0)	(56.3)	56.3	(32.0)
Profit attributable to the owners of the Company	**104.5**	**125.6**	**(50.2)**	**179.9**

Consolidated statement of financial position (in million EUR)	31 Dec 2016	31 Dec 2016	31 Dec 2016	31 Dec 2016
Total assets	5,463.6	5,663.6	(4,885.6)	6,241.6
Capital expenditure	406.9	737.3	(737.3)	406.9
Net financial debt	2,557.3	1,623.5	(1,623.5)	2,557.3

There are no significant intersegment transactions.

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

5. Equity-accounted investees

5.1. Joint ventures

Eurogrid International CVBA is a joint venture of the Group. The Company was established by the Group together with IFM Investors (UK) Ltd to acquire 50Hertz Transmission GmbH, one of the four German transmission system operators. The Group has a stake of 60% in the joint venture. Eurogrid International is a private entity that is not listed on any public exchange.

Eurogrid International and its subsidiaries (see Note 8.5) together form the segment 50Hertz Transmission (Germany). See Note 4.3.

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)	2017	2016
Percentage ownership interest	**60.00%**	**60.00%**
Non-current assets	4,580.4	4,238.6
Current assets	1,615.6	1,425.1
Non-current liabilities	3,096.6	3,188.7
Current liabilities	1,714.0	1,178.6
Equity	1,385.4	1,296.4
Group's carrying amount for the interest	**831.3**	**777.8**
Revenues and other income	1,330.2	1,291.2
Depreciation and amortisation	(149.8)	(138.3)
Net finance result	(54.4)	(55.4)
Profit before income tax	267.3	181.9
Income-tax expense	(87.1)	(56.3)
Profit for the year	180.2	125.6
Total comprehensive income for the year	180.2	125.6
Group's share of profit for the year	**108.1**	**75.4**
Dividends received by the Group	55.9	55.6

Since February 2015, Elia and National Grid have had a joint venture, Nemo Link Ltd, in place for the construction of an 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. The two companies have an equal ownership percentage. The figures of this joint venture are incorporated into the Belgian segment (see Note 4.2). In 2017, Elia injected €56.4 million in capital into Nemo Link Ltd.

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)	2017	2016
Percentage ownership interest	**50.0%**	**50.0%**
Non-current assets	490.7	242.4
Current assets	63.7	29.2
Non-current liabilities	297.1	111.6
Current liabilities	72.3	85.0
Equity	185.0	74.9
Group's carrying amount for the interest	**92.5**	**37.5**
Revenues and other income	0.0	0.0
Depreciation and amortisation	0.0	0.0
Net finance result	(0.1)	(0.2)
Profit before income tax	(0.1)	(0.3)
Income tax	(2.6)	3.0
Profit for the year	(2.7)	2.7
Total comprehensive income for the year	(2.7)	2.7
Group's share of profit for the year	**(1.4)**	**1.4**
Dividends received by the Group	0.0	0.0

5.2. Associates

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

The Group acquired a 12.5% interest in Enervalis NV during the year. This is 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. Therefore the Group considers to have 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 provided to TSOs and distribution system operators (DSOs) so that they can more quickly anticipate on changes in energy supply and demand. On 31 January 2017, the Group acquired 128 additional shares from the previous shareholders.

The Group has a 20.6% interest in Coreso NV/SA, a company which provides coordination services aimed at facilitating the secure operation of the high-voltage electricity system in seven countries. During the year, the Group transferred 127 shares to new shareholders; 63 of these shares were held by entities in the German segment.

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 2017, the Group received a dividend of €0.9 million from HGRT (€1.7 million in 2016).

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	
	2017	2016	2017	2016	2017	2016	2017	2016
Percentage ownership interest	**12.5%**	**0.0%**	**20.5%**	**19.6%**	**20.6%**	**21.7%**	**17.0%**	**17.0%**
Non-current assets	0.3	-	0.2	0.0	3.1	2.3	93.0	93.4
Current assets	1.4	-	5.8	4.8	2.5	2.3	7.2	1.5
Non-current liabilities	0.0	-	0.1	0.1	0.0	0.0	0.0	0.0
Current liabilities	0.3	-	2.8	1.9	3.2	2.5	0.1	0.0
Equity	1.3	-	3.1	2.8	2.4	2.2	100.2	94.9
Group's carrying amount for the interest	**0.7**	**-**	**0.6**	**0.5**	**0.4**	**0.5**	**17.0**	**16.1**
Revenues and other income	0.8	-	2.6	1.2	10.5	9.2	0.0	0.0
Profit before income tax	(1.1)	-	0.7	2.1	0.5	0.4	11.0	8.1
Income-tax expense	0.0	-	(0.3)	(0.1)	(0.2)	(0.2)	(0.2)	(0.5)
Profit for the year	(1.1)	-	0.4	1.9	0.2	0.2	10.8	7.6
Total comprehensive income for the year	(1.1)	-	0.4	1.9	0.2	0.2	10.8	7.6
Group's share of profit for the year	**0.0**	**-**	**0.1**	**0.4**	**0.0**	**0.0**	**1.8**	**1.3**

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

6.1. Revenue

(in million EUR)	2017	2016
Revenue	806.4	785.1
Transfers of assets from customers	22.1	15.1
Total revenue	**828.5**	**800.1**

We refer to the segment reporting for a breakdown of the significant categories within the revenue of the Belgian segment (Note 4.2).

6.2. Other income

(in million EUR)	2017	2016
Services and technical expertise	0.0	5.7
Own production	25.5	19.2
Optimal use of assets	14.3	14.4
Other	18.2	28.5
Gain on sale PPE	1.0	0.2
Other operating income	**59.0**	**68.0**

The Group's own production relates to time worked on investment projects by own employees. The €6.3-million increase is mainly due to the increase in capital expenditure and the completion of the Stevin project. This last phase required a lot of testing and human intervention to ensure that the project could be operational in time.

The optimal use of assets mainly represents income generated from contracts with telecom operators, where pylons and dark fibres are made available as a support to their mobile network.

The section 'Other' has decreased by €10 million. This is mainly due to the one-off impact in 2016 of the Nemo development costs. Those development costs (€8.8 million) were invoiced to Nemo Link Ltd in 2016.

6.3. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in million EUR)	2017	2016
Raw materials, consumables and goods for resale	9.6	18.8
Purchase of ancillary services	140.2	133.2
Services and other goods (excl. purchase of ancillary services)	204.2	203.5
Total	**354.0**	**355.4**

The decrease in raw materials, consumables and goods for resale is primarily driven by EGI GmbH. In 2016, substantial costs were incurred by a number of projects where key milestones were reached.

Purchase of ancillary services includes the costs for services which enable the Group to balance generation with demand, to maintain constant voltage levels and to manage congestion on its grids. The cost incurred in 2017 mainly increased because of the number of activations needed to guarantee a balanced grid. These were mainly a result of the colder winter period in 2017, leading to higher levels of electricity consumption, as well as of increased electricity generation by wind energy, which had an effect on overall production.

Services and other goods are related to maintenance of the grid, services provided by third parties, insurance and consultancy, among others.

PERSONNEL EXPENSES

(in million EUR)	2017	2016
Salaries and wages	101.6	94.2
Social security contributions	26.2	25.1
Pension costs	7.2	12.7
Other personnel expenses	9.9	7.9
Share-based payment	0.1	1.0
Employee benefits (excl. pensions)	2.2	3.0
Total	**147.2**	**143.9**

In March 2017, 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 9,861 additional shares without nominal value. The Group's employees were granted a 16.66% reduction on the quoted share price, which resulted in a €0.1-million reduction overall. The transaction resulted in a €0.3-million capital increase and a €0.1-million increase in the share premium.

Elia Group had 1,333.2 FTEs on 31 December 2017 as opposed to 1,268.5 FTEs at the end of 2016, i.e. a 7.4% increase.

For more information regarding pension costs and employee benefits, see Note 7.12: Employee benefits.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in million EUR)	2017	2016
Amortisation of intangible assets	8.0	8.5
Depreciation of property, plant and equipment	123.4	115.9
Total depreciation & amortisation	**131.3**	**124.4**
Impairment of inventories	(0.3)	0.3
Total impairment	**(0.3)**	**0.3**
Other provisions	1.3	2.9
Environmental provisions	(1.6)	2.4
Changes in provisions	**(0.4)**	**5.3**
Total	**130.8**	**130.0**

The amount of impairment on trade receivables is explained in Note 8.2: Financial risk and derivative management.

A detailed description is provided in other sections for 'Intangible assets' (see Note 7.2), 'Property, plant and equipment' (see Note 7.1) and 'Provisions' (see Note 7.13).

OTHER EXPENSES

(in million EUR)	2017	2016
Taxes other than income tax	11.9	12.9
Loss on disposal/sale of property, plant and equipment	7.5	9.1
Impairment on receivables	0.3	0.2
Other operating expenses	**19.6**	**22.2**

Taxes other than income tax mainly consist of property taxes.

6.4. Net finance costs

(in million EUR)	2017	2016
Finance income	**5.5**	**7.0**
Interest income on investment trust, cash and cash equivalents and granted loans	3.6	1.6
Other financial income	1.9	5.4
Finance costs	**(81.9)**	**(89.9)**
Interest expense on eurobonds and other bank borrowings	(68.1)	(76.4)
Interest expense on derivatives	(9.3)	(9.2)
Other financial costs	(4.5)	(4.2)
Exchange losses	(0.0)	(0.1)
Net finance costs	**(76.5)**	**(82.8)**

Interest income on investment trust, cash and cash equivalents and granted loans involves €3.6 million in interest relating to a loan agreement between Elia System Operator and Nemo Link Ltd. See Note 7.4.

The interest expenses on eurobonds and other bank borrowings decreased as a result of lower interest rates being available in the market. In 2016, a €500.0-million eurobond was repaid, subject to higher historic interest rates, with a €250.0-million eurobond being issued in March 2017. See Notes 4.2 and 8.2.

For more details of net debt and loans, see Note 7.11.

6.5. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in million EUR)	2017	2016
Current year	28.5	15.4
Adjustments for prior years	0.7	(2.9)
Total current income tax expenses	**29.2**	**12.5**
Origination and reversal of temporary differences	9.9	19.4
Total deferred taxes	**9.9**	**19.4**
Total income taxes recognised in profit and loss	**39.1**	**32.0**

The current income tax expenses increased in 2017 compared with 2016. The main reason for this were the higher profits realised in 2017 than in the financial year 2016 and the effect of the 'notional interest deduction'. The latter was not only impacted by a decreased Notional Interest Deduction percentage in the course of the year (from 1.13% in the financial year 2016 to 0.24% in the financial year 2017) but also the utilisation of all the outstanding notional interest carried forward.

The lower deferred tax charge is mainly a result of tax reform, which gave a €12.4-million positive effect on profit and loss.

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 as follows:

(in million EUR)	2017	2016
Profit before income tax	268.2	212.2
Income tax expense	**39.1**	**32.0**
Income tax, using the domestic corporate income tax rate	91.2	72.1
Domestic corporate income tax	33.99%	33.99%
Effect of the foreign tax rate	(0.2)	(0.1)
Share of profit of equity-accounted investees	(37.0)	(26.7)
Non-deductible expenses	2.6	2.4
Adjustments prior years	0.7	(2.9)
Tax incentives (notional interest deduction)	(13.1)	(18.0)
Tax credit R&D	(2.3)	(5.6)
Effect of NID carried forward on regulatory balance	7.9	8.2
Fairness tax	0.0	0.6
Tax reform: deferred income tax adjustments	(12.4)	0.0
Other	1.8	1.9
Income tax expense	**39.1**	**32.0**

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

The notional interest deduction (NID) decreased from the previous year. This is mainly a result of the lower NID-percentage that decreased to 0.24% in the financial year 2017, as opposed to 1.13% in the financial year 2016, and the lower tax assets with respect to notional interest carried forward.

Deferred income taxes are discussed further in Note 7.5.

6.6. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company (€229.1 million) by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares	2017	2016
Ordinary shares issued on 1 January	60,891,158	60,750,239
Impact of the shares issued in December 2016		3,475
Impact of the shares issued in March 2017	7,646	
Weighted average number of shares on 31 December	**60,898,804**	**60,753,714**

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 €43.4 per share on 31 December 2017, compared with a value of €41.4 per share at the end of 2016.

6.7. Other comprehensive income

Total comprehensive income includes both the result of the period recognised in the statement of profit or loss and the 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

(in million EUR)	2017	2016
Net changes in fair value of interest-rate swaps	6.2	5.7
Recognised in:		
Hedging reserve	6.2	5.7

The decrease in market value of the Group's interest-rate swaps can be explained by the maturity of all the existing interest-rate swap contracts in 2017. At the year-end of 2017, the Group was only engaged in two smaller foreign-currency rate swaps with a fair value of below €0.1 million.

The hedging reserve is discussed in detail in Note 8.2.

Remeasurements

The OCI had a negative impact of €10.3 million, mainly relating to defined-benefit plan actuarial gains and losses (including the impact of reimbursement rights) (also see Note 7.12). The lower OCI compared with 2016 is mainly due to the impact incurred in the current year from experience adjustments to the defined-benefit plans.

7. Items in the consolidated statement of financial position

7.1. 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 2016	193.6	4,666.2	153.8	15.0	346.2	5,374.8
Additions	2.4	43.3	11.2	0.1	340.1	397.2
Disposals	(0.5)	(35.7)	(2.8)	(0.3)	(2.8)	(42.1)
Transfers from one heading to another	4.2	230.3	0.0	0.0	(234.6)	0.0
Balance at 31 December 2016	**199.8**	**4,904.2**	**162.2**	**14.8**	**448.9**	**5,729.9**
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
DEPRECIATION AND IMPAIRMENT						
Balance at 1 January 2016	(20.8)	(2,535.5)	(120.2)	(11.1)	-	(2,687.7)
Depreciation	(2.0)	(105.1)	(8.3)	(0.5)	-	(115.9)
Disposals	0.0	27.0	2.8	0.3	-	30.1
Balance at 31 December 2016	**(22.8)**	**(2,613.7)**	**(125.7)**	**(11.3)**	**-**	**(2,773.4)**
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)**
CARRYING AMOUNT						
Balance at 1 January 2016	172.8	2,130.6	33.6	3.9	346.2	2,687.2
Balance at 31 December 2016	177.0	2,290.5	36.5	3.5	448.9	2,956.5
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

A net amount of €377.3 million was invested in 2017 by Elia Transmission, mainly on upgrading high-voltage substations and laying high-voltage cables. The largest investment in 2017 was on the Stevin project: €67 million was invested in this project, mainly on substations and power lines. Investments in ALEGrO (€21.6 million), MOG (€21.7 million), Mercator-Horta (€33.5 million) and Brabo (€37.6 million) were also made in 2017.

During 2017, €8.2 million (€8.5 million in 2016) of borrowing costs have been capitalised on 2017 acquisitions, based on an average interest rate of 3.21% (4.0% in 2016).

Outstanding capital expenditure commitments are described in Note 8.3.

7.2. Intangible assets and goodwill

(in million EUR)	Goodwill	Development costs of software	Licences/ concessions	Total
ACQUISITION VALUE				
Balance at 1 January 2016	1,707.8	81.4	2.4	1,791.6
Acquired own construction capitalised	0.0	8.8	0.9	9.7
Balance at 31 December 2016	**1,707.8**	**90.2**	**3.4**	**1,801.3**
Balance at 1 January 2017	1,707.8	90.2	3.4	1,801.3
Acquired own construction capitalised	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**
DEPRECIATION AND IMPAIRMENT				
Balance at 1 January 2016	(0.0)	(55.0)	(1.9)	(57.0)
Amortisation	0.0	(8.2)	(0.3)	(8.5)
Balance at 31 December 2016	**(0.0)**	**(63.3)**	**(2.2)**	**(65.5)**
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)**
CARRYING AMOUNT				
Balance at 1 January 2016	1,707.8	26.4	0.5	1,734.6
Balance at 31 December 2016	1,707.8	26.9	1.1	1,735.8
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

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

During 2017, €0.2 million in borrowing costs were capitalised on 2017 acquisitions (compared with €0.1 million in 2016 on that year's acquisitions), based on an average interest rate of 3.21% (4.0% in 2016).

The goodwill, which is allocated to the CGU Elia Transmission (Belgium), relates to the following business combinations:

(in million EUR)	2017	2016
Acquisition Elia Asset - 2002	1,700.1	1,700.1
Acquisition Elia Engineering - 2004	7.7	7.7
Total	**1,707.8**	**1,707.8**

IMPAIRMENT TEST FOR CASH-GENERATING UNIT ELIA TRANSMISSION (BELGIUM) CONTAINING GOODWILL

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 is the owner of the whole of the very-high-voltage network and is the owner of 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. Therefore, this difference has 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 and is based on the following valuation methods and applying the following assumptions (according to the fair value less cost to sell methodology):

- discounting of future cash flows and using the Regulated Asset Base (RAB) as the basis for the estimation of the terminal value;
- discounting of future dividends;
- comparison between the previously mentioned impairment methods and those used by various comparable Western European listed companies, such as Red Eléctrica de España, Enagas, Terna, Snam Rete Gas, National Grid and Fluxys;
- the market valuation based on the Company's share price.

The future cash flows and future dividend methods are based on the business plan for the period 2018-2027.

The key assumptions used for this valuation are:

- a tax rate of 29.58% for the years 2018-2019, and a tax rate of 25% thereafter;
- an unlevered beta of 0.53;
- a market-risk premium of 4.5%;
- a perpetual growth rate of 0.78%.

In addition, three different discounted cash flow (DCF) approaches were used:
1) DCF based on a fixed WACC:

- Risk-free rate: 2.5%, based on the 10-year average of the Belgian 10-year government bonds;
- the levered beta calculated based on the target debt ratio of 67%;
- cost of equity: 8.3%;
- cost of debt pre-tax: 3.0%;
- WACC: 4.2%.

2) DCF based on a variable WACC:

- variable cost of equity due to a variable levered beta (based on an unlevered beta of 0.53 and the forecast debt ratios) and a variable risk-free rate (1.7% in 2018, 2.35% in 2019, 2.60% in 2020 and 2.50% for 2021 and the years thereafter);
- variable cost of debt based on the annual interest cost forecasts in the business plan (ranges between 2.4% and 3.4% in the period 2018-2027);
- the WACC varying from 4.0% to 4.4%.

3) Adjusted present value (APV) method:

- based on an unlevered cost of equity of 4.9%.

The independent analysis did not result in the identification of an impairment of goodwill in the financial year 2017.

With regard to the assessment of the recoverable amount, management believe, 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.

7.3. Other financial assets

(in million EUR)	2017	2016
Immediately claimable deposits	7.1	7.1
Available for sale assets	0.2	0.2
Reimbursement rights	53.6	58.1
Total	**60.9**	**65.4**

Immediately claimable deposits are measured at fair value. The risk profile of these investments is discussed in Note 8.2.

The reimbursement rights are linked to the obligations for the retired employees falling under the interest scheme (Scheme B - unfunded plan) on the one hand and medical plan liabilities and tariff benefits (for the entire retired population) on the other (also see Note 7.12: 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 7.12: Employee benefits.

7.4. Non-current trade and other receivables

(in million EUR)	2017	2016
Loans to joint ventures	147.8	63.0
Total	**147.8**	**63.0**

As mentioned in Note 5.1, the Group has a 50% stake in the shares of Nemo Link Ltd. This company is financed by both shareholders through equity and loans. As a result, at 31 December a non-current receivable is outstanding on Nemo Link Ltd amounting to €147.8 million. Of this €147.8 million, €138.7 million is accounted for as an unsecured loan instrument with a fixed interest rate of 4% and a maturity of 25 years after the commercial operations date of the interconnector (see Note 6.4). The remaining sum of €9.1 million is a trade receivable on which both parties have agreed to extend the payment term to the time Nemo Link becomes operational (not before 2019). As a consequence, the trade receivable is classified as a non-current receivable and bears a fixed interest rate.

7.5. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million EUR)	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	1.2	(31.4)	1.6	(32.9)
Intangible assets	0.0	(8.4)	0.1	(9.3)
Interest-bearing loans and other non-current financial liabilities	0.0	(1.2)	1.7	0.0
Employee benefits	7.6	0.0	5.6	0.0
Notional interest deduction carried forward - previous accounting years	0.0	0.0	11.9	0.0
Deferred tax on investment grants	0.0	(1.2)	0.0	0.0
Other items	0.8	(7.3)	0.5	(6.9)
Tax asset/liability before offsetting	**9.6**	**(49.5)**	**21.3**	**(49.2)**
Offsetting of tax	(8.6)	8.6	(20.4)	20.4
Net tax asset/(liability)	**1.0**	**(40.9)**	**0.8**	**(28.7)**

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	Recognised in profit or loss	Recognised in OCI	Other	Closing balance
2016					
Property, plant and equipment	(24.4)	(7.1)			(31.4)
Intangible assets	(8.9)	(0.3)			(9.2)
Inventories	(1.0)	1.0			0.0
Interest-bearing loans and other non-current financial liabilities	4.5	0.2	(2.9)		1.7
Employee benefits	6.7	(0.8)	(0.4)		5.6
Notional interest deduction carried forward - previous accounting years	24.3	(12.4)			11.9
Other items	(6.5)	(0.0)			(6.5)
Total	**(5.1)**	**(19.4)**	**(3.3)**		**(27.9)**
2017					
Property, plant and equipment	(31.4)	1.2			(30.2)
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 accounting years	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)**	**(9.9)**	**(0.9)**	**(1.2)**	**(39.9)**

As of 2012, a deferred tax asset has been recognised on the notional interest deduction reserve, as a result of the changes made to the mechanism of the recuperation and changes to the regulatory framework. The deferred tax asset on the notional interest deduction reserve further decreased by €11.9 million to nil as at 31 December 2017. This significant reduction can be explained by the continued decline in the notional interest deduction rate for the financial year 2017, which ultimately resulted in the all the remaining reserves carried forward being used.

The deferred tax on investment grants relates to a deferred tax liability for grants received. The deferred tax liability was recognised against the payment received and, as such, did not have an impact on OCI or profit and loss.

On 25 December 2017, the Belgian government published a tax reform law. This law envisages, among other things, a decrease in the corporation-tax rate from 33.99% to 29.58% in the financial years 2018 and 2019 and a further decrease to 25% in the financial year 2020. The effect of this law has been considered in the measurement of the deferred tax liabilities as at 31 December 2017, resulting in a positive €12.4m effect on the statement of profit and loss and an €2.4-million offsetting effect on other comprehensive income.

IMPACT OF THE TAX REFORM ON PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(in million EUR)	2017	
	Recognised in profit or loss	Recognised in OCI
Temporary differences	176.5	(26.6)
Deferred tax, at taxes rates applicable for financial year 2017	58.8	(9.0)
Deferred tax, at new rates	46.4	(6.6)
Effect of tax reform	**(12.4)**	**2.4**

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES
As at 31 December 2017, there were no unrecognised deferred tax assets.

Within the Elia Group there is no formal policy regarding dividend distributions by subsidiaries. The Elia Group joint ventures will not distribute their profits until they obtain the consent of all venture partners, in other words the Group controls the timing of the reversal of the related taxable temporary differences, but management are confident that they will not be reversed in the foreseeable future. In this respect, the Group is no longer subject to an (unrecognised) deferred tax liability (this amounted to €3.3 million in 2016) considering that as part of the tax reform, dividends received from subsidiaries will become fully tax exempt for the parent company.

7.6. Inventories

(in million EUR)	2017	2016
Raw materials and consumables	27.6	37.0
Write-downs	(14.0)	(14.3)
Total	**13.6**	**22.6**

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 decrease of inventories is mainly due to a decreased work-in-process balance for Elia Grid International compared with the financial year 2016, as a result of the completion of a substantial project throughout 2017.

Write-downs are recorded following the non-utilisation of stock-items based on their underlying rotation. These were slightly lower than in 2016.

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

(in million EUR)	2017	2016
Construction contracts in progress	3.9	4.2
Trade and other receivables and advance payments	227.2	221.7
Levies	20.6	139.9
VAT and other taxes	24.2	6.8
Other	5.2	7.0
Deferred charges and accrued revenues	9.5	6.1
Total	**290.6**	**385.7**

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

Construction contracts in progress remained stable at €3.9 million as opposed to €4.2 million the previous year. Those construction contracts in progress mainly arise from EGI's business.

The decrease in levies is mainly due to:

- a lower outstanding balance of green certificates with regard to the Walloon Region (decrease from a receivable of €91.7 million at the year-end of 2016 to a payable of €49.1 million at the year-end of 2017). The decrease is mainly due to the purchase of 2.8 million green certificates by the Walloon Region in September 2017, as approved by the Decree of 29 June 2017. This resulted in a cash inflow of €176.2 million (please also see Note 8.3 in this regard). This transaction had no impact on the Group's profit-and-loss statement;
- a decrease of €29.8 million relating to Flemish green certificates; this was a result of an upward adjustment in the tariffs to be charged in 2017 and increased sales volumes on auctions over the financial year 2017; and
- the fact that these were partially compensated by a higher outstanding amount of levies to cover the costs for the Strategic Reserve (increase from €2.3 million to €9.3 million in 2017).

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are shown in Note 8.2.

At 31 December, the ageing analysis of trade and other receivables and advance payments is as follows:

(in million EUR)	2017	2016
Not past due	218.7	200.4
Past due 0-30 days	0.8	10.0
Past due 31-60 days	2.9	3.8
Past due 61 days - one year	2.8	5.7
More than one year	1.6	1.6
Total (excl. impairment)	**226.8**	**221.5**
Doubtful amounts	1.7	1.3
Amounts of write-offs	(1.3)	(1.1)
Total	**227.2**	**221.7**

7.8. Current tax assets

(in million EUR)	2017	2016
Tax receivables	3.8	2.8
Total	**3.8**	**2.8**

The tax receivables have remained in line with the previous year. The €3.8 million in tax receivables at 31 December 2017 mainly relate to 2017 advances on corporation tax to be recovered in the financial year 2018.

7.9. Cash and cash equivalents

(in million EUR)	2017	2016
Call deposits	55.2	22.5
Balance at bank	140.0	154.1
Total	**195.2**	**176.6**

Cash and cash equivalents have increased in the course of the year. This increase was mainly driven by the higher profitability during the year, as well as by the €176.2-million cash inflow which resulted from the 2.8 million green certificates that were sold in September 2017 (Note 8.3). This effect has partially been offset by a continued high level of capital expenditure in the electricity grid.

Short-term call 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 0.00% to 0.10%.

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 €29.0 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.

7.10. Shareholders' equity

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2017	2016
Outstanding on 1 January	60,891,158	60,750,239
Issued against cash payment	9,861	140,919
Number of shares (end of period)	**60,901,019**	**60,891,158**

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.

In December 2016, 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 €4.4-million increase (including the cost for the capital increase amounting to €0.9 million) in the share capital and simultaneously in a €1.8-million increase in share premium.

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.

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 2017 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 and the profit carried forward from previous financial years of the Company, including the profit for the financial year ended 31 December 2017. Shareholders must approve the dividend payment at the Annual General Meeting of Shareholders.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash-flow hedging instruments with regard to hedged transactions that have not yet occurred.

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

Dividend	2017	2016
Per ordinary share entitled to dividend	1.62	1.58

At the General Meeting of Shareholders on 16 May 2017, the Board of Directors proposed the payout of a gross dividend of €1.58 per share, which yields a net dividend of €1.1106 per share, yielding a total amount of €96.2 million.

The Board of Directors' meeting of 22 February 2018 proposed a gross dividend of €1.62 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 15 May 2018 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 22 February 2018, corresponds to a total of €98.7 million.

7.11. Interest-bearing loans and borrowings

(in million EUR)	2017	2016
Non-current borrowings	2,834.7	2,586.4
Subtotal non-current borrowings	**2,834.7**	**2,586.4**
Current borrowings	0,0	100.0
Accrued interest	49.5	47.5
Subtotal current loans and borrowings	**49.5**	**147.5**
Total	**2,884.2**	**2,733.9**

See Note 7.18 for an explanation of the changes in interest loans and borrowings.

The net increase in interest-bearing loans and borrowings is explained by the issuance of a new €250-million eurobond in March 2017, as well as the repayment of the European Investment Bank loan (€20.0 million) and the dematerialised treasury notes (€78.0 million), as those loans matured in financial year 2017.

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

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

Information concerning the contractual maturities of the Group's interest-bearing loans and borrowings (current and non-current) is given below.

(in million EUR)	Face value	Less than 1 year	1 - 2 years	3 - 5 years	More than 5 years
Shareholders' loan	495.8			495.8	
Eurobond issues	2,350.0			500.0	1,850.0
Total	**2,845.8**			**995.8**	**1,850.0**

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

(i) 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.

(ii) 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.

(iii) 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.

(iv) The Company will retain at least a 75% participation in Elia Asset SA/NV.

(v) The Company will keep its licence as a transmission system operator.

7.12. Employee benefits

DEFINED-CONTRIBUTION PLANS

Employees remunerated based on a 'salary scale' who were recruited after 1 June 2002 and management staff recruited after 1 May 1999 are covered by two defined-contribution pension plans (Powerbel and Enerbel).

Below we briefly describe these two defined-contribution plans:

- **Enerbel**
  This scheme is aimed at salaried employees hired after 1 June 2002.
  The employee's contribution is based on a step-rate formula, being equivalent to 0.875% of the portion of the salary below a given ceiling plus 2.625% of the portion of the salary above this ceiling. This contribution is deducted each month from the employee's salary.
  The employer's contribution is equivalent to 3 times the employee's contribution.

- **Powerbel**
  This scheme is aimed at managers hired on or after 1 May 1999, and those who asked to be transferred onto it when given the opportunity in 2007 and 2015.
  The employee's contribution is based on a step-rate formula, being equivalent to 0.6% of the portion of the salary below a given ceiling plus 4.6% of the portion of the salary above this ceiling. This contribution is deducted monthly from the subscribers' salary.
  The employer's contribution is equivalent to 4 times the employee's contribution.

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, this law requires employers to guarantee an average annual return of at least 1.75% over the course of a career, up to a cap of 3.75%.

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.

As the Belgian contribution-based promises are not back-loaded, the DBO was determined based on the Projected Unit Credit (PUC) method without any projection of future contributions. Until the end of 2015, the intrinsic value method was used. For any plan the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any).

The guaranteed return for 2016 amounts to 1.75% and is applied in accordance with the vertical method to all paid contributions to the pension funds and to the insurers (branch 21 products).

In 2016, it was decided to offer DC-plan subscribers the option to transfer the acquired reserves guaranteed by the insurers to the pension funds in the form of a 'cash balance – best off' plan with a minimum guaranteed return of 3.25%. The reserves of all salary-scale employees have been transferred to the pension funds, following a collective labour agreement, and the vast majority of the management staff have individually opted to transfer their reserves as well. For further details, please see the section 'Defined-benefit plans' below.

In 2017, further transfers from the existing bonus pension plan and seniority premium plan were offered. All the members of staff eligible for such a transfer have opted to transfer their reserves into a 'cash balance – best off' plan.

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. The amount of future cash flows depends on wage growth.

DEFINED-BENEFIT PLANS

In Belgium, collective agreements regulate the rights of company employees in the electricity and gas industries.
These agreements provide 'pension supplements' based on the annual salary and an employee's career within a company. If the employee passes away, the supplements are partially revertible to the inheritor (wife/orphan). 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 qualified as a defined benefit.

The collective agreement determines that active staff hired from 1 January 1993 until 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, the Group 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 pension age. As this guarantee is an obligation by the employer, these plans represent defined-benefit plans.

Elia Transmission Belgium also has early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and price subsidies, 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.

The total net liability for employee-benefit obligations is as follows:

(in million EUR)	2017	2016
Defined-benefit plans	21.2	12.1
Post-employment benefits other than pensions	63.1	63.0
Total provisions for employee benefits	**84.3**	**75.1**

In the following tables, details are given of the outstanding provision for employee benefits, with the split between pension cost ('Pensions') and non-pension costs ('Other'), which encompasses healthcare costs, tariff benefits and jubilee benefits.

(in million EUR)	Pensions		Other	
	2017	2016	2017	2016
Present value of funded defined-benefit obligation	(224.3)	(192.1)	(63.7)	(63.6)
Fair value of plan assets	203.1	179.9	0.6	0.6
Net employee benefit liability	**(21.2)**	**(12.1)**	**(63.1)**	**(63.0)**

Movement in the present value of the defined benefit obligation (in million EUR)	Pensions		Other	
	2017	2016	2017	2016
At the beginning of the period	**(192.1)**	**(160.6)**	**(63.6)**	**(59.7)**
Current service cost	(6.9)	(10.2)	(1.7)	(1.7)
Interest cost/income	(3.2)	(3.3)	(1.0)	(1.3)
Contributions from plan participants	(1.2)	0.7	0.0	0.0
Cost of early retirement	0.1	(0.3)	0.0	0.0
Including remeasurement gains/(losses) in OCI and in Statement of profit or loss, arising from				
• Changes in demographic assumptions	1.7	0.0	0.7	0.0
• Changes in financial assumptions	(0.7)	(14.6)	(0.6)	(3.3)
• Changes from experience adjustments	(16.5)	8.1	(0.2)	(0.3)
Taxes on contributions paid during the year	1.2	0.0	0.0	0.0
Past service cost	0.0	(2.6)	0.0	0.0
Payments from the plan	11.8	16.4	2.7	2.8
Settlements	0.0	0.0	0.0	(0.1)
Transfers	(18.5)	(25.8)	0.0	0.0
At the end of the period	**(224.3)**	**(192.1)**	**(63.7)**	**(63.6)**

Movements in the fair value of the plan assets (in million EUR)	Pensions		Other	
	2017	2016	2017	2016
At the beginning of the period	**179.9**	**139.7**	**0.6**	**0.7**
Interest income	2.8	2.9	0.0	0.0
Remeasurement gains/losses in OCI arising from:				
Return of plan assets (excluding interest income on plan assets)	2.4	8.7	(0.0)	(0.0)
Contributions from employer	9.9	17.5	1.1	2.8
Contributions from plan participants	1.2	1.8	0.0	0.0
Benefit payments	(11.8)	(16.4)	(1.1)	(2.8)
Transfers	18.5	25.8	0.0	0.0
At the end of the period	**203.1**	**179.9**	**0.6**	**0.6**
Actual return on plan assets	**23.7**	**11.6**	**(0.0)**	**(0.0)**

Amounts recognized in comprehensive income (in million EUR)	Pensions		Other	
	2017	2016	2017	2016
Service cost				
Current service cost	(6.9)	(9.5)	(1.7)	(1.7)
Cost of early retirement	0.1	(0.3)	0.0	0.0
Past service cost	0.0	(2.6)	0.0	0.0
Settlements	0.0	0.0	0.0	(0.1)
Actuarial gains/(losses) on defined-benefit obligation	0.0	0.0	0.5	0.0
Net interest on the net defined-benefit liability/(asset)				
Interest cost on defined-benefit obligation	(3.2)	(3.3)	(1.0)	(1.3)
Interest income on plan assets	2.8	2.9	0.0	0.0
Other	0.0	0.0	0.0	0.0
Defined-benefit costs recognised in profit or loss	**(7.2)**	**(12.7)**	**(2.2)**	**(3.0)**
Actuarial gains(/losses) on defined obligations arising from:				
1) Changes in demographic assumptions	1.7	0.0	0.2	0.0
2) Changes in financial assumptions	(0.7)	(14.6)	0.2	(3.3)
3) Changes from experience adjustments	(16.5)	8.1	(1.0)	(0.3)
Return on plan assets (excluding interest income on plan assets)	2.4	8.7	0.0	0.0
Remeasurements of net defined benefit(/liability)/asset recognised in other comprehensive income (OCI)	**(13.1)**	**2.2**	**(0.6)**	**(3.6)**
Total	**(20.3)**	**(10.5)**	**(2.8)**	**(6.7)**

(in million EUR)	2017	2016
Breakdown of defined-benefit obligation by type of plan participants	**(288.0)**	**(255.7)**
Active plan participants	(215.5)	(177.7)
Terminated plan participants with def.-benefit entitlements	(10.9)	(5.6)
Retired plan participants and beneficiaries	(61.6)	(72.4)
Breakdown of defined-benefit obligation by type of benefits	**(288.0)**	**(255.7)**
Retirement and death benefits	(224.3)	(192.1)
Other post-employment benefits (medical and tariff reductions)	(45.0)	(44.1)
Seniority payments	(18.7)	(19.5)

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 falling into the 'defined contribution' category (step-rate formula a%t1 + b%t2) deducted each month from their salaries.

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	2017	2016
Investments quoted in an active market	**80.74%**	**88.10%**
Shares - eurozone	15.35%	20.49%
Shares - outside eurozone	20.90%	25.23%
Government bonds - eurozone	5.10%	1.48%
Other bonds - eurozone	31.25%	21.83%
Other bonds – outside eurozone	8.14%	19.07%
Unquoted investments	**19.26%**	**11.90%**
Qualifying insurance contracts	0.00%	0.62%
Property	3.77%	4.70%
Cash and cash equivalents	1.04%	0.12%
Other	14.44%	6.45%
Total (in %)	**100.00%**	**100.00%**

Due to the long-term nature of the plan liabilities, the board of the pension fund, of which Elia Transmission (Belgium) is a member, considers it appropriate that a reasonable portion of the plan assets be invested in equity securities to leverage the return generated by the fund.

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 3.6%.

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.

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)	2017	2016
Discount rate		
- Pensions - defined-benefit plans and cash balance - best off plans	1.31%	between 1.36% and 1.50%
- Pensions - defined-contribution plans	between 1.77% and 1.87%	between 1.82% and 2.05%
- Other	1.72%	1.69%
Expected average salary increase (excluding inflation)	1.00%	2.00%
Expected inflation	1.75%	1.75%
Expected increase in health benefits (including inflation)	2.75%	2.75%
Expected increase in tariff advantages	1.75%	1.75%
Average assumed retirement age		
- Employee	63	63
- Manager	65	65
Mortality table used		
- Active personnel	IABE	IABE
- Inactive personnel	IABE	IABE
Life expectancy in years of a pensioner retiring at age 65:		
For a person aged 65 at closing date:		
- Male	19.9	19.9
- Female	24.0	24.0
For a person aged 65 in 20 years:		
- Male	22.3	22.3
- Female	26.0	26.0

(in years)	2017	2016
Weighted average duration of the defined-benefit obligation	9.58	9.15
Weighted average duration of the defined-contribution plans	18.43	18.96
Weighted average duration of the post-employment benefits other than pensions	14.03	13.45

The actual return on plan assets in % for 2017 was in the range of 3.31% to 5.86% (compared with a range of 3.0% to 5.6% in 2016).

The Group expects to contribute €4.5 million to its Belgian defined-benefit pension plans and €0.3 million to its Belgian defined-contribution pension plans in 2018.

Below we also provide an overview of the expected cash outflows for the DB plans over the next five years:

Future expected cash outflows	2018	2019	2020	2021	2022
- Pensions	(4.8)	(7.0)	(11.7)	(16.4)	(15.8)
- Other	(3.3)	(3.4)	(3.4)	(3.2)	(3.1)
Total (in million EUR)	**(8.1)**	**(10.4)**	**(15.1)**	**(19.5)**	**(18.9)**

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 above expected cash outflows are based on a closed population and therefore do not incorporate future new hires.
- The 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

(in million EUR)	Increase (+)/decrease (-)
Impact on the net defined-benefit obligation of an increase in:	
Discount rate (0.5% movement)	13.9
Average salary increase - excl. inflation (0.5% movement)	(11.3)
Inflation (0.25% movement)	(5.8)
Increase in healthcare benefits (1.0% movement)	(5.2)
Increase in tariff advantages (0.5% movement)	(0.8)
Life expectancy of pensions (1 year)	(2.2)

REMEASUREMENTS OF POST-EMPLOYMENT BENEFIT OBLIGATIONS

(in million EUR)	2017	2016
Cumulative amount at 1 January	(11.8)	(11.9)
Recognised in the period	(10.3)	0.2
Cumulative amount at 31 December	**(22.1)**	**(11.8)**

Remeasurements of post-employment benefits include the portion of 50Hertz Transmission (Germany) (joint venture) amounting to €2.1 million (€3.2 million in 2016).

The below table represents the actuarial gains and losses recognised in other comprehensive income by nature :

Remeasurements of defined-benefit obligation arising from	Pensions		Other	
(in million EUR):	2017	2016	2017	2016
1) Changes in demographic assumptions	1.7	0.0	0.2	0.0
2) Changes in financial assumptions	(0.7)	(14.6)	0.2	(3.3)
3) Changes from experience adjustments	(16.5)	8.1	(1.0)	(0.3)
Return on plan assets (excluding interest income on plan assets)	2.4	8.7	0.0	0.0
Remeasurements of net defined-benefit (liability)/asset recognised in other comprehensive income (OCI)	**(13.1)**	**2.2**	**(0.6)**	**(3.6)**

REIMBURSEMENT RIGHTS

As described in Note 7.4, 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 decrease in reimbursement rights linked to pensions is a result of the change in financial assumptions on the one hand (discount rate) and changes from experience adjustments on the other hand.

Movement in the present value of the reimbursement rights	Pensions		Other	
(in million EUR)	2017	2016	2017	2016
At the beginning of the period	(31.8)	(36.4)	(26.3)	(23.5)
Current service cost			0.0	
Interest cost/income	(0.4)	(0.6)	(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	(0.1)	(1.6)	0.1	(1.7)
3) Changes from experience adjustments	0.2	3.0	(0.5)	(2.4)
Taxes on contributions paid during the year	0.5	0.0	0.0	0.0
Payments from the plan	3.7	3.8	1.6	1.7
At the end of the period	**(28.0)**	**(31.8)**	**(25.6)**	**(26.3)**

7.13. Provisions

(in million EUR)	Environment	Elia Re	Other	Total
Balance at 1 January 2016	13.8	4.7	2.0	20.5
Increase in provisions	3.3	3.0	0.8	7.1
Reversals of provisions	(0.4)	(0.3)	(0.0)	(0.7)
Utilisation of provisions	(0.5)	(0.3)	(0.2)	(1.1)
Balance at 31 December 2016	**16.2**	**7.1**	**2.4**	**25.7**
Long-term portion	13.8	7.1	2.5	23.3
Short-term portion	2.4	0.0	0.0	2.4
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

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 some sites, with this being mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.).

Elia carried out analyses and studies in a number of substations and on a number of plots on which pylons for overhead power lines were built in the Brussels-Capital Region and the Walloon Region, with a view to detecting any possible contamination. On the basis of the analyses and studies, Elia has made provisions for possible future soil remediation costs in line with the respective legislation.

Environmental provisions are recognised and measured based on the appraisal of an external expert 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.

The utilisation of provisions for the environment is predominantly related to ongoing soil research and remediation on certain sites in Wallonia and Flanders worth €0.6 million in total. On the one hand, a reversal of €4.0 million was recorded for certain sites in Wallonia and Brussels; and on the other hand, an increase of €3.0 million, mainly for sites in Wallonia and Flanders, following on from new estimates and regulatory changes in the Walloon Region.

An amount of €8.1 million is included at the year-end for Elia Re, a captive reinsurance company, of which €3.8 million is linked to claims for overhead facilities, €2.9 million to electrical facilities and €1.4 million to liability cases (as opposed to €2.8 million for overhead facilities, €3.0 million for electrical facilities and €1.3 million for liability cases in 2016).

The section 'Other' consists of provisions for litigation to cover likely payment as a result of cases in which legal proceedings have been instituted against the Group by a third party or in which the Group is involved.

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 procedures.

The changes in provisions are presented in Note 6.3.

7.14. Other non-current liabilities

(in million EUR)	2017	2016
Investment grants	3.8	5.1
Total	**3.8**	**5.1**

The investment grants consist of deferred income for capital subsidies received from the European Union and the Brussels-Capital Region. No additional grants were recognised under other non-current liabilities in 2017.

7.15. Trade and other payables

(in million EUR)	2017	2016
Trade debts	220.8	288.0
VAT and other taxes	8.9	8.4
Remuneration and social security	28.1	26.5
Dividends	1.2	1.2
Levies	108.0	54.0
Other	11.1	12.5
Accrued liabilities	0.4	0.3
Total	**378.5**	**390.8**

Trade debts as at the year-end of 2016 were exceptionally high. The level of trade debts outstanding as at the year-end of 2017 has returned to normal.

Levies mainly consist of federal levies (€43.4 million, compared with €40.0 million at the end of 2016) and levies for the Walloon government (€49.1 million payable, compared with a €91.7-million receivable at the end of 2016). The payable to the Walloon government is mainly due to the sale of 2.8 million green certificates in September 2017, as approved by the Decree of 29 June 2017. This resulted in a cash inflow of €176.2 million. Also see Note 7.7.

'Other' mainly consists of cash guarantees received from customers and advance payments for projects.

7.16. Accruals and deferred income

(in million EUR)	2017	2016
Accruals and deferred income	8.5	26.2
Settlement mechanism	526.1	433.6
Total	**534.6**	**459.8**

The settlement mechanism is described in Note 9.1. The change in the settlement mechanism in Belgium is described in Note 4.2.

The settlement mechanism at 31 December 2017 is set out in the table below:

(in million EUR)	Belgium
To be refunded to the tariffs in the current regulatory period	157.5
To be refunded to the tariffs in the next regulatory period	368.6
Settlement mechanism	**526.1**

The Group operates in a regulated climate 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.

7.17. 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			
	Designated at fair value	Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2016									
Other financial assets	7.3				7.3	7.1		0.2	7.3
Trade and other receivables			442.6		442.6				0.0
Cash and cash equivalents			176.6		176.6				0.0
Interest-rate swaps used for hedging		(9.4)			(9.4)		(9.4)		(9.4)
Unsecured financial bank loans and other loans				(643.3)	(643.3)		(643.3)		(643.3)
Unsecured bond issues				(2,090.6)	(2,090.6)		(2,449.8)		(2,449.8)
Trade and other payables				(390.8)	(390.8)				0.0
Total	**7.3**	**(9.4)**	**619.2**	**(3,124.6)**	**(2,507.6)**	**7.1**	**(3,102.5)**	**0.2**	**(3,095.2)**
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
Foreign-currency 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)				0.0
Total	**7.3**	**0.0**	**624.1**	**(3,262.7)**	**(2,631.3)**	**7.1**	**(3,166.5)**	**0.2**	**(3,159.3)**

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, a considerable proportion of 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.

FAIR VALUE

As the loan has a variable interest rate, the carrying amount of the loan is equal to the fair value.

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 the interest-rate swaps matured on 31 December 2017, €32k relates to two minor foreign-currency rate swaps.

As at 31 December 2017, the counterparty risk is considered close to zero, as is the Group's own non-performance risk.

Interest-bearing loans

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

7.18. Changes in interest-bearing loans and borrowings

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 2016	604.4	2,605.4	3,209.8
Cash flow: interest paid	(115.6)	0.0	(115.6)
Cash flow: repayment of borrowings	(540.0)	0.0	(540.0)
Cash flow: proceeds from withdrawal borrowings	80.0	0.0	80.0
Interest accruals	98.6	0.0	98.6
Other	20.1	(19.0)	1.1
Balance 31 December 2016	**147.5**	**2,586.4**	**2,733.9**

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**

The net increase in interest-bearing loans and borrowings is predominantly explained by the issuance of a new €250-million eurobond in March 2017, as well as the repayment of the loan to the European Investment Bank (€20.0 million) and the dematerialised treasury notes (€78.0 million) as those loans matured in the financial year 2017.

'Other' in the financial year 2016 mainly relates to reclassifications of long-term debt to short-term debt in accordance with when instruments become due.

8. Miscellaneous

8.1. Effect of new acquisitions/sales of shares

CHANGES IN THE ELIA TRANSMISSION (BELGIUM) SEGMENT

Funding of JV Nemo Link

On 27 February 2015, Elia System Operator and National Grid signed a joint venture agreement to build the Nemo Link Interconnector; 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 (with an annual interest rate of 4% and a maturity of 25 years from the start date of the commercial operations of the Interconnector), divided on a 50/50 basis.

In 2017, Elia provided €141.9 million, bringing the Company's total funding to €231.2 million, of which 40% came via equity contributions and 60% via loans. This joint venture is included in the Belgian segment using the equity method.

Acquisition of stake in Enervalis NV

Elia acquired a 12.5% stake in Enervalis in the financial year 2017. Enervalis develops innovative software-as-a-service solutions that will support market players in optimising their energy bill while helping to meet growing flexibility needs with a view to managing the balance between supply and demand on the system. The software solutions enable Enervalis's customers (e.g. energy suppliers and equipment manufacturers) to automatically optimise the supply, storage and demand flexibility of devices such as heat pumps, electric vehicles and solar PV systems to better match prosumer energy needs.

8.2. 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 the risk profiles of customers. 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)	2017	2016
Loans and receivables – long term	147.8	63.0
Loans and receivables – short term	281.1	379.6
Cash and cash equivalents	195.2	176.6
Immediately claimable deposits	7.1	7.1
Interest-rate swaps used for hedging (matured as at 31 December 2017):		
Liabilities	-	(9.4)
Total	**631.2**	**616.9**

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	1.6	(1.3)	0.3
Changes during the year	(0.3)	0.2	(0.1)
Balance at 31 December 2016	**1.3**	**(1.1)**	**0.2**
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**

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.

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 programme, 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.

Referring to the bond issues in 2013, 2014, 2015 and 2017, the Group is convinced that it has sufficient access to sources of funding.

(in million EUR)	Closing balance	Expected cash outflows	6 months or less	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**3,124.6**	**(3,722.0)**	**(562.6)**	**(2.1)**	**(73.3)**	**(670.4)**	**(2,413.7)**
Unsecured bond issues	2,090.6	(2,703.8)	(68.5)	0.0	(68.5)	(653.0)	(1,913.8)
Unsecured financial bank loans and interest accruals	643.3	(627.5)	(103.3)	(2.1)	(4.8)	(17.4)	(499.9)
Trade and other payables	390.8	(390.8)	(390.8)				
Derivative financial liabilities	**9.4**	**(9.5)**	**(4.7)**	**(4.8)**	**0.0**	**0.0**	**0.0**
Interest-rate swaps used for hedging	9.4	(9.5)	(4.7)	(4.8)			
Total at 31 December 2016	**3,134.0**	**(3,731.5)**	**(567.3)**	**(6.9)**	**(73.3)**	**(670.4)**	**(2,413.7)**
Non-derivative financial liabilities	**3,262.7**	**(3,814.7)**	**(452.6)**	**(2.2)**	**(576.4)**	**(644.8)**	**(2,138,7)**
Unsecured bond issues	2,338.9	(2,919.6)	(71.9)	0.0	(571.9)	(137.1)	(2,138.7)
Unsecured financial bank loans and interest accruals	545.3	(566.1)	(51.7)	(2.2)	(4.4)	(507.8)	0.0
Trade and other payables	378.5	(378.5)	(378.5)				
Derivative financial liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Foreign-currency rate swaps used for hedging	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total at 31 December 2017	**3,262.7**	**(3,864.2)**	**(502.1)**	**(2.2)**	**(576.4)**	**(644.8)**	**(2,138.7)**

In 2017, Elia Transmission issued a 10-year bond with a nominal value of €250 million.

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
EIB credit facility	14/11/2018	100.0	Euribor + 0.19%	0.0	100.0
Belgian dematerialised treasury notes	unlimited	350.0	Euribor + margin when concluding deal	0.0	350.0
Straight loan - EGI	unlimited	2.5	Euribor + 0.75%	0.0	2.5
Total		**1,102.5**		**0.0**	**1,102.5**

As at 31 December 2017, the German segment had unused facilities amounting to in total €900 million (consisting of a €150-million overdraft facility and €750 million in revolving facilities).

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, in which the Group agrees 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.

The table (see Note 7.11) shows the average interest rate at the balance sheet date.

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.

HEDGING
All financial derivatives the Group enters into relate to an underlying transaction or forecast exposure, depending on the expected impact on the income statement, and if the stringent IAS 39 criteria are met, the Group decides on a case-by-case basis whether hedge accounting will be applied. The following paragraphs describe the transactions whereby hedge accounting is applied. As at 31 December 2017, the Group had no transactions which did not qualify for hedge accounting.

In accordance with the hedge-accounting rules, all derivative financial instruments are designated as cash-flow hedges and valued at fair value. Consequently, the portion of the gain or loss on the derivative financial instrument that can be considered an effective hedge is reflected directly in equity (hedging reserves net of tax).

As at 31 December 2017, the Group only had two minor foreign-currency swaps outstanding, totalling a notional amount of €0.3 million. The net fair value of these swaps was below €0.1 million.

As at that date, no significant financial expenses resulting from ineffective cash-flow hedges were included in profit or loss.

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 in line with the requirement of the regulatory framework (one-third equity and two-thirds debt capital). This approach allows the Group to manage the security of the liquidity at all times via flexible access to capital markets, so as to be able to finance strategic projects and to offer an attractive remuneration to shareholders.

The Company's dividend policy involves optimising dividend payments while still bearing in mind that the company has the self-financing capacity it needs to carry out its legal mission.

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

8.3. Commitment and contingencies

OPERATING LEASE COMMITMENTS – GROUP AS A LESSEE
The Group 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 the when the contract was entered into.

The Group 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 rentals payable 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	7.7
Buildings	2.4	2.4	0.0
Cars, IT equipment and others	6.2	10.8	0.0
Balance at 31 December 2016	**9.1**	**15.1**	**7.7**
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 commitments were not disclosed in the 2016 annual accounts. These commitments were not considered operating lease commitments until 2016. The Group has revised its position as part of the ongoing analysis of lease accounting. The disclosed amounts do not include low-value leases (i.e. with annual payments of less than €250) and which are considered not to have a material effect on this disclosure.

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

(in million EUR)	2017	2016
Use of land	1.7	1.7
Buildings	2.5	2.4
Cars, IT equipment and others	6.4	6.2
Total	**10.6**	**10.3**

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	13.1	9.8	13.1
Land and buildings	0.6	0.5	0.0
Balance at 31 December 2016	**13.6**	**10.3**	**13.1**
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**

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

(in million EUR)	2017	2016
Telecom	14.3	13.0
Land and buildings	0.6	0.6
Total	**14.9**	**13.6**

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 2017, the Group had a commitment of €1,004.88 million relating to the purchase contracts for the installation of property, plant and equipment for further grid extensions. These capital-expenditure commitments include the commitments of the German segment, amounting to €435.8 million (with a 60% stake for Elia).

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2017, the Group had a commitment of €130.44 million relating to purchase contracts for general expenses, maintenance and repair costs. This amount includes the commitments of the German segment, totalling €21.9 million (with a 60% stake for Elia).

Elia System Operator also provided a parent-company guarantee to her joint venture Nemo Link Ltd amounting to €113.7 million in relation to the EPC contracts 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 a period of respectively 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 impact of 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.

8.4. Related parties

TRANSACTIONS WITH KEY MANAGEMENT PERONNEL

Key management include members of the Board of Directors and Elia's Management Committee, made up of the Chief Executive Officer, the Chief Financial Officer, the Chief Customers, Market & System Officer, the Chief Public Acceptance Officer, the Chief Assets Officer, the Chief Infrastructure Officer, the Chief Officer External Relations and the Chief Human Resources & Internal Communication Officer.

The members of the 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.

The members of Elia's Management Committee are hired as employees and the components of their remuneration are set out below. Members of the Management Committee do not receive stock options, special loans or other advances from the Group.

(in million EUR)	2017	2016
Short-term employee benefits	**2.6**	**2.4**
Basic remuneration	1.8	1.6
Variable remuneration	0.8	0.8
Post-employment benefits	**0.4**	**0.4**
Other variable remuneration	**0.7**	**0.6**
Total gross remuneration	**3.7**	**3.4**
Number of persons (in units)	8	7
Average gross remuneration per person	0.5	0.5
Number of shares (in units)	**20,005**	**22,039**

Some members of the Management Committee also hold shares in Elia System Operator – for an overview, please see the Corporate Governance Statement forming part of this annual report.

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 2017 with various distribution system operators. The total value of realised sales came to €54.1 million, while the total value of expenses amounted to €3.3 million. As at 31 December 2017, there was an outstanding trade-receivable position of €4.6 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.

In the 2017 and 2016 financial years, there were no transactions with E-Offshore, Atlantic Grid Investment or Enervalis.

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)	2017	2016
Transactions with joint ventures and associated companies	**23.2**	**27.8**
Sales of goods	33.3	34.6
Purchases of goods	(14.7)	(8.4)
Interest and similar revenue	4.6	1.6
Outstanding balances with joint ventures and associated companies	**134.9**	**28.8**
Long-term debtors	147.7	63.0
Trade debtors	4.2	2.8
Trade debts	(11.7)	(29.7)
Accruals and deferred income	(5.3)	(0.1)
Deferred charges and accrued revenues	0.0	1.6

Sales of goods remained relatively stable from year to year. The transactions mainly involved work performed by EGI GmbH for 50Hertz, as well as revenues generated with respect to IGCC (i.e. International Grid Control Coordination) exports by 50Hertz.

The increase in purchases of goods can be explained by increased volumes of IGCC imports by 50Hertz.

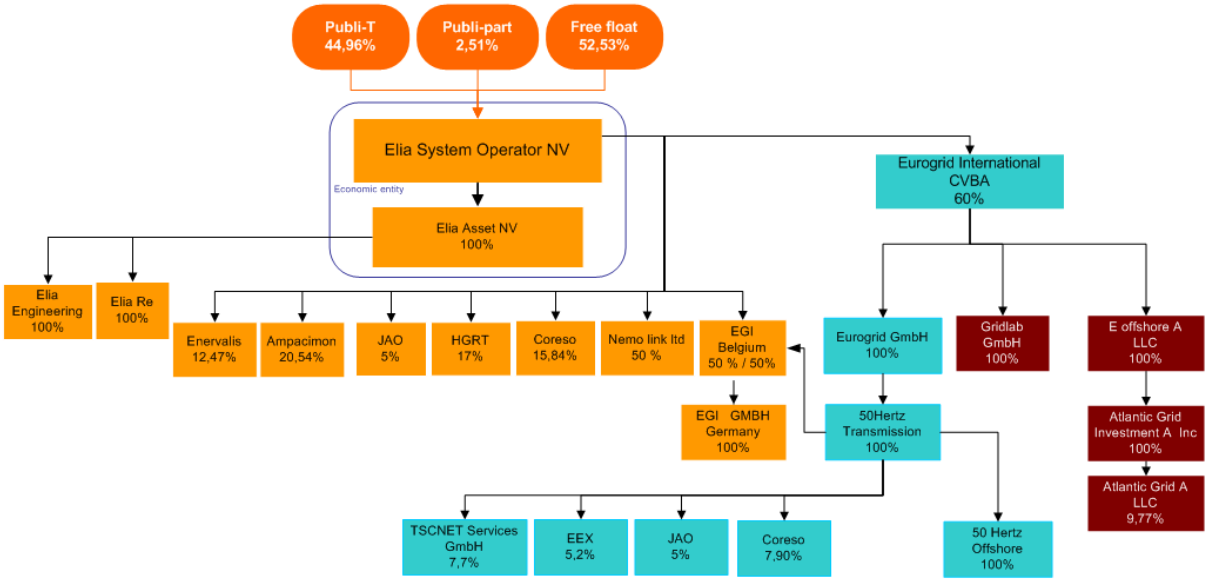
The decrease in trade debts is due to a fall in outstanding trade debts owed by EGI GmbH to 50Hertz.

Please also see Note 8.3 in which we set out the guarantees Elia System Operator issued 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 2017 – see Note 7.4 for more details.

8.5. Subsidiaries, joint ventures and associates

GROUP STRUCTURE OVERVIEW



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).

Name	Country of establishment	Headquarters	Stake (%)	
			2017	2016
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 NV/SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	80.00	80.00
Elia Grid International GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
Joint ventures				
Eurogrid International CVBA/SCRL	Belgium	Bd de l'Empereur 20, 1000 Brussels	60.00	60.00
Eurogrid GmbH	Germany	Heidestraße 2, 10557 Berlin	60.00	60.00
50Hertz Transmission GmbH	Germany	Heidestraße 2, 10557 Berlin	60.00	60.00
50Hertz Offshore GmbH	Germany	Heidestraße 2, 10557 Berlin	60.00	60.00
Gridlab GmbH	Germany	Mittelstraße 7, 12529 Schönefeld	60.00	60.00
E-Offshore A LLC	USA	874, Walker Road, Suite C, 19904 Dover, Delaware	60.00	60.00
Atlantic Grid Investment A Inc.	USA	1209 Orange Street, 19801 Wilmington, Delaware	60.00	60.00
Nemo Link Ltd	United Kingdom	Strand 1-3, London, WC2N 5EH - UK	50.00	50.00
Associated companies accounted for using the equity method				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso NV/SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	20.58	21.66
Ampacimon SA	Belgium	Rue des Chasseurs Ardennais 3, 4031 Angleur	20.54	19.64
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-Helchteren	12,47	0.00
Other participations				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	8.00	8.00
Atlantic Grid A LLC	USA	4445, Willard Av, Suite 1050, 20815 Chevy Chase, Maryland	5.86	6.00
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 04109 Leipzig	4.32	5.20
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	4.62	4.62

8.6. Subsequent events

There are no significant events to report after 31 December 2017.

8.7. Miscellaneous

Impact of the result of the United Kingdom leaving the European Union

The Group has started an analysis of the potential impact of Brexit on the consolidated financial statements.

At this stage, the Group does not expect any impact on the construction of the Nemo Link interconnector. Future operations resulting from the Nemo Link interconnection could be affected by the United Kingdom exiting the European Union, but due to ongoing measures being taken by both the UK government and the European Union, the impact cannot yet be quantified.

Other than a potential effect on the future operations of the Nemo Link interconnection which cannot be quantified as yet, the Group expects the effect of Brexit on the consolidated financial statements to be very limited.

8.8. Services provided by the auditors

The General Meeting of Shareholders appointed as joint auditors KPMG Bedrijfsrevisoren Burg. CVBA (represented by Alexis Palm) and Ernst & Young Bedrijfsrevisoren BCVBA (represented by 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 and Elia Engineering NV/SA.

The following table sets out the fees of the joint auditors and its associated companies related to the delivered services with respect to the accounting year 2017:

in EUR	Belgium	Other offices in the network	Total
Statutory audit	179,958	319,450	499,408
Audit related	110,355	171,296	281,651
Income tax	55,706	4,302	60,008
Indirect tax	20,277	0	20,277
Other advisory	30,000	14,696	44,696
Total	**396,296**	**509,744**	**906,040**

9. REGULATORY FRAMEWORK AND TARIFFS

9.1 Regulatory framework in Belgium

9.1.1 Federal legislation

The Electricity Act, which forms the general basis, lays down the core principles of the regulatory framework governing Elia's activities as a transmission system operator in Belgium.

This Act was heavily amended on 8 January 2012 by the transposition at federal level of the 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.

9.1.2 Regional legislation

Belgium's three regions are primarily responsible for the local transmission of electricity through grids with a voltage of 70 kV or less on their respective territory. The regional regulators are in charge of the non-tariff aspects of local transmission-system regulation, while setting and monitoring tariffs falls under federal jurisdiction.

The Flemish Region, the Brussels-Capital Region and the Walloon Region have also transposed into their legislative framework the provisions of the 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.

9.1.3 Regulatory agencies

As required by EU law, the Belgian electricity market is monitored and controlled by independent regulators.

FEDERAL REGULATOR

CREG is the federal regulator, and its powers with regard to Elia include:

- approving the standardised terms in the three main contracts used by the company at 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.

9.1.4 Tariff setting

TARIFF REGULATIONS

On 18 December 2014, CREG adopted a decree setting out calculation methods 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 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 about controllable and non-controllable costs and income and influenceable costs provided below).

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) is shared between Elia (40%) 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. Please note 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 limited to €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).

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 period. The same mechanism applies to non-controllable costs.

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 participation in 50Hertz or EGI) is neutral.

9.2 Regulatory framework in Germany

9.2.1 Relevant legislation

The German legal framework is laid down in various pieces of legislation. The key law is the German Energy Act (*Energiewirtschaftsgesetz* – EnWG), which defines the overall legal framework for the gas and electricity supply industry in Germany. The EnWG is supported by a number of laws, ordinances and regulatory decisions, which provide detailed rules on the current system of incentive regulation, accounting methods and network 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 the further detail how to grant access to the transmission systems (and other types of grids) by way of establishing the balancing amount system (*Bilanzkreissystem*), 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 of 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.

9.2.2 Regulatory agencies in Germany

The regulatory agencies for the energy sector in Germany are the Bundesnetzagentur (BnetzA, or Federal Network Agency) in Bonn for grids to which over 100,000 grid users are directly or indirectly connected and the specific regulatory authorities in the various federal states for grids to which fewer than 100,000 grid users are directly or indirectly connected. The regulatory agencies are, 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.

9.2.3 Tariff setting in Germany

The current regulation mechanism is established in Germany by the ARegV. Under the ARegV, grid tariffs are defined to generate a pre-defined 'revenue cap' as determined by the Federal Network Agency for each TSO and for each regulatory period. The revenue cap is 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 according to Article 19 of the StromNEV (for example, in the case of sole use of a network 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 factor improvement 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 such a factor for TSOs are yet to be described by the Federal Network Agency. The various defined factors give the TSOs a medium-term objective to eliminate 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, also TSOs are affected as the ARegV revision changes several PNIC aspects such as the methodology for the determination of replacement portions in new investment measures (for already approved and applied-for investment measures, the conservation of the status quo is foreseen), the consideration of costs from the curtailment of renewable energy sources based on forecast values and the consideration of PCI costs. Moreover, the ARegV revision substantiates the methodologies that can be applied to measure the individual efficiency of the four German TSOs, allowing for only an international benchmark or a relative reference grid analysis for this purpose.

As of 31 December 2017, 50Hertz had obtained approval for 86 of the 123 active investment-measure requests made since 2008.

Based on the total investment-budget request volume of €13 billion, the approved investment budget for the same date accounts for €8.7 billon.

TARIFFS

Grid access tariffs were calculated based on the respective revenue cap and published on 29 September 2017 for 2018. Compared with 2017, they have decreased by an average of 11%. 50Hertz has actively and successfully proceeded with its grid extension projects. Due to the commissioning of new lines, it was possible to lower costs for redispatch and for curtailment of renewables and in this way compensate for the persistently high costs of grid extension which enabled this decrease in the tariffs.

In recent years, the grid access tariffs of the four German TSOs have developed differently, mainly 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 a new system for offshore grid connections, shifting the related costs from the tariffs to a surcharge.

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KPMG Bedrijfsrevisoren BCVBA
Luchthaven Brussel Nationaal 1K
1930 Zaventem
Belgium

Ernst & Young Bedrijfsrevisoren BCVBA
De Kleetlaan 2
1831 Diegem
Belgium

Independent auditors' report to the general meeting of Elia System Operator NV/SA on the consolidated financial statements for the year ended 31 December 2017

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 2017, 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 2017 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 17 consecutive years for KPMG Bedrijfsrevisoren BCVBA and 16 consecutive years for Ernst & Young Bedrijfsrevisoren BCVBA.

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 2017, 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 2017 and the notes, which show a consolidated balance sheet total of € 6,596.5 million and of which the consolidated income statement shows a profit for the year of € 229.1 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 2017, 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 result of the period

Description

As described in the notes 7.16 'Accruals and deferred income', 9.1.4 'Tariff Setting' and 9.2.3 'Tariff Setting in Germany' of the Consolidated Financial Statements, the net result of the Belgian and the German segments is determined by applying calculation methods set respectively by the Belgian federal regulator, the

Commission for Electricity and Gas Regulation (the "CREG") and the German federal regulator, the Federal Network Agency (the "BNetzA") (together the "Tariff Mechanisms").

Those tariff mechanisms are based 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, 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 Group has over the expenses and income in each segment. The deviations in regulated expenses and income qualified as non-controllable are fully passed on to future tariffs. The elements qualified as controllable are those that 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 is complex and requires judgement from management, more particularly related to the use of correct accounting data, operating data, parameters and formulas 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;
- 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 net results of the segments 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 the relevant notes.

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 7.1 'PPE' of the Consolidated Financial Statements and in Note 4 'Segment reporting.

For the Belgian Segment, these assets are classified as PP&E, with a total capital expenditure of € 377 million in 2017 and a net book value of € 3,202 million as at 31 December 2017 or 53.2% of total assets of the Belgian Segment and 48.5% of the total assets of the Group.

Elia's accounting policies describe that all maintenance expenses are considered to be OPEX (€ 69 million in 2017) and all new project or replacement investments are considered CAPEX (€ 377 million in 2017). 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 Property, Plant, and Equipment on the total assets, 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 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, management's review controls over the capitalization process 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 sample of additions to PP&E, including those under construction, and assessing whether the expenditure met the criteria for capitalization under IFRS as adopted by the European Union and the Group's accounting policies and whether the CAPEX were allocated to the correct projects, including the assessment of management judgement in case of a project including both maintenance and investments;
- We have assessed the adequacy of the relevant notes.

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 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 those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal, regulatory and professional 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.

Responsibilities of the 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 well as to report on these elements.

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 (pg 12-13)
- Management discussion and analysis of the 2017 results (pg 126-129)

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. We do not express any assurance on the annual report.

The non-financial information required by article 119 §2 of the Companies' Code has been included in the board of directors' annual report on the consolidated financial statements, which is included in the chapter Sustainability reporting (pg 23-101) of the annual report. The Group has prepared this non-financial information based on the Global Reporting Initiative Standards ("GRI"). However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with the mentioned GRI. In addition, we do not express any form of assurance regarding the individual elements included in this non-financial information.

Independence matters

Our auditor's office and our network has not performed any services that are not compatible with the statutory audit of the Consolidated Financial Statements and has remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the statutory audit of the Annual Accounts as referred to in article 134 of the Belgian Companies Code were duly itemized and valued in the notes 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, 30 March 2018

The joint statutory auditors

Ernst & Young Bedrijfsrevisoren BCVBA
Represented by

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

KPMG Bedrijfsrevisoren BCVBA
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)	2017	2016
FIXED ASSETS	3,677.8	3,620.7
Financial fixed assets	3,677.8	3,620.7
Affiliated companies	3,572.3	3,572.3
Participating interests	3,572.3	3,572.3
Other enterprises linked by participating interests	105.6	48.4
Participating interests	105.4	48.2
Other participating interests	0.2	0.2
CURRENT ASSETS	1,893.9	1,628.5
Amounts receivable after more than one year	147.8	63.0
Trade receivables	8.8	8.8
Other amounts receivable	139.0	54.2
Inventories and contracts in progress	4.9	5.8
Contracts in progress	4.9	5.8
Amounts receivable within one year	1,585.3	1,428.4
Trade debtors	215.6	208.8
Other amounts receivable	1,369.8	1,219.6
Investments	30.0	0.0
Other term deposits	30.0	0.0
Cash at bank and in hand	117.9	126.9
Deferred charges and accrued income	8.0	4.5
TOTAL ASSETS	**5,571.7**	**5,249.3**

EQUITY AND LIABILITIES (in million EUR)	2017	2016
CAPITAL AND RESERVES	1,765.2	1,764.1
Capital	1,519.0	1,518.7
Issued capital	1,519.0	1,518.7
Share premium account	11.9	11.8
Reserves	174.7	173.9
Legal reserve	173.0	173.0
Untaxed reserve	1.6	0.9
Profit carried forward	57.2	59.7
PROVISIONS, DEFERRED TAXES	0.4	0.5
Provisions for risks and charges	0.4	0.5
Other risks and charges	0.4	0.5
LIABILITIES	3,806.0	3,484.7
Amounts payable after one year	2,839.2	2,590.7
Financial debts	2,839.2	2,590.7
Unsubordinated debentures	2,343.4	2,094.9
Credit institutions	0.0	0.0
Other loans	495.8	495.8
Amounts payable within one year	389.4	418.1
Current portion of amounts payable after more than one year	0.0	20.0
Financial debts	4.3	82.7
Credit institutions	0.0	78.0
Other loans	4.3	4.7
Trade debts	186.4	204.9
Suppliers	179.3	196.1
Advances received on contracts in progress	7.1	8.8
Amounts payable regarding taxes, remuneration and social security costs	8.7	7.7
Taxes	0.7	0.6
Remuneration and social security	8.0	7.1
Other amounts payable	192.5	102.8
Accrued charges and deferred income	577.4	475.9
TOTAL EQUITY AND LIABILITIES	**5,571.7**	**5,249.3**

Income statement

(in million EUR)	2017	2016
OPERATING INCOME	**799.4**	**732.9**
Turnover	792.2	714.7
Increase/(decrease) in inventories of finished goods, works and contracts in progress	(0.9)	1.0
Other operating income	8.1	17.2
OPERATING CHARGES	**(704.7)**	**(669.8)**
Services and other goods	(666.5)	(634.2)
Remuneration, social security costs and pensions	(38.1)	(35.2)
Amounts written off stocks, contracts in progress and trade debtors: appropriations/(write-backs)	(0.2)	(0.2)
Provisions for liabilities and charges: appropriations/(uses and write-backs)	0.0	0.2
Other operating charges	(0.0)	0.4
OPERATING PROFIT	**94.8**	**63.1**
Financial income	**98.0**	**182.6**
Income from financial fixed assets	90.4	123.0
Income from current assets	7.6	4.9
Non-recurring financial income	0.0	54.7
Financial charges	**(88.9)**	**(97.2)**
Debt charges	(86.7)	(93.9)
Other financial charges	(2.2)	(3.3)
Non-recurring financial charges	0.0	0.0
PROFIT FOR THE PERIOD BEFORE TAXES	**103.8**	**148.5**
Income taxes	**(6.9)**	**(11.3)**
Income taxes	(6.9)	(11.3)
PROFIT FOR THE PERIOD	**96.9**	**137.2**
Transfer to untaxed reserves	(0.8)	(0.8)
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	**96.1**	**136.4**

Annex to the Annual Report 2017

Contents

1. Sustainability ambitions

At Elia Belgium, the following sustainability ambitions were defined by the Executive Committee (Excom) in November 2017:

ELIA Belgium

	Ambitions for 2020	Ambitions for 2050
Energy grid	"Develop a grid which enables the integration of 13% renewable energy of alternatives within the product mix on Belgium level and support the aim of 20% renewable energy on a European level"	"Integration of renewables into both centralized and decentralized systems"
		"Develop strong grid interconnections together w/ neighboring countries"
	"Ensure that the yearly average interruption time does not exceed the maximum AIT of 2,55 min"	"Use digitalization and "smarter grid" market design to exploit the resources in an efficient way"
Safety	"Embed a safety culture at Elia by increasing the safety awareness at employees and contractors in order to: o Increase reporting maturity and reduce the number of injuries" o Ensure that every employee and contractors know the principles of the GoForSafety Programme o Ensure Elia's safety instructions are properly applied o Avoid electrical near misses or incidents	

ELIA Belgium

	Ambitions for 2020
Employees	"Developing an extended talent and organizational development program."
	"Changing towards a new corporate culture with a new vision and ambition."
	"Creating a high performance organization to empower people to take more initiatives and enable quicker decision making."
Environment	"Deliver positive impact on society by realizing further grid development enabling proper integration of renewable energy in the EU grid of the future"
	"20 % reduction of CO2 for own operations (compared to 2010)"
Community	"We deliver the infrastructure of the future and innovate in services that enable the pathway to a reliable and sustainable power system, with the interest of the community at the heart of every decision."
	"The Elia Group is constantly expanding its dialogue with stakeholders and keeps them informed throughout the entire duration of its projects."
	"Perform the necessary studies and analyses and act as an advisor to the different governments with regard to the realization of the energy transition in the interest of society."

2. Group priorities - Materiality

2.1. Phased approach

The topics identified in these frameworks were assessed by Elia management. The following individuals were involved in preparing the Group materiality matrix:

- Department heads from Elia Belgium
- One department head from 50Hertz
- CEO of Eurogrid Belgium

The department head from 50Hertz who rated the materiality topics took into account the materiality assessment performed among 50Hertz internal stakeholders in 2016. The output of the German assessment was reflected in the input provided for this materiality assessment.

In addition, the topics brought up in the existing stakeholder channels were mapped with this materiality matrix to cross-check the completeness of our exercise.

In a subsequent phase, this materiality matrix will be used as a basis for engaging with external stakeholders.

2.2. Elia's User Group panels

Elia regularly organises User Group panels. These discussion groups allow Elia to maintain an ongoing dialogue with its main customers and partners. Within the Users' Groups, there are three working groups and four task forces. The task forces are set up ad hoc to handle specific issues when necessary. Currently, three of the four task forces are active:

- **BidLadder Task Force**: This task force aims to discuss with all relevant stakeholders the design of a BidLadder market platform allowing market parties to bring available flexibility to the market.
- **Implementation of Strategic Reserves Task Force**: This task force is aimed at informing and consulting market players and stakeholders about all relevant issues linked to the implementation of strategic reserves.
- **Implementation of Network Codes Task Force** (currently inactive): This task force consists of a group of experts set up by the Users' Group to analyse, discuss and make substantive proposals on specific issues and topics related to implementation of the European Network Codes in the Belgian context.
- **CIPU Redesign (iCAROS) Task Force**: This task force aims to discuss topics related to future asset coordination procedures with the relevant stakeholders.

The working groups meet at least once a year and consist of the following:

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

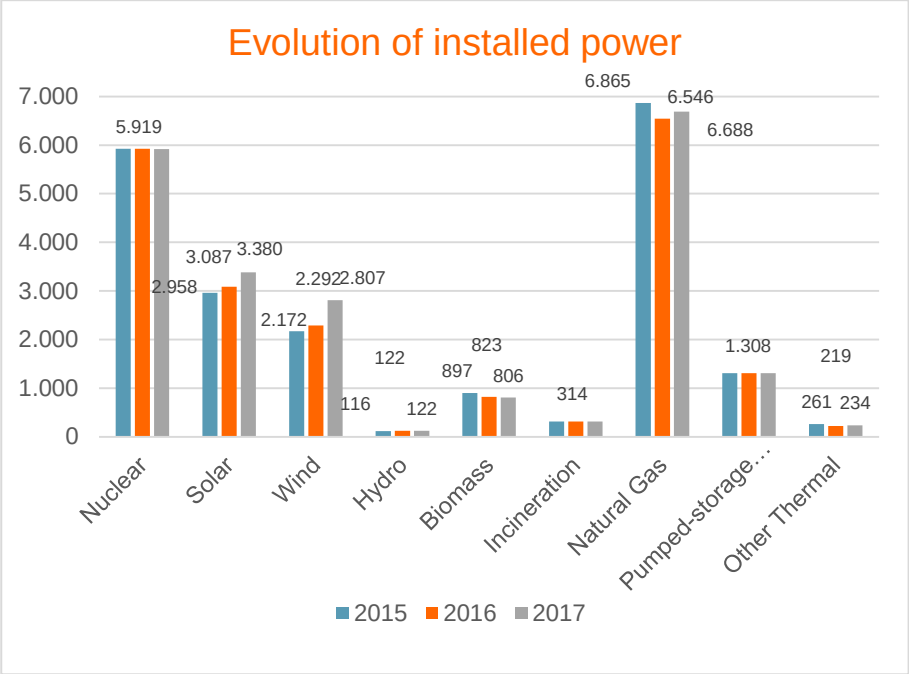
Additionally, four Users' Group plenary meetings are scheduled each year to pass on information about important topics not addressed by the working groups.

During all of these sessions, topics that are material to the relevant external stakeholders are discussed. An overview of the topics based on the GRI, SASB and ISO 26000 standards can be found in the following table.

Users' Group	Session	Link to material topic
Users' Group plenary meetings	• 30/03/2017 – Clean energy for all Europeans • 22/06/2017 – Modular offshore grid • 21/09/2017 – Implementation of network codes • 21/09/2017 – innovation @ Elia • 7/12/2017 – ENTSO-E Winter Outlook 2017-2018	Transmission service
	• 22/06/2017 – Modular offshore grid • 22/06/2017 – Elia's view on Belgium's Energy Vision for 2050 • 21/09/2017 – Implementation of network codes	Fair operating practices
	• 22/06/2017 – Feedback: Balancing WG • 30/06/2016 – Customer satisfaction survey • 21/09/2017 – Feedback: Balancing WG & iCAROS TF • 21/09/2017 – innovation @ Elia	Labour practices/employees
	• 22/06/2017 – Elia's view on Belgium's Energy Vision for 2050 • 22/06/2017 – Compensation in kind 2018 • 22/06/2017 – Modular offshore grid • 30/06/2016 – Customer satisfaction survey	Environment
	• 30/03/2017 – Clean energy for all Europeans • 30/06/2016 – Customer satisfaction survey	Organisational governance
	• 22/06/2017 – Elia's view on Belgium's Energy Vision for 2050 • 30/06/2016 – Customer satisfaction survey • 21/09/2017 – Innovation @ Elia	Community involvement & development
System Operation and European Market Design Working Group	• 27/04/2016 – Elia summer outlook (incompressibility risk)	Transmission services
Belgian Grid Working Group	• 1/02/2016 – Status of major Elia infrastructure works • 25/03/2016 – Power quality • 19/06/2017 – Large infrastructure projects • 21/04/2017 – Grid losses	Transmission services
	• 7/03/2017 – Implementation of network codes	Fair operating practices
Balancing Working Group	• 30/11/2017 – Balancing WG	Transmission services
	• 15/05/2017 – Balancing WG	Fair operating practices
	• Status meetings of the Balancing TF	Labour practices/employees

3. Network operation

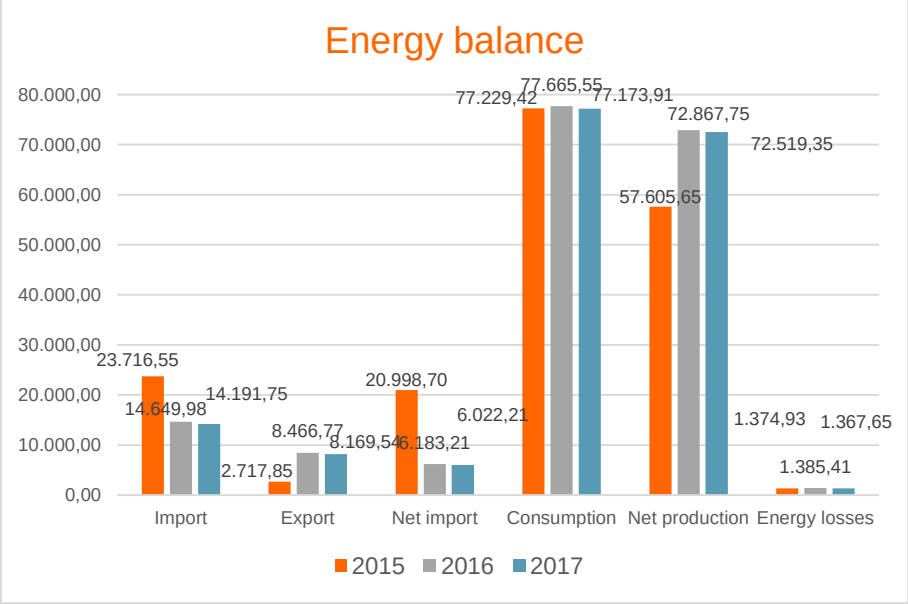
3.1. Evolution of installed capacity (Elia Belgium – 2017)



Nuclear installed capacity will remain stable until the first decommissioning, which is scheduled for 2022.

The installed capacity of **renewable energy sources**, such as solar and wind, has increased and is expected to increase further in the coming years. Elia acts as a market facilitator and in this role works hard to ensure the grid is prepared to integrate new renewable energy.

3.2. Energy balance (Elia Belgium – 2017)

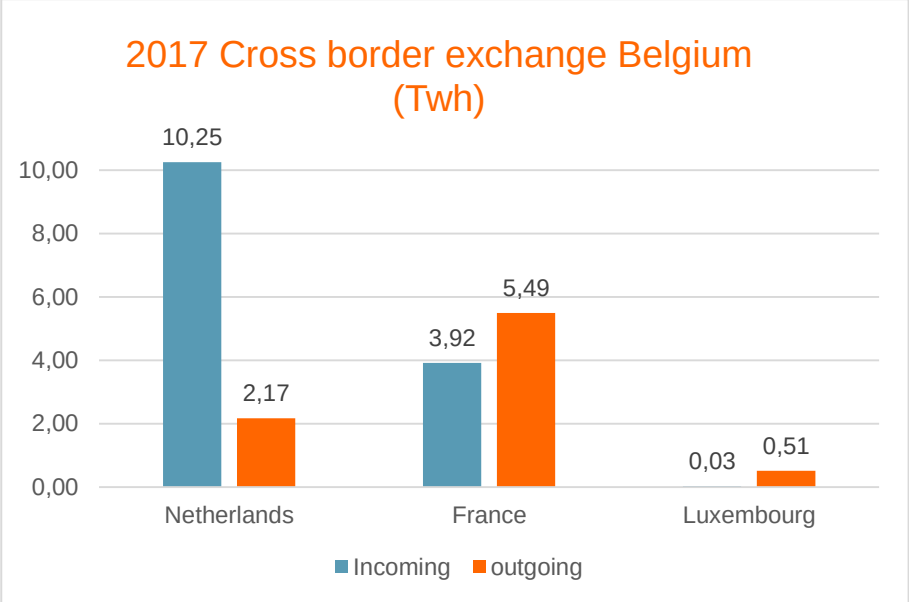


Consumption decreased slightly by 0.6% in 2017 compared to 2016, with 77,173.00 GWh of energy consumed in 2017. This decrease can be explained by the downward trend in both import and export. **Net production** of energy decreased slightly by 0.5%, down 348.41 GWh to 72,519.35 GWh. **Energy losses** have remained stable over the years, with 1,367.65 GWh of energy lost in 2017.

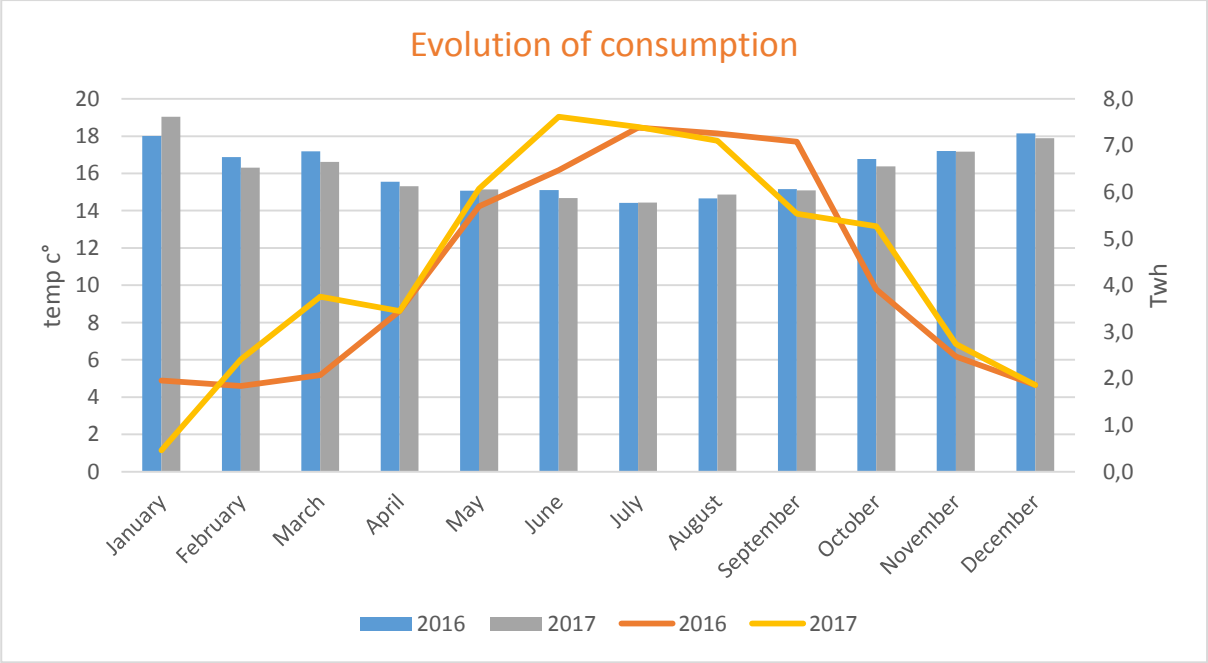
3.3. Energy balance (Elia Belgium – 2017)

IMPORT = 14,191.75		EXPORT = 8,169.54
	Net import = 6,022.21 Energy losses = 1,367.65	
Net production = 72,519.35		Consumption = 77,173.91

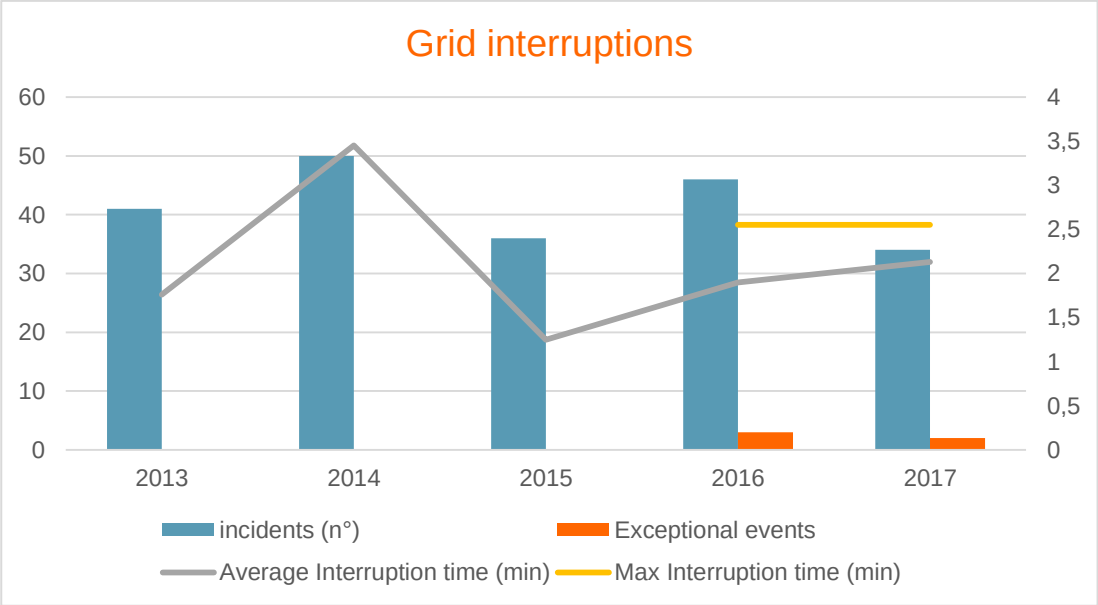
3.4. Cross border exchange Belgium (Twh)



3.5. Evolution of consumption (Twh) (Elia Belgium – 2017)



3.6. Grid interruptions (Elia Belgium – 2017)

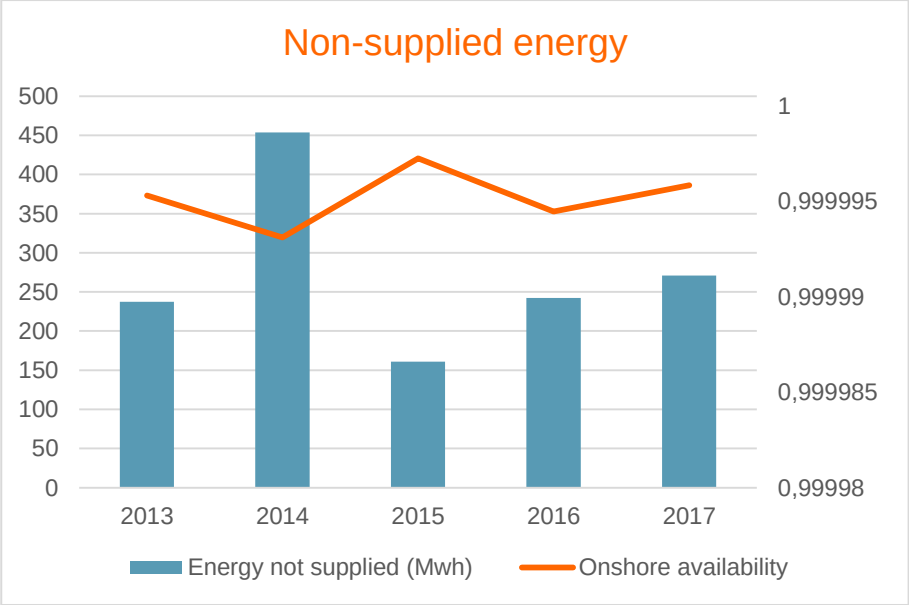


This graph shows the **interruptions for which Elia is responsible**. Any interruptions caused by customer errors, thunderstorms, third parties, birds, etc. are not considered here. Furthermore, only incidents that resulted in a customer interruption time of more than three minutes are included.

The **maximum interruption time** is the reference value used for calculating the average interruption time (AIT) incentive. Based on a seven-year average, this value was introduced in 2015 and validated by CREG for four years. This reference value will be reviewed in 2019.

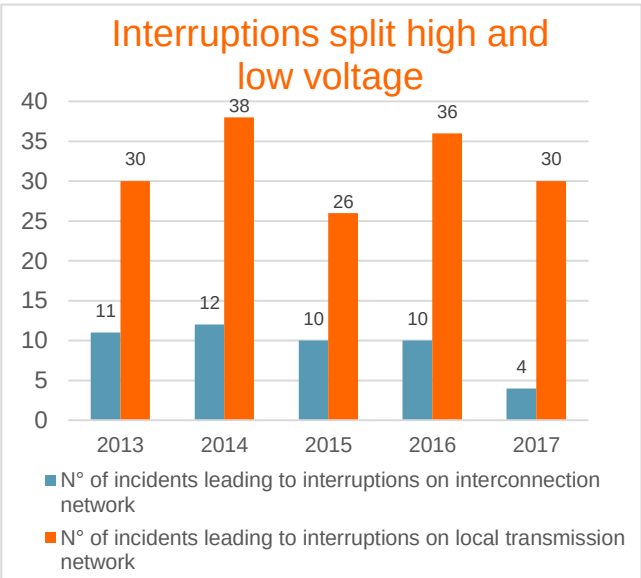
Exceptional events represent the number of natural disasters, storms or other climatological circumstances, nuclear or chemical accidents, explosions, and so on resulting in an interruption that **lasted more than three minutes**. Exceptional events only occurred in 2016 and 2017. Between March 2012 and June 2016, there were no major events leading to customer interruptions.

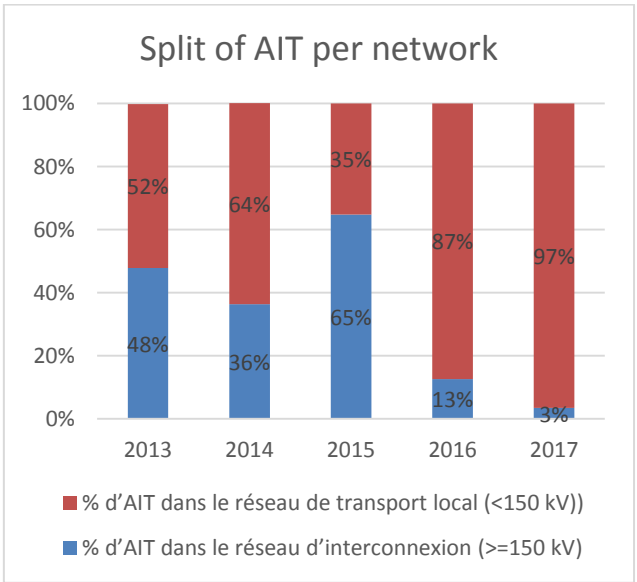
3.7. Non-supplied energy (Elia Belgium – 2017)



Onshore availability represents the availability of the interface points between the Elia grid and the customer's grid. It takes into account all the interruptions caused by intrinsic risks (weather, third parties, animal outside building, etc.) or by internal Elia problems (e.g. material failure, human error) which lasted more than three minutes, but excludes interruptions directly caused by Elia's customers. This onshore availability is calculated as 1-(AIT (intern Elia + intrinsic risk)/#min in the year). **Energy not supplied** concerns all energy not supplied to our customers during interruptions caused by internal Elia problems which lasted more than three minutes. However, it does not take into account the impact of major events.

3.8. Quality of service split by voltage (Elia Belgium – 2017)





The majority of **interruptions** take place on the local transmission network as most customers are connected to the local transmission grid rather than the interconnection grid. There is no trend explaining changes in the average interruption time (AIT) repartition.

4. Infrastructure management

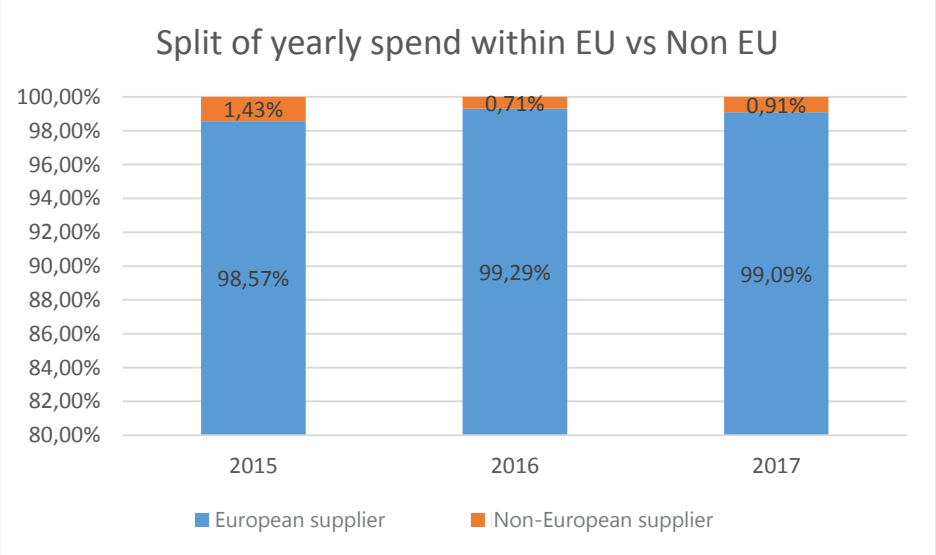
4.1. Supply chain management

Elia has to comply with the European tendering rules. The application of these rules and other internal guidelines ensure that every supplier is treated in a non-discriminatory and transparent way and that the information sent is treated confidentially. The selection of the suppliers and the award of the different contracts are based on the evaluation of multiple criteria's. The exposure to some social or environmental risks is mitigated by the fact that every purchase is performed by a multifunctional team, including specific representatives from environmental and/ or safety representatives. Depending on the purchase, the selection and awarding criteria's are adapted to ensure that the selected supplier has a supply chain that is compliant with the objectives and values of Elia. CSR elements are integrated in the tendering contract, as well as within the general purchasing conditions, which are signed by the suppliers.

4.2. Number of suppliers in Belgium - EU vs non- EU

	2015	2016	2017
Number of suppliers EU	2,325	2,282	2,374
Number of suppliers non EU	95	74	92

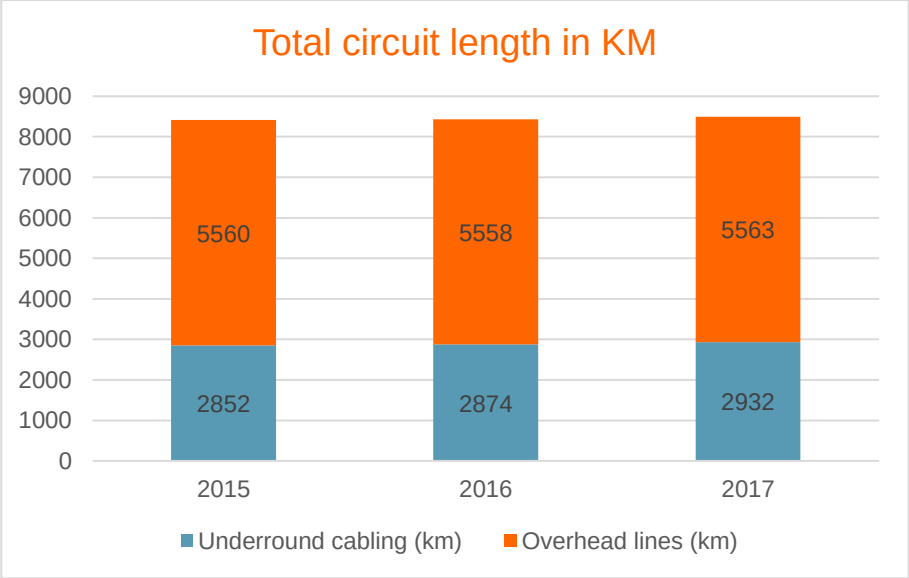
4.3. Split of yearly spend in Belgium within EU vs non-EU



The procurement outside the EU countries is today very limited and the environmental impact is taken into account in the criteria's. For the spend in 2017, 84.5% of the total purchases within non-EU countries were in the UK (the UK is an EU country, it just doesn't have the single currency) and Switzerland and 7% within the US. Therefore, Elia complies with the high EU or Belgian standards in terms of environment, social responsibility and worker wellbeing. Moreover, the evaluation of the safety aspects is done separately since it is crucial for Elia to have suppliers on board that share the same view on the importance of safety.

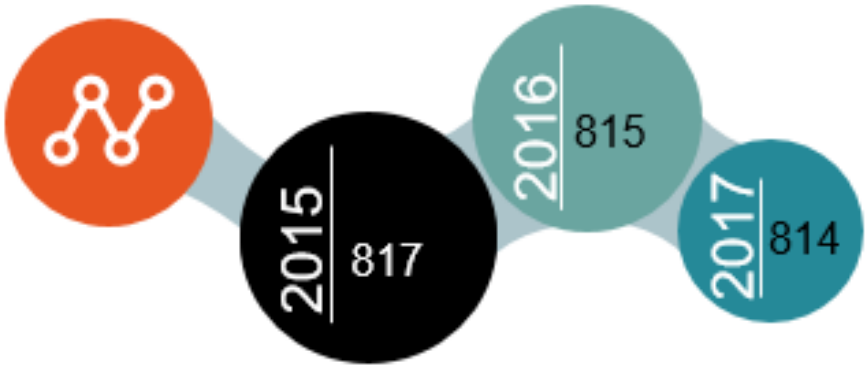
There is only limited impact on human rights violation for Elia as Elia's activities are mainly based within Europe. Also the number of non-EU suppliers for Elia Belgium is limited to 92 of 2,374 suppliers and spending is even limited to 0.91% of the all total spending. The large majority of purchases in non-EU countries are IT and consultancy related. The same selection and awarding criteria are used as for the non-EU suppliers.

4.4. Total circuit length in km (Elia Belgium – 2017)



The length of **overhead lines and underground cabling has remained stable over the years**. No substantial increase in line length is expected as Elia is investing in the replacement of existing lines.

4.5. Number of substation locations (Elia Belgium – 2017)

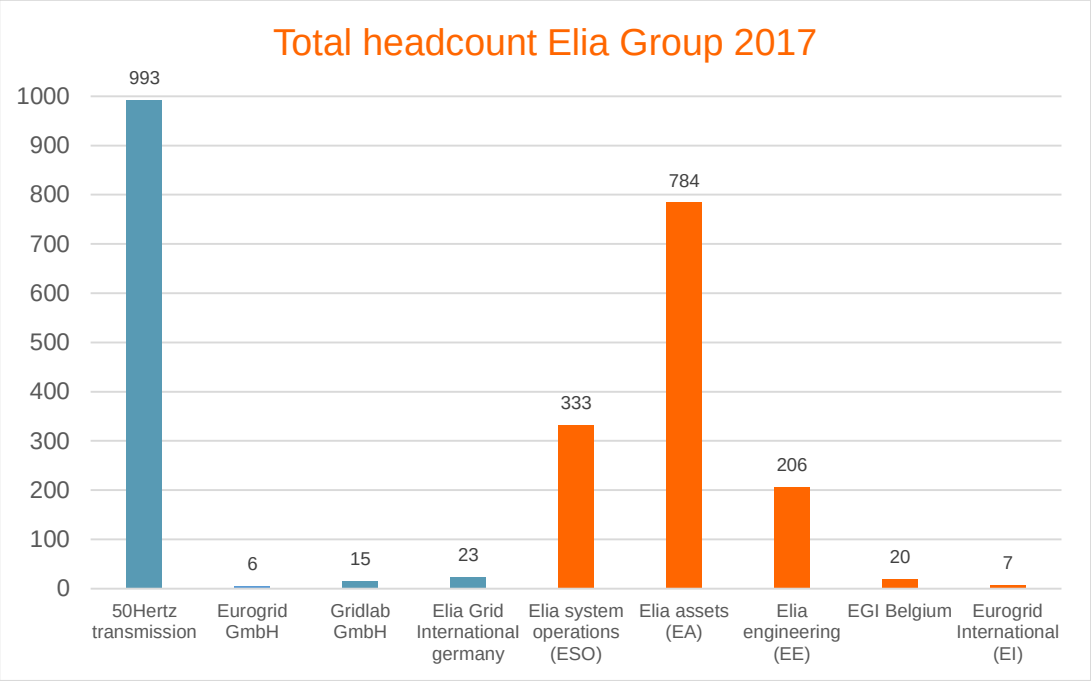


Overall, the **number of substations has remained stable**, although some low-voltage (<70kV) local transmission substations are being replaced by substations for the interconnection network.

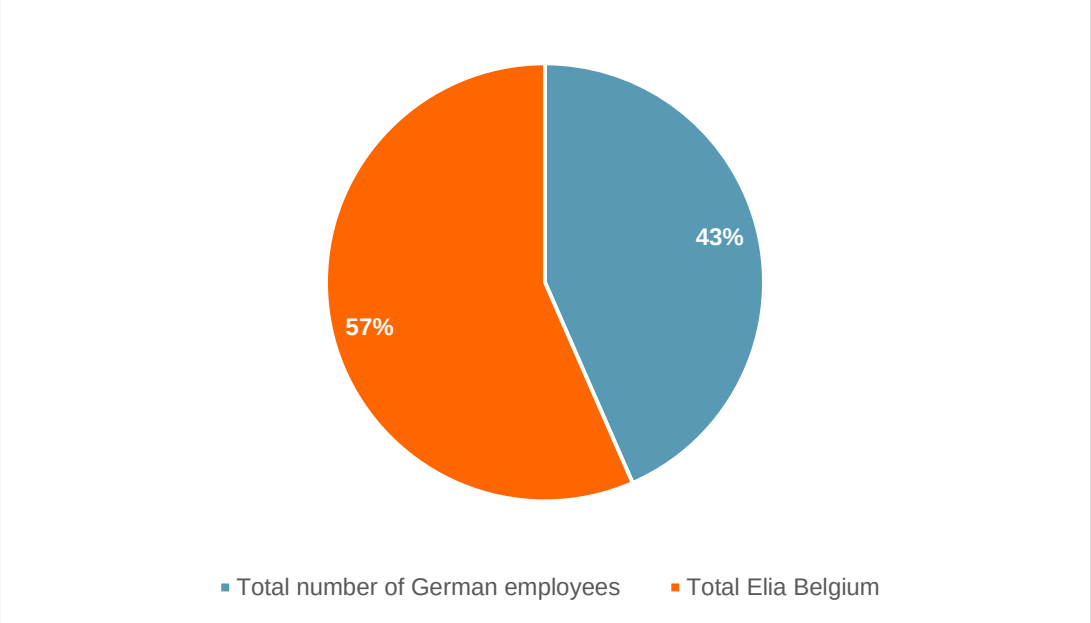
5. HR

5.1. Total headcount (Elia Group – 2017)

5.1.1. Breakdown by company

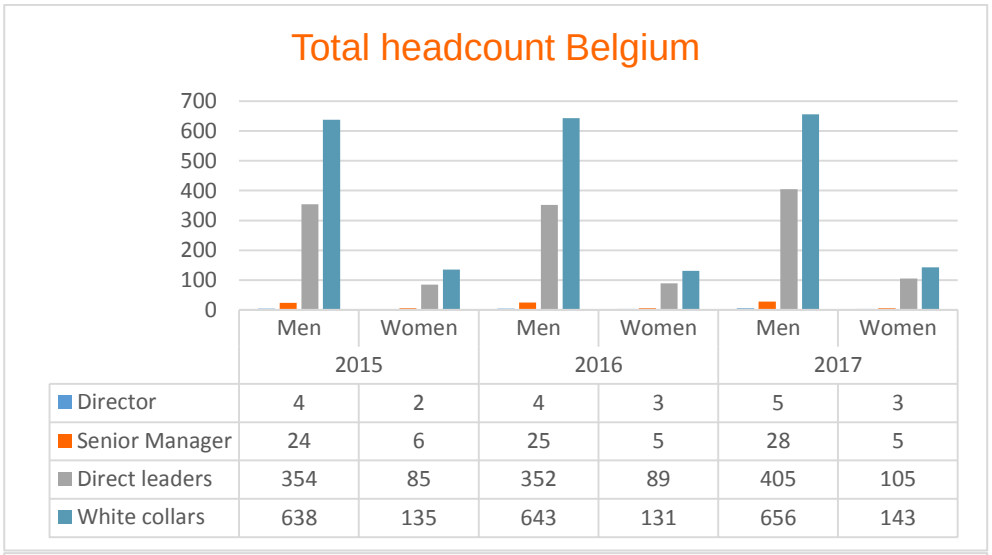


5.1.2. Breakdown by country (Elia Group – 2017)

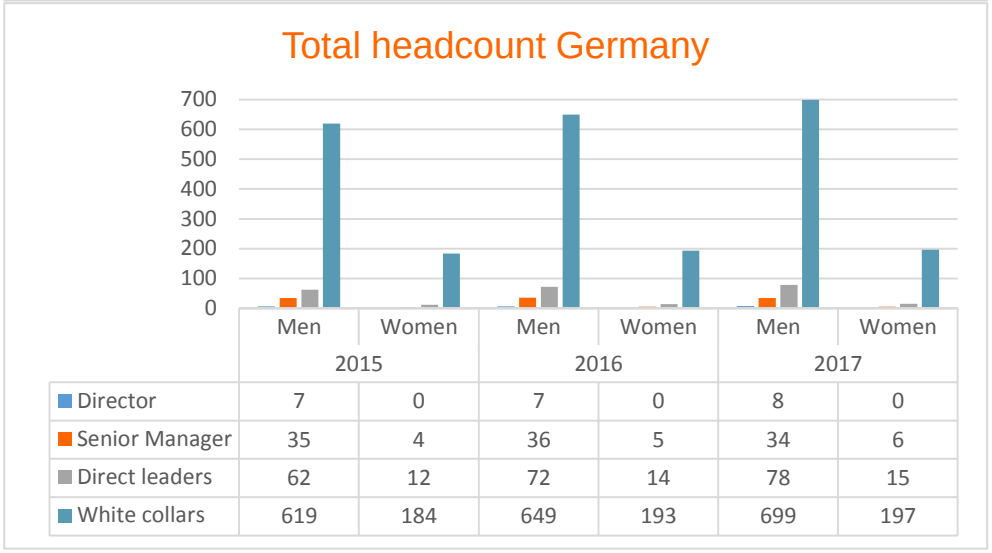


When analysing the split employees of Germany and Elia Belgium within Elia Group, we note that Elia Belgium represents 57% of Elia Group whereas Germany 43%.

5.1.3. Breakdown by responsibility level and gender (Elia Group – 2017) – GRI 102-41



	Men	Women	Men	Women	Men	Women
	2015		2016		2017	
Director	4	2	4	3	5	3
Senior Manager	24	6	25	5	28	5
Direct leaders	354	85	352	89	405	105
White collars	638	135	643	131	656	143

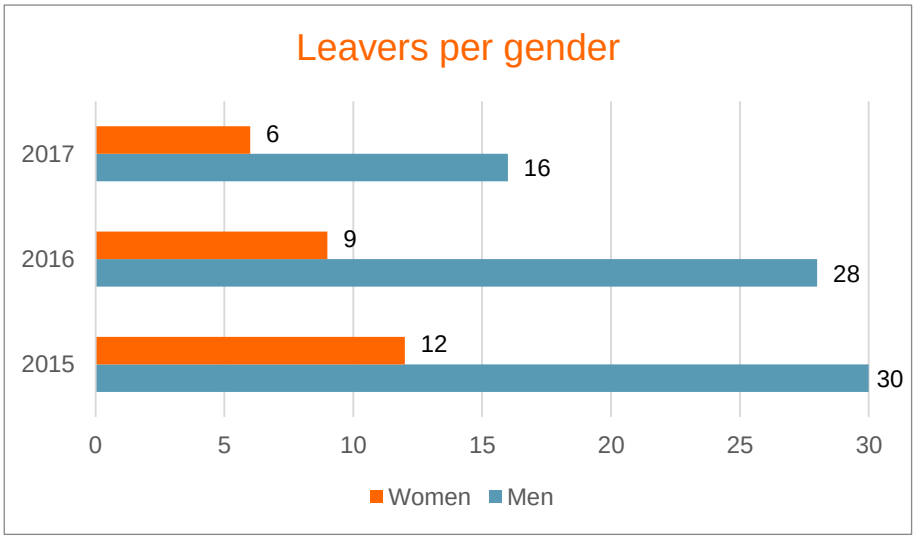


	Men	Women	Men	Women	Men	Women
	2015		2016		2017	
Director	7	0	7	0	8	0
Senior Manager	35	4	36	5	34	6
Direct leaders	62	12	72	14	78	15
White collars	619	184	649	193	699	197

Overall, we can see that 21% of German and 18% of Belgian employees are female. For direct leaders and above, 14% of German and 20% of Belgian employees are female. In 2017, 77% of German employees and all Belgian employees were covered by collective bargaining agreements.

Note that all technicians in Belgium and Germany are considered as white-collar workers. Consequently, there are no blue-collar workers.

5.2. Leavers by gender (Elia Belgium – 2017)



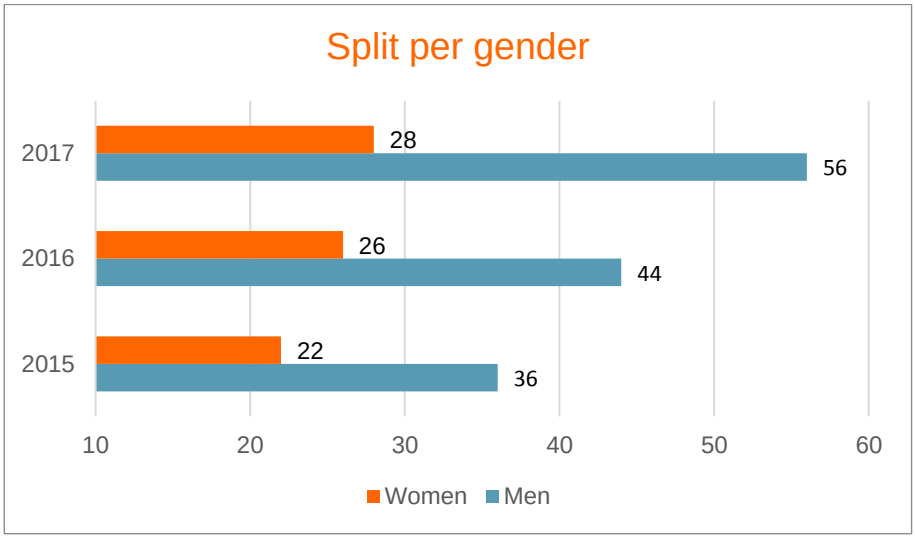
The number of employees leaving Elia has fallen over the years. In 2017, only 22 employees left the company, of which 6 were women and 16 were men. In terms of employee turnover, 2.6% of women left the Elia Group, compared with 1.6% of men. Employees aged between 30 and 50 were the biggest group of leavers. A third were younger than 30 and the remaining 10% were over 50.

Calculation method

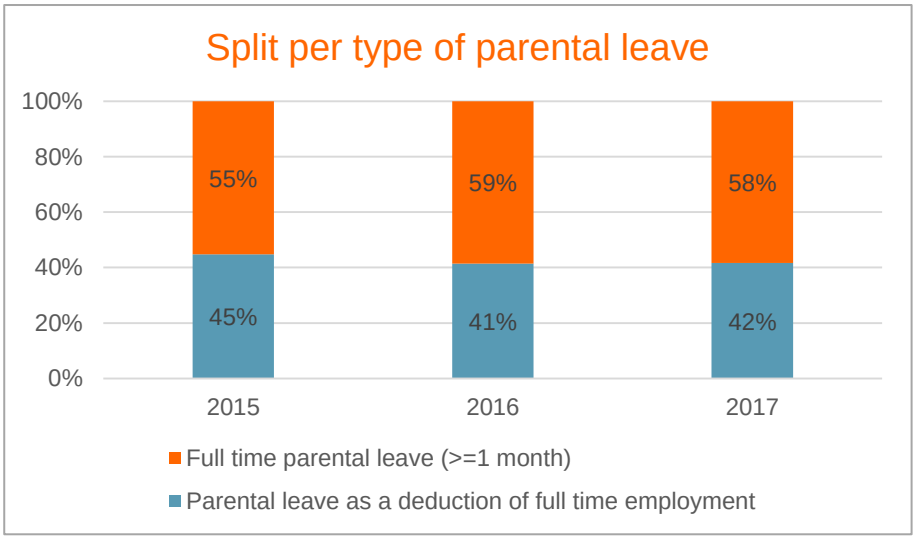
The number of leavers is determined based on all employees leaving the company as a result of dismissal or resignation from 1 January to 31 December of the year concerned. Retiring employees are excluded from the scope. Employee turnover is determined based on all leavers divided by the total headcount on 31 December of the previous year. The employee turnover by age category is based on all leavers in the respective age category, divided by the total headcount on 31 December of the previous year.

5.3. Parental leave (Elia Belgium – 2017)

5.3.1. Gender split

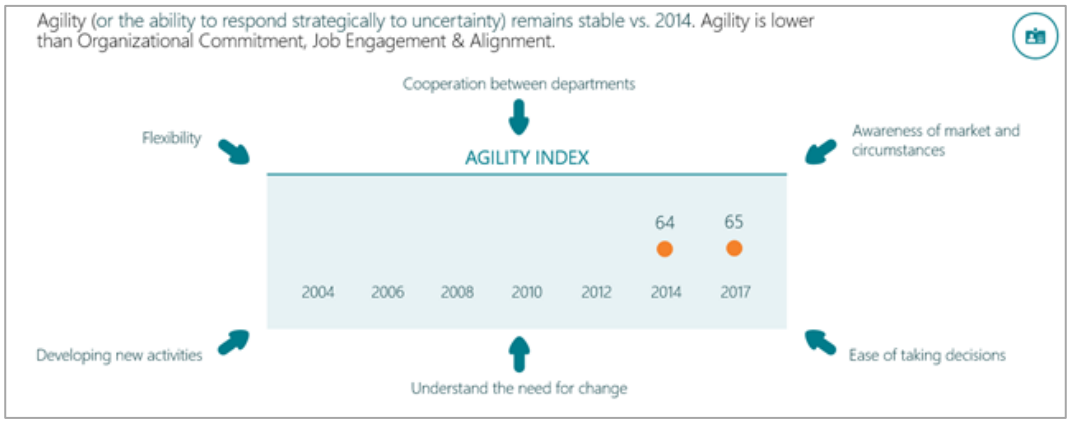


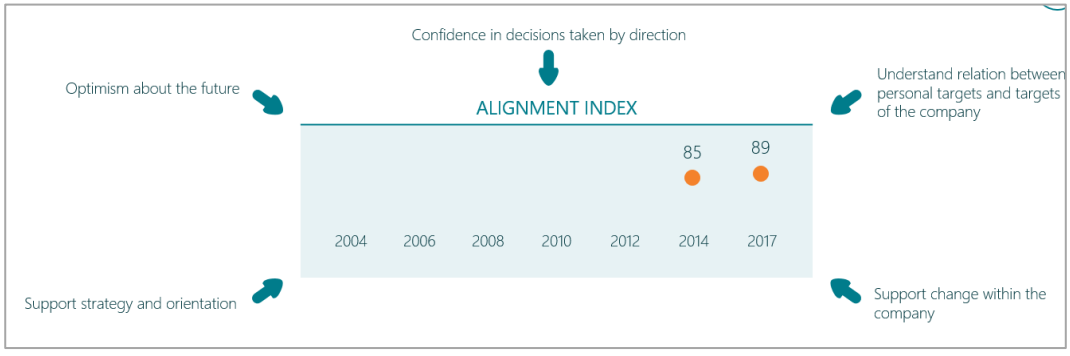
5.3.2. Split by type of parental leave



In 2017**, 84 employees took parental leave**, which is an increase compared to 2016. Of the employees taking parental leave, 58% opted for full-time parental leave while 42% took their parental leave as a reduction of their weekly working schedule. Interestingly, **66% of the employees who took parental leave in 2017 were men**. We are also seeing an increase in the number of men taking parental leave each year.

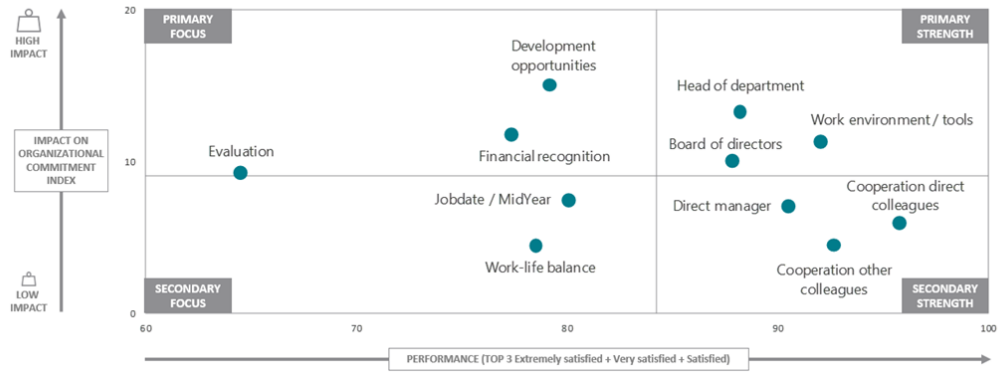
5.4. Employee survey (Elia Belgium – 2017)





Ratio dedicated/detached improves vs. 2014. The company trend is one towards higher organizational commitment and dedication.

From an employee engagement perspective, primary focus of HR should be with evaluation, development opportunities & financial recognition.



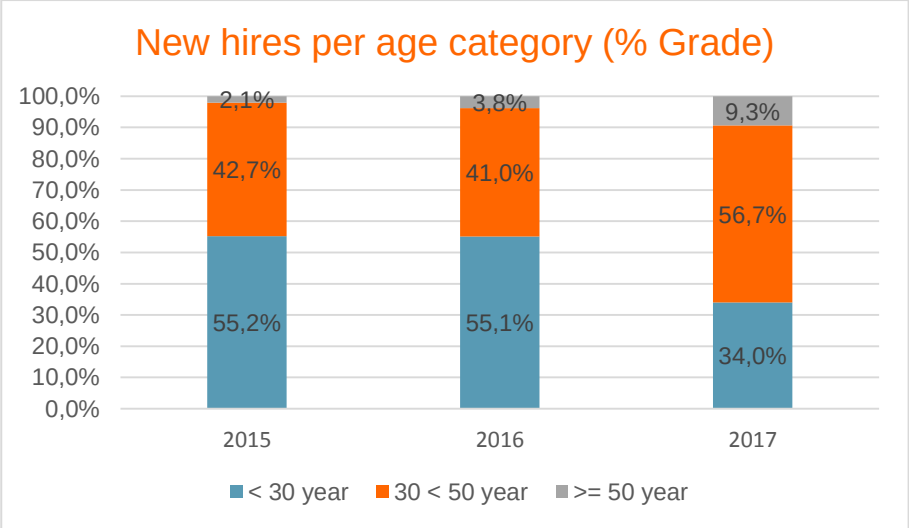
PRIMARY FOCUS AREAS

Development opportunities	• Marginal positive trends for most aspects related to development opportunities • Biggest threat is lack of perceived opportunity for promotion, especially observed with smaller units. 31% hopes to be promoted in 2018 • Attrition risk remains very low
Evaluation	• Negative trend for overall satisfaction on evaluation • Link between evaluation and reward is primary focus point, especially within Infrastructure Development where it is linked with lower perceived objectivity of feedback
Financial recognition	• Satisfaction on financial recognition remains stable vs. 2014. • Biggest driver is alignment between salary and performance • Some employees seem to be suspicious about their salary vs. that of their peers. Especially within Infrastructure Development there' a lot of negativity concerning salary vs. peers

SECONDARY FOCUS AREAS

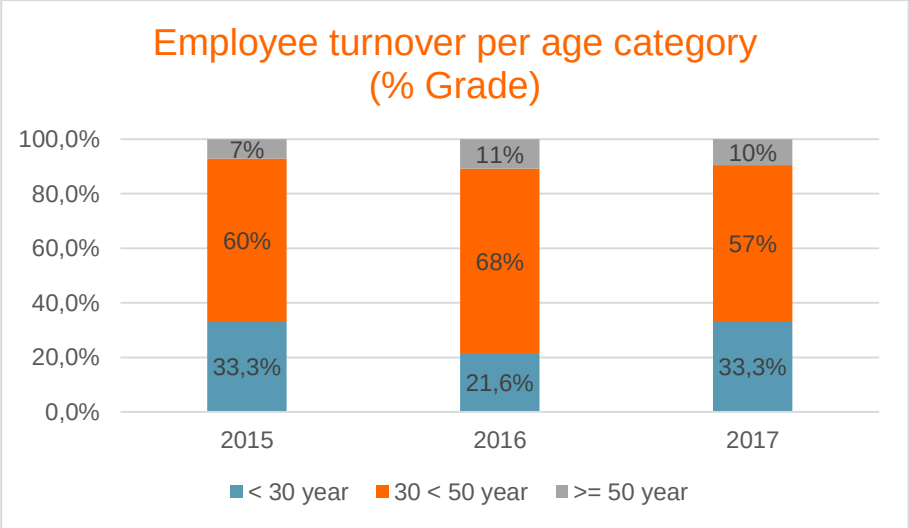
Jobdate / MidYear	• Satisfaction on jobdate / MidYear remains similar vs. 2014. There's some disagreement about its usefulness. • Main improvement point is the level of actions taken to support development (especially within Infrastructure Development)
Work-life balance	• Satisfaction on work-life balance decreases vs. 2014. Workload is perceived as less feasible • Satisfaction on work-life balance is heavily impact by the attention Elia gives to it, which is in for improvement for some employees • There are specific concerns related to work-life balance within the different units: CM&S: workload as such; Infrastructure Development: home-work commute; within some smaller units: distribution of work within the team

5.5. New hires per age category (% Grade) (Belgium)

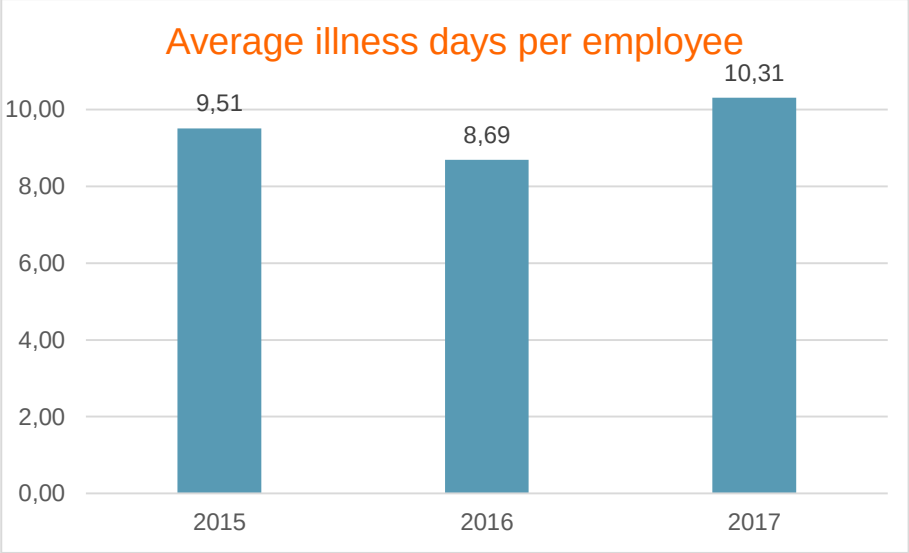


These graphs on new hires include all new employees within the planned budget and all the employees that were recruited as additions to the original budget. Changes in positions are not included.

5.6. Employee turnover per age category (Elia Belgium - 2017)



5.7. Average number of sick days per employee (Elia Belgium - 2017)



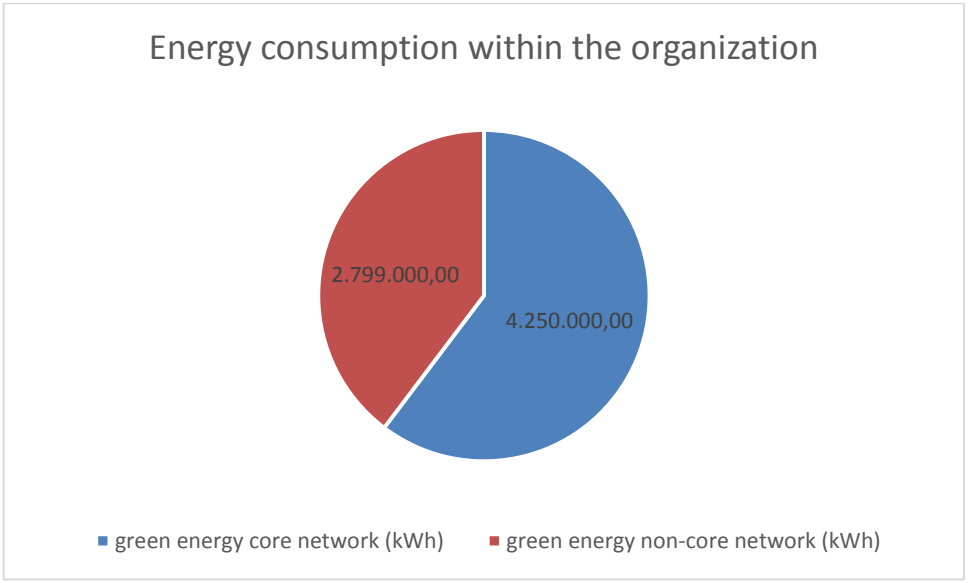
In general, employees had 10 sick days in 2017, which is in line with the previous years.

Calculation method

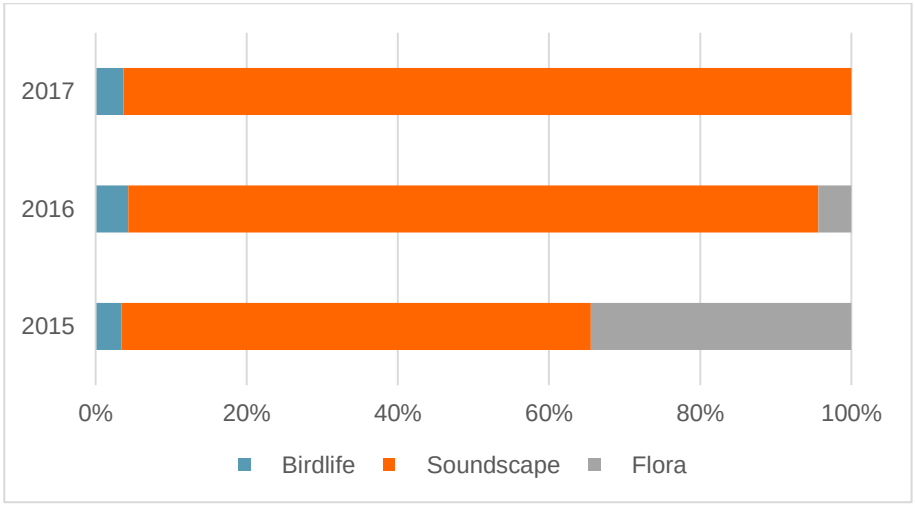
The average sick days per employee is calculated based on the total number of sick days divided by the total headcount on 31 December of the previous year.

6. Public acceptance (focused on environment and biodiversity)

6.1. Energy consumption within the organisation (Elia Belgium – 2017)



6.2. Number of projects for which impact is monitored (Elia Belgium - 2017)



6.3. Protecting birds by installing markers (Elia Belgium - 2017)

Since 2016, Elia has installed bird markers on 13.62 km of lines.

	Installed in 2016	Installed in 2017
Stevin - Gezelle	-	7180 m
Langerlo - Sikel	3110 m	-
Rodenhuize - Langerbrugge	-	2430 m
Herderen - Lixhe	900 m	-
TOTAL	4010	9610

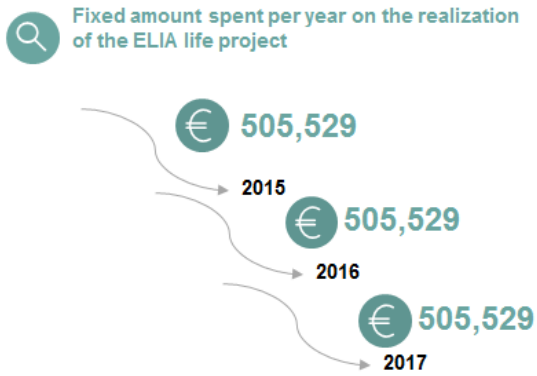
With the help of Belgium's leading environmental associations, Elia has identified the 130 sections of its network of overhead lines that pose the greatest hazard to birdlife. Measuring 200 km in total, they will gradually be fitted with bird anti-collision devices over the next 10 years. If a project is due to take place on these sections, markers will be installed immediately. For sections without projects, we will take advantage of scheduled interventions to fit markers on the conductors or earth wires.

6.4. Sustainable integration of facilities in the Stevin project (Elia Belgium)

During the Stevin project, Elia worked hard to minimise the impact of its facilities on the landscape by planting large numbers of trees and shrubs.

length in m	Planted in		
	2015	2016	2017
Trees (every 10 m)	1430	3920	3560
Pollard (every 7 m)	987	1302	1197
Cropped hedge	187	1385	1050
Uncropped hedge	577	2070	1417
Wooded border	653	1104	985

6.5. Annual implementation budget for the Elia-RTE LIFE project (Elia Belgium)



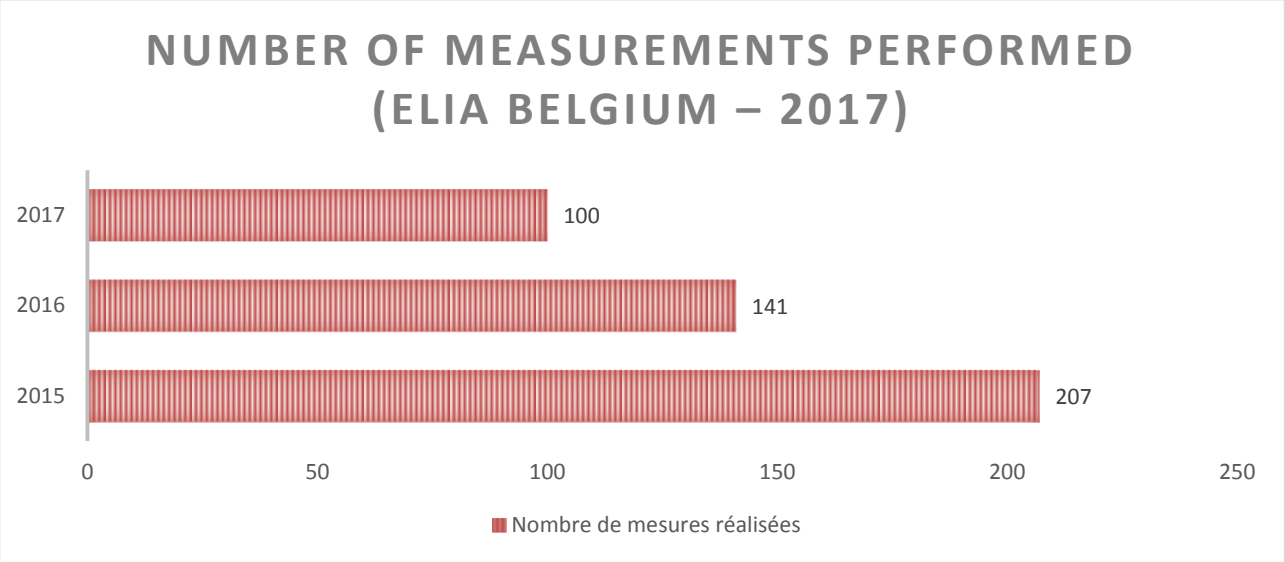
Since 2015, Elia has had a fixed annual budget of €505,529 for the Elia-RTE LIFE project, which seeks to transform the spaces beneath Elia's high-voltage lines into corridors for diversity. With this budget, Elia is restoring natural habitats for fauna and flora at Natura 2000 and other sites.

The Elia-RTE LIFE project ended in December 2017 but Elia has decided to continue the work by launching LIFE 2, despite no longer receiving funding from the European Commission and the Walloon Region.

6.6. Electromagnetic fields (Elia Belgium)

Upon request, Elia offers free electromagnetic field measurements to the owners of land and buildings located near Elia facilities. Each year, €370,000 is spent on scientific research into the impact of low-frequency magnetic fields.

6.6.1. Number of electromagnetic field measurements performed (Elia Belgium – 2017)



6.7. Requests for information handled (Elia Belgium)

	2015	2016	2017
received	80	54	56
handled	80	54	56

Elia's central contact centre receives numerous questions about the company's activities each day, some relating to environmental topics. In 2016, 194 questions about electromagnetic fields (EMFs) were received, and 140 measurements* were performed. For the other 54 requests, only information was provided.

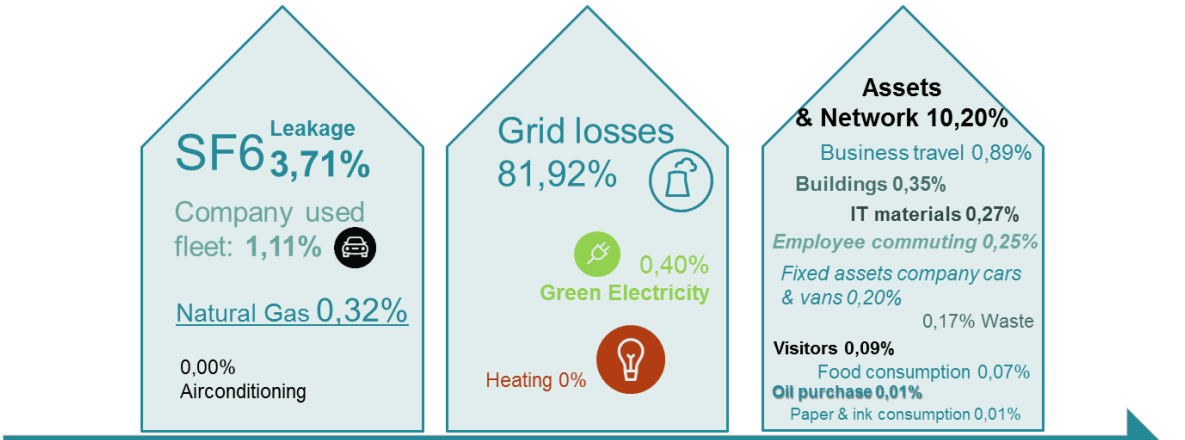
The number of requests was roughly the same in 2016 and 2017, down on the number received in 2015. There is no specific explanation for this difference, but generally speaking we see an increase in requests following media attention and/or the launch of a major grid project.

Each year, €370,000 is spent on scientific research analysing the impact of low-frequency magnetic fields. The amount is fixed as Elia has contracts with the Belgian BioElectroMagnetics Group (BBEMG) and the Electric Power Research Institute (EPRI).

*These measurements are based on third-party requests received at the contact centre.

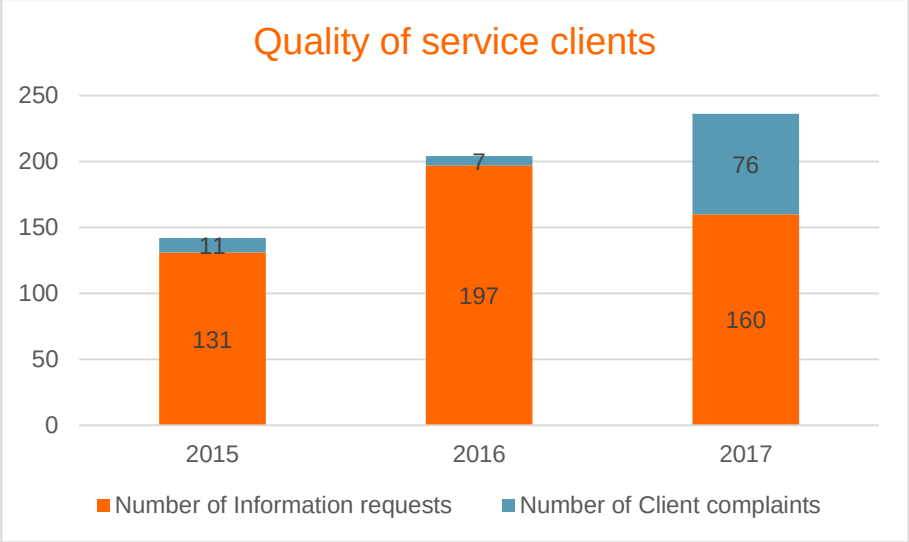
6.8. Carbon assessment

Elia has been conducting a carbon assessment since 2010 to identify direct and indirect emissions from its activities and is taking steps to reduce greenhouse gas emissions from its activities.



2017	18 087 TeqCO2	306 512 TeqCO2	43 840 TeqCO2
2016	14 086 TeqCO2	278 119 TeqCO2	40 441 TeqCO2
2015	15 318 TeqCO2	269 254 TeqCO2	40 590 TeqCO2

6.9. Client information and complaints requests



These figures represent all information requests and complaints regarding the electric quality of service (power quality). The positive trends between 2015 and 2016 are mainly due to a better internal reporting improved follow-up and the centralisation of requests from DSOs. Complaints were stable in 2015 and 2016. The big increase of complaints in 2017 is due to one incident, which resulted in 61 complaints from DSO users. The decrease in information requests can be explained by a decline in incident numbers (from 445 to 379).

6.9.1. Customer Satisfaction Survey

Every two years, Elia measures the customer satisfaction level among its key stakeholders (distribution system operators, grid users, producers, access responsible parties, User's Group ,…). The main objectives of this survey are to provide an overview of the Key Performance Indicators (KPIs) related to service quality and their evolution over time.

The latest surveys were conducted in 2016 with 252 stakeholders. The KPIs measured were the Elia Satisfaction Index, reflecting how stakeholders evaluate the products and services of Elia in general, the Customer Effort Score, reflecting the ease of doing business with Elia, the customer satisfaction regarding account management and image etc. The overall aim is to identify strengths and weaknesses among the different stakeholders in order to further optimize the customer relationship.

With regards to the Elia Satisfaction Index, Elia scored 67%, reflecting the high quality of products and services. The majority of the stakeholders still describe collaboration with Elia as "easy". Compared to 2014, there is a very positive evaluation of Elia's Key Account Managers, with a significant increase in the satisfaction about Elia's ability to think along with its stakeholders. Regarding image, there were stable results for Elia's expertise and communication.

The survey highlighted the strengths that need to be maintained and priorities were set to further improve stakeholder satisfaction.

6.9.2. Requests received & handled at Contact Centre

Each year, Elia receives approximately **75,000 requests for information concerning high-voltage network installations.** These enquiries come from a range of sources including local residents, contractors, engineering firms, public authorities, utilities and project developers. The company has defined **response times**, based on statutory time frames, within which the Contact Centre must answer requests for information. For example, the standard deadline for responding to routine requests is **7 working days** from receipt. In 2017, 99.91% of all requests were answered within the set times.

7. GRI reference table

This annual report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. It is the Elia Group's first annual integrated report and covers the period from 1 January 2017 to 31 December 2017.

GRI 102: General information 2017			
1. Organizational Profile			
102-1	Name of the organization	p. 8-11	
102-2	Activities, brands, products, and services	p. 12-13	
102-3	Location of headquarters	p. 10	
102-4	Location of operations	p. 10	
102-5	Ownership and legal form	p. 11	
102-6	Markets served	p. 14-19	
102-7	Scale of the organization	p. 12-13	
102-8	Information on employees and other workers	Annex part 5	
102-9	Supply chain	p. 2 & p. 40-51	
102-10	Significant changes to the organization and its supply chain	p. 40-51	
102-11	Precautionary Principle or approach	p. 29-37	
102-12	External initiatives	p. 60-63	
102-13	Membership of associations	p. 52-63	
2. Strategy			
102-14	Statement from senior decision-maker	p. 4-7	
102-15	Key impacts, risks, and opportunities	p. 4-7	
3. Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	p. 120	
102-17	Mechanisms for advice and concerns about ethics	p. 120	
4. Governance			
102-18	Governance structure	p. 102-103	
102-19	Delegating authority	p. 122	
5. Stakeholder engagement			
102-40	List of stakeholder groups	p. 2	
102-41	Collective bargaining agreements	Annex part 5.1.3	
102-42	Identifying and selecting stakeholders	p. 25	
102-43	Approach to stakeholder engagement	p. 25 & p. 80	
102-44	Key topics and concerns raised	p. 14-19 & p. 23-25	
6. Reporting principles			
102-45	Entities included in the consolidated financial statements	p. 10-11	
102-46	Defining report content and topic Boundaries	p. 23-25	
102-47	List of material topics	p. 23-25	
102-48	Restatements of information		There are no restatements of information provided in previous reports.
102-49	Changes in reporting		The annual report 2017 is the first integrated annual reporting in line with the GRI - Core principles
102-50	Reporting period		Fiscal year 2017
102-51	Date of most recent report		Annual report 2017
102-52	Reporting cycle		Annual reporting cycle

102-53	Contact point for questions regarding the report		Marleen Vanhecke External Communications & External Relations marleen.vanhecke@elia.be
102-54	Claims of reporting in accordance with the GRI Standards		This Annual report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI content index	Annex part 7	
GRI 103: Identified Material Aspects and Boundaries			
103-1	Explanation of the material topic and its Boundary	p. 23-25	
103-2	The management approach and its components	p. 23-25	
103-3	Evaluation of the management approach	p. 23-25	
GRI 201: Economic performance			
201-1	Direct economic value generated and distributed	p. 12-13	
201-2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	p. 12-13 & p. 116-119	
GRI 203: Indirect economic impacts			
203-1	Development and impact of infrastructure investments and services supported	p. 28-37	
203-2	Significant indirect economic impacts, including the extent of impacts	p. 28-37	
GRI 204: Procurement practices			
204-1	Proportion of spending on local suppliers	Annex part 4.2 & 4.3	
GRI 205: Anti-Corruption			
205-1	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	p.120-123	
205-2	Communication and training on anticorruption policies and procedures	p.120-123	
205-3	Confirmed incidents of corruption and actions taken		No incidents of corruption occurred during the reporting period.
GRI 206: Anti-competitive behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		No legal actions pending or completed during the reporting year.
GRI 302: Energy			
302-1	Energy consumption within the organisation	Annex part 6.1	
302-2	Energy consumption outside of the organisation	Annex part 6.1	
GRI 304: Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	p. 66-81	
304-2	Significant impacts of activities, products, and services on biodiversity	p. 66-81	
304-3	Habitats protected or restored	p. 66-81	
GRI 305: Emissions			
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	p. 74-75 Annex part 6.8	
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	p. 74-75 Annex part 6.8	
305-3	Other indirect greenhouse gas (GHG) emissions (Scope 3)	p. 74-75 Annex part 6.8	

305-5	Reduction of greenhouse gas (GHG) emissions	p. 74-75 Annex part 6.8	
GRI 307: Environmental compliance			
307-1	Non-compliance with environmental laws and regulations		The organisation has not identified any significant non-compliance with environmental laws and/or regulations.
GRI 308: Supplier Environmental Assessment			
308-2	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Annex part 4.1-4.3	
GRI 401: Employment			
401-1	Total number and rates of new employee hires and employee turnover by age group, gender and region	p. 13 Annex part 5.2 & 5.6	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		There are no differences between the benefits provided to full-time and part-time employees.
401-3	Return to work and retention rates after parental leave, by gender	Annex part 5.3	
GRI 402: Labor/Management Relations			
402-1	Percentage of total workforce repre-sented in formal joint management - worker health and safety committees that help monitor and advise on occupational health and safety programmes		This body (joint committee) exists in both countries but the percentage of workforce represented is immaterial, less than 1%.
GRI 403: Occupational Health and Safety			
403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	p. 31-32 & p. 37	
403-3	Workers with high incidence or high risk of diseases related to their occupation	p. 31-32 & p. 37	
GRI 404: Training and Education			
404-1	Average hours of training per year per employee by gender, and by employee category	p. 86-87	
GRI 405: Diversity and Equal Opportunity			
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	p. 103 & p. 109 Annex part 5.1.3	
GRI 406: Non-Discrimination			
406-1	Total number of incidents of discrimination and corrective actions taken		The organisation has not identified any incidents of discrimination during the reporting period.
GRI 416: Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories	p. 28-29 & p. 74	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		The organisation has not identified any non-compliance with regulations and/or voluntary codes.
GRI 417: Marketing and Labeling			

417	Results of surveys measuring customer satisfaction	p. 89-90	
GRI 419: Socio economic Compliance			
419-1	Monetary value of significant fines for non-compliance with laws and regulations in the social and economic area		During the reporting year the company did not receive any significant fines or non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area.
Electric Utilities Specific			
EU4	Length of above and underground transmission and distribution lines by regulatory regime	p. 12 & p. 39 Annex part 4.4	
G4-DMA	Management approach to ensure short and long-term electricity availability and reliability	p. 14-19	
G4-DMA	Demand-side management programs including residential, commer-cial, institutional and industrial programs	p. 14-19	
EU12	Transmission and distribution losses as a percentage of total energy	p. 37 Annex part 6.8	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected area	p. 67-81	
LA4	Report on health and safety performance of contractors and subcontractors working onsite or on behalf of the reporting organisation off site	p. 29-31 & p. 37	
EU28	Power outage frequency	Annex part 3.7, 3.8 & 3.9	
EU29	Average power outage duration	Annex part 3.7, 3.8 & 3.9	