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Ready to accelerate

Financial Report 2019

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 financial statements, which have been prepared in accordance with applicable accounting policies for financial statements, give a true and fair view of the assets, the financial position and results of Elia and of its subsidiaries included in the consolidation;

b. the annual report gives a true and fair view of the evolution and the results of the Company and of the situation of Elia and of its subsidiaries included in the consolidation, as well as a description of the most significant risks and uncertainties they are facing.

Brussels, 26 March 2020

Catherine Vandenborre
Chief Financial Officer

Chris Peeters
Chief Executive Officer

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

(in million EUR) - year ended 31 December	Notes	2019	2018
Continuing operations			-
Revenue	(5.1)	2,242.3	1,934.8
Raw materials, consumables and goods for resale	(5.2)	(76.9)	(41.5)
Other income	(5.1)	150.3	109.0
Net income (expense) from settlement mechanism	(5.1)	(73.7)	(112.0)
Services and other goods	(5.2)	(1,007.1)	(945.7)
Personnel expenses	(5.2)	(282.9)	(229.3)
Depreciations, amortizations and impairments	(5.2)	(374.6)	(252.3)
Changes in provisions	(5.2)	14.1	4.4
Other expenses	(5.2)	(30.1)	(30.4)
Results from operating activities		**561.4**	**437.0**
Share of profit of equity accounted investees (net of tax)	(6.5)	8.3	65.6
Earnings before interest and tax (EBIT)		**569.7**	**502.6**
Net finance costs	(5.3)	**(139.6)**	**(93.3)**
Finance income		5.6	21.9
Finance costs		(145.2)	(115.2)
Profit before income tax		**430.1**	**409.3**
Income tax expense	(5.4)	(121.0)	(102.2)
Profit from continuing operations		**309.1**	**307.1**
Profit for the period		**309.1**	**307.1**
Profit attributable to:			
Equity holders of the parent - Equity holders of ordinary shares		254.3	275.2
Equity holders of the parent - Hybrid securities		19.3	6.2
Non-controlling interest		35.5	25.7
Profit for the period		**309.1**	**307.1**
Earnings per share (EUR)			
Basic earnings per share		3.91	4.52
Diluted earnings per share		3.91	4.52

The accompanying notes (1-9) 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**	**2019**	**2018**
Profit for the period		**309.1**	**307.1**
Other comprehensive income (OCI)			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	(5.6)	(1.0)	(8.4)
Foreign currency translation difference of foreign operations		(0.1)	0.0
Related tax		0.2	2.2
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(6.14)	(5.4)	0.8
Effective portion of changes in fair value of investments	(5.6)	0.0	2.7
Related tax	(6.10)	1.5	(0.2)
Other comprehensive income for the period, net of tax		**(4.8)**	**(2.9)**
Total comprehensive income for the period		**304.3**	**304.2**
Total comprehensive income attributable to:			
Equity holders of the parent - ordinary shareholders		250.1	271.9
Equity holders of the parent - hybrid securities holders		19.3	6.2
Non-controlling interest		34.9	26.1
Total comprehensive income for the period		**304.3**	**304.2**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Consolidated statement of financial position

(in million EUR)	Notes	31 December 2019	31 December 2018
ASSETS			
NON CURRENT ASSETS		**12,390.8**	**11,362.8**
Property, plant and equipment	(6.1)	9,445.6	8,456.2
Goodwill	(6.3)	2,411.1	2,411.1
Intangible assets	(6.2)	96.4	91.2
Trade and other receivables	(6.4)	2.3	177.0
Equity-accounted investees	(6.5)	342.8	135.4
Other financial assets (including derivatives)	(6.6)	88.9	86.9
Deferred tax assets	(6.7)	3.7	5.0
CURRENT ASSETS		**1,502.6**	**2,391.5**
Inventories	(6.8)	24.3	19.2
Trade and other receivables	(6.9)	488.0	558.9
Current tax assets	(6.10)	5.5	3.6
Cash and cash equivalents	(6.11)	975.0	1,789.3
Deferred charges and accrued revenues	(6.9)	9.8	20.6
Total assets		**13,893,4**	**13,754.3**
EQUITY AND LIABILITIES			
EQUITY		**4,332.1**	**3,748.9**
Equity attributable to owners of the Company	(6.12)	4,022.3	3,447.5
Equity attributable to ordinary shares		3,320.8	2,741.3
Share capital		1,705.9	1,521.5
Share premium		259.1	14.3
Reserves		173.0	173.0
Hedging reserve		(7.0)	(6.2)
Retained earnings		1,189.8	1,038.7
Equity attributible to hybrid securities holders	(6.12)	701.4	706.2
Non-controlling interest		309.9	301.4
NON-CURRENT LIABILITIES		**5,924.9**	**6,289.0**
Loans and borrowings	(6.13)	5,378.9	5,773.8
Employee benefits	(6.14)	118.2	104.0
Derivatives	(8.1)	4.4	2.9
Provisions	(6.15)	122.3	96.9
Deferred tax liabilities	(6.7)	87.0	95.2
Other liabilities	(6.16)	214.1	216.2
CURRENT LIABILITIES		**3,636.4**	**3,716.4**
Loans and borrowings	(6.13)	1,119.2	621.1
Provisions	(6.15)	15.6	16.5
Trade and other payables	(6.17)	1,356.9	1,989.1
Current tax liabilities	(6.10)	54.8	93.1
Accruals and deferred income	(6.20)	1,089.9	996.6
Total equity and liabilities		**13,893.4**	**13,754.3**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in million EUR)	Share capital	Share premium	Hedging reserve	Foreign currency translation	Reserves	Retained earnings	**Equity attributable to ordinary shares**	Hybrid securities	**Equity attributable to the owners of the company**	Non controlling interests	**Total equity**
Balance at 31 December 2017, as originally presented	1,517.6	11.9	0.0	0.0	173.0	938.1	2,640.7	0.0	2,640.7	1.1	2,641.8
Change in accounting policy IFRS 15						(77.4)	(77.4)		(77.4)		(77.4)
Restated balance at 31 December 2017	1,517.6	11.9	0.0	0.0	173.0	860.7	2,563.3	0.0	2,563.3	1.1	2,564.4
Change in accounting policy IFRS 9						2.9	2.9		2.9		2.9
Restated balance at 1 January 2018	1,517.6	11.9	0.0	0.0	173.0	863.7	2,566.2	0.0	2,566.2	1.1	2,567.3
Profit for the period						281.6	281.6		281.6	25.7	307.3
Other comprehensive income			(6.2)	0.0		2.8	(3.5)		(3.5)	0.5	(3.1)
Total comprehensive income for the period			**(6.2)**	**0.0**		**284.4**	**278.2**		**278.2**	**26.1**	**304.2**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	2.8	2.5					5.3		5.3		5.3
Share-based payment expenses	1.0						1.0		1.0		1.0
Issue of hybrid securities						(3.2)	(3.2)	700.0	696.8		696.8
Distribution on hybrid securities						(6.2)	(6.2)	6.2	0.0		0.0
Taxes on distribution on hybrid secutities						(1.8)	(1.8)		(1.8)		(1.8)
Dividends						(98.7)	(98.7)		(98.7)	(20.0)	(118.7)
Total contributions and distributions	3.8	2.5	0.0			(109.9)	(103.6)	706.2	602.6	(20.0)	582.6
Changes in ownership interests											
Non-controlling interests adjustment on EGI, due to acquisition						0.5	0.5		0.5	(0.5)	0.0
Acquisition				0.0		0.0	0.1		0.1	294.6	294.7
Total changes in ownership interests				0.0		0.5	0.6		0.6	294.1	294.7
Total transactions with Owners	3.8	2.5	0.0	0.0		(109.4)	(103.0)	706.2	603.2	274.1	877.3
Balance at 31 December 2018	**1,521.4**	**14.4**	**(6.2)**	**0.0**	**173.0**	**1,038.7**	**2,741.3**	**706.2**	**3,447.5**	**301.4**	**3,748.9**
Balance at 1 January 2019	**1,521.4**	**14.4**	**(6.2)**	**0.0**	**173.0**	**1,038.7**	**2,741.3**	**706.2**	**3,447.5**	**301.4**	**3,748.9**
Profit for the period						273.6	273.6		273.6	35.5	309.1
Other comprehensive income			(0.8)	(0.0)		(3.3)	(4.2)		(4.3)	(0.6)	(4.8)
Total comprehensive income for the period			**(0.8)**	**(0.0)**	0.0	**270.2**	**269.4**		**269.4**	**34.9**	**304.3**
Transactions with owners, recorded directly in equity											
Contributions by and distributions to Owners											
Shares issued	190.5	244.8					435.3		435.3		435.3
Issuance costs	(6.2)						(6.2)		(6.2)		(6.2)
Share-based payment expenses	0.1						0.1		0.1		0.1
Hybrid: dividend accrual						4.8	4.8	(4.8)	0.0		0.0
Hybrid: tax effect on dividend accrual						1.5	1.5		1.5		1.5
Dividends to non-controlling interests						0.0	0.0		0.0	(26.4)	(26.4)
Dividends						(101.3)	(101.3)		(101.3)		(101.3)
Hybrid: coupon paid						(24.0)	(24.0)		(24.0)		(24.0)
Total contributions and distributions	184.4	244.8	0.0			(119.1)	310.1	(4.8)	305.4	(26.4)	279.0
Total transactions with Owners	184.4	244.8	0.0	0.0		(119.1)	310.1	(4.8)	305.4	(26.4)	279.0
Balance at 31 December 2019	**1,705.8**	**259.2**	**(7.0)**	**(0.0)**	**173.0**	**1,189.8**	**3,320.8**	**701.4**	**4,022.2**	**309.9**	**4,332.1**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in million EUR) Year ended 31 December	Notes	2019	2018
Cash flows from operating activities			-
Profit for the period		**309.1**	**307.1**
Adjustments for:			
Net finance costs	(5,3)	139.6	93.3
Other non-cash items		(2.2)	1.1
Current income tax expense	(5.4)	124.7	105.9
Profit or loss of equity accounted investees, net of tax		(8.3)	(65.6)
Depreciation of property, plant and equipment and amortisation of intangible assets		365.8	249.5
Gain on sale of property, plant and equipment and intangible assets		10.0	12.6
Impairment losses of current assets		0.3	3.8
Change in provisions		(9.4)	(9.2)
Change in loans and borrowings		1.1	1.3
Change in deferred taxes	(6.7)	(3.7)	(3.6)
Cash flow from operating activities		**927.1**	**696.1**
Change in inventories		(5.6)	(1.8)
Change in trade and other receivables		66.2	(50.5)
Change in other current assets		14.9	7.8
Change in trade and other payables		(640.4)	(12.9)
Change in other current liabilities		28.2	117.9
Changes in working capital		**(536.7)**	**60.5**
Interest paid		(158.4)	(141.8)
Interest received		5.8	5.7
Income tax paid		(166.5)	(103.8)
Net cash from operating activities		**71.2**	**516.7**
Cash flows from investing activities			
Acquisition of intangible assets		(26.9)	(23.2)
Acquisition of property, plant and equipment		(1,130.8)	(991.1)
Acquisition of equity-accounted investees	(6.5)	(201.8)	(23.8)
Acquisition of investment		(1.1)	(988.7)
Acquired cash from acquisition of subsidiary		0.0	1,902.7
Proceeds from sale of property, plant and equipment		1.6	2.4
Proceeds from sales of investments		0.0	0.2
Dividend received		2.6	2.0
Loans and long-term receivables to joint ventures		174.4	(35.7)
Net cash used in investing activities		**(1,182.0)**	**(155.2)**
Cash flow from financing activities			
Proceeds from the issue of share capital	(6.12)	435.3	5.3
Expenses related to the issue of share capital	(6.12)	(6.1)	(0.1)
Dividends paid (-)	(6.12)	(101.3)	(98.7)
Hybrid coupon paid (-)		(24.0)	0.0
Dividends to non-controlling parties		(24.0)	0.0
Repayment of borrowings (-)	(6.13)	(757.6)	0.0
Issuance of hybrid (+)	(6.12)	0.0	696.8
Proceeds from withdrawal of borrowings (+)	(6.13)	774.2	656.9
Non-controlling interests		0.0	(20.0)
Other cash flows from financing activities		0.0	(7.6)
Net cash flow from (used in) financing activities		**296.4**	**1,232.6**
Net increase (decrease) in cash and cash equivalents		**(814.3)**	**1,594.1**
Cash & cash equivalents at 1 January		1,789.3	195.2
Cash & cash equivalents at 31 December		975.0	1,789.3
Net variations in cash & cash equivalents		**(814.3)**	**1,594.1**

The accompanying notes (1-9) form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Established in Belgium, Elia Group SA (the 'Company' or 'Elia') has its registered office at Boulevard de l'Empereur 20, B-1000 Brussels. The Company's consolidated financial statements for the financial year 2019 include those of the Company and its subsidiaries (together referred to as the 'Group' or 'Elia Group') and the Group's interest in joint ventures and associates.

The Company is a limited liability company, with its shares listed on Euronext Brussels, under the symbol ELI.

The Elia Group is organised around two electricity transmission system operators: Elia Transmission in Belgium and 50Hertz Transmission, one of Germany's four transmission system operators, which is active in the north and east of Germany and in which Elia Group holds 80% of ownership.

The Group also has a 50% stake in NemoLink Ltd, which has constructed an electrical interconnector between the UK and Belgium known as the Nemo Link interconnector. Nemo Link is a joint venture with National Grid Ventures (UK) and began commercial operations on 30 January 2019, with a transfer capacity of 1000 MW.

With around 2,500 employees and a transmission grid comprising some 19,000 km of high-voltage connections serving 30 million consumers, the Elia Group is one of Europe's top five TSOs. It efficiently, reliably and securely transmits electricity from generators to distribution system operators and major industrial consumers, while also importing and exporting electricity from and to neighbouring countries. The Group is a driving force behind the development of the European electricity market and the integration of energy generated from renewable sources. In addition to its system-operator activities in Belgium and Germany, the Elia Group offers businesses a range of consultancy and engineering services. The Group operates under the legal entity Elia Group, a listed company whose reference shareholder is municipal holding company Publi-T.

2. Basis of preparation

2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The Group has applied all new and revised standards and interpretations published by IASB and applicable to the Group's activities which are effective for financial years starting on 1 January 2019.

New and amended standards and interpretations

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

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

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

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

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

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

  Transition to IFRS 16

  The Group has adopted IFRS 16 using the modified retrospective approach, i.e. it will apply the standard to its leases with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 January 2019.

  In accordance with the standard on lease contracts, the Group elects to use following exemptions when applying IFRS 16 accounting:
  - short-term leases, i.e. contract duration of less than one year;
  - leases for which the underlying asset is of low value;
  - intangible assets.

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

- The Group made use of the practical expedients, i.e. a single discount rate per group of contracts, summarised per their duration. Those leases were assumed to have similar characteristics. No hindsight was used. The discount rate used is the Group's best estimate for the weighted average incremental borrowing rate and ranges from 0.26% to 2.94%.
- The Group assessed the non-cancellable period of each of the contracts falling into the scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonably certain of exercising that option. With regard to office rental contracts, in particular, the Group applied its best estimate of the non-cancellable period based on all the information at its disposal..

Impact on financial statements

On 1 January 2019, upon its transition to IFRS 16, the Group recognised the following right-of-use assets and lease liabilities:

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

As the Group's assets are equal to its liabilities at the date of transition, there is no impact on retained earnings at the adoption date. Deferred tax assets and liabilities are offset. The Group presents right-of-use assets within "property, plant and equipment" and lease liabilities within "loans and borrowings" in the statement of financial position.

The Group´s operating lease commitments under IAS 17 and the Group´s lease liabilities under IFRS 16 can be reconciled as follows:

(in million EUR)	Reconciliation IAS 17 to IFRS 16
Minimum lease payments under operating leases IAS 17 as of 31 December 2018	**53.7**
Contracts considered not in scope for IFRS 16	(5.6)
Effect from discounting	(21.8)
Effect from lease term assumptions	69.5
Liabilities recognized under IFRS 16 as of 1 January 2019	**95.8**

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

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

The recognised right-of-use assets fall into the following categories:

(in million EUR)	1 January 2019
Use of land	4.5
Use of overhead line	32.7
Rent of buildings/offices	32.1
Cars	12.7
IT equipment / facilities	0.1
Optical fibers	10.1
Strategic reserves	3.6
Total	**95.8**

The use (portions) of land and overhead lines constitutes a right for the Group to use a well identified piece of land to construct on someone's property. Only the contracts where the Group has the full right to control the use of the identified asset are in scope. Strategic reserves are contracts where the Group has the right to control the use of a power plant to keep the balance in the electricity network.

Accounting policies

See note 3.3.16 for a detailed description of the accounting policies.

Besides IFRS 16, a number of other standards, amendments and interpretations came in effect in 2019 with only limited or no impact for the Group:

- **Uncertainty over Income Tax Treatment** (IFRIC Interpretation 23 – effective from 1 January 2019). In June 2017, the IASB issued IFRIC Interpretation 23 which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. This amendment had no impact on the Group.
- **Prepayment features with Negative Compensation** (amendments to IFRS 9 – effective from 1 January 2019). The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the Group.
- **Plan Amendment, Curtailment or Settlement** (amendments to IAS 19 – effective from 1 January 2019). The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. These amendments had no impact on the Group.
- **Long-term interests in associates and joint ventures** (amendments to IAS 28 – effective from 1 January 2019). The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). These amendements had no impact on the Group.
- **Annual improvements to IFRS Standards 2015-2017 Cycle** (specific focus on IFRS 3, IFRS 11, IAS 12 and IAS 23 – effective from 1 January 2019). These amendments do not have any impact on the Group's consolidated financial statements.

The following **standards, amendments and interpretations** had not yet taken effect in 2019. 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 3:Definition of a Business;
- IFRS 17: Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1 and IAS 8, regarding the definition of materiality;
- Amendments to References to the Conceptual Framework in IFRS Standards: Amendments to conceptual framework.

2.2. Functional and presentation currency

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

2.3. Basis of measurement

The consolidated financial statements have been prepared on a historical-cost basis, except for the derivative financial instruments, which are measured at fair value. Non-current assets are valued at the lowest of the carrying amount and the recoverable amount . Employee benefits are valued at the present value of the defined benefit obligations, less the fair value of the plan assets (see also note 6.14). Changes in fair value of other shareholdings are recorded through OCI.Financial assets not classified as measured at amortised cost or fair value through OCI are measured at fair value through profit and 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.

The following notes include information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

- The total allowed remuneration for its role as TSO in the Belgian segment and in the German segment is mainly determined by calculation methods set by, respectively, the Belgian federal regulator, the Commission for Electricity and Gas Regulation ('CREG') and the German federal regulator, the Federal Network Agency ('BNetzA'). In this context the recognition of deferral regulatory accounts is also based on the different regulatory schemes. For certain calculations, a level of judgement is needed. More disclosures are to be found in Notes 6.20, 9.1.4 and 9.2.3.
- Entities in which the Group holds less than 20% of the voting rights but has significant influence are accounted for under the equity method. Following the guidance in IAS 28, the Group assesses whether it has significant influence over its associates and therefore needs to account for them under the equity method (rather than applying IFRS 9) and reassesses this in each reporting period (see also Note 6.5).
- Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits in so far as it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. In making its judgement, management takes into account elements such as long-term business strategy and tax planning opportunities (see Note 6.7).

- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage (see Note 8.1).
- Employee benefits including reimbursement rights – see Note 6.14:
  - The Group has defined-benefit plans and defined-contribution plans which are disclosed in Note 6.14. The calculation of the liabilities or assets related to these plans is based on actuarial and statistical assumptions. For example, this is the case for the present value of future pension liabilities. The present value is, among other factors, impacted by changes in discount rates, and financial assumptions such as future increases in salary. In addition, demographic assumptions, such as average assumed retirement age, also impact the present value of future pension liabilities;
  - In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with currencies of the post-employment benefit obligation, i.e. euro, with at least an AA rating or above, as set by at least one dominant rating agency and extrapolated along the yield curve to correspond with the expected term of the defined benefit obligation. Higher and lower yielding bonds are excluded in developing the appropriate yield curve;
  - Each plan's projected cash flow is matched to the spot rates of the yield curve to calculate an associated present value. A single equivalent discount rate is then determined that produces that same present value. Hence, the resulting discount rate reflects both the current interest rate environment and the plan's distinct liability characteristics.
- Provisions for environmental remediation costs: at each year-end, an estimate is made of future expenses in respect of soil remediation, based on the advice of an expert. The extent of remediation costs is dependent on a limited number of uncertainties, including newly identified cases of soil contamination (see Note 6.15).
- Other provisions are based on the value of the claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and the duration of the associated process/procedures (see Note 6.15).
- 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 estimated investment plans, remuneration defined in the regulatory frameworks, market evolution, market share, margin evolution and discount rates (see Note 6.3).
- Fair value measurement of financial instruments: when the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs for these valuation techniques are taken from observable markets where possible. Where this is not feasible, a level of judgement is required in establishing fair values. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income (OCI) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss (see Note 6.18).
- The useful life of the fixed assets is defined to reflect the real depreciation of each asset. The depreciation of property, plant and equipment is mainly calculated based on the useful lives determined by the regulatory framework in Belgium and Germany, which is considered to be the best possible approximation of actual events in terms of economic utilisation. (see Note 3.3.1 and 6.1)
- The Group made use of practical expedients when applying IFRS 16 Leasing:
  - The Group applies a single discount rate per group of contracts, summarised per their duration. Those leases were assumed to have similar characteristics. The discount rate used is the Group's best estimation for the weighted average incremental borrowing rate. Each lease contract is classified in a duration bucket (<5 years, between 5 and 10 years,…) for which an interest rate is derived equal to the interest rate of a traded bond with the same rating as Elia Group in the same sector with similar duration. The interest rate is set fixed over the lifetime of the lease contract.
  - The Group assessed the non-cancellable period of each of the contracts in scope of IFRS 16. This includes the period covered by an option to extend the lease, if the lessee is reasonable certain to exercise that option. Certainly where it relates to office rent contracts, the Group's made its best estimation of the non-cancellable period based on all information on which the Group disposes. (see note 6.19)

2.5. Approval by the Board of Directors

These consolidated financial statements were authorised for publication by the Board of Directors on 26 March 2020.

3. Significant accounting policies

3.1. Basis of consolidation

SUBSIDIARIES

A subsidiary is an entity that is controlled by the Company. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that this ceases. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so results in a deficit balance of the non-controlling interests. Changes in the Group's interest in a non-wholly-owned subsidiary that do not result in a loss of control are accounted for as equity transactions

ASSOCIATES

Associates are those companies in which the Company exerts significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for in the consolidated financial statements in accordance with the equity method. They are recognised initially in the consolidated statement of financial position at cost, with all transaction costs incurred with the acquisition included, and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. This accounting under the equity method is done from the date that significant influence commences until the date that significant influence ceases. When the Group's share of the losses exceeds its interest in an associate, its carrying amount is reduced to nil and further losses are not recognised except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of an associate .

INTERESTS IN JOINT VENTURES

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, as opposed to joint operations whereby the Group has rights to its assets and obligations for its liabilities. Interests in joint ventures are accounted for using the equity method. They are recognised initially at cost price, with all transaction costs incurred with the acquisition included. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the total recognised profits and losses of joint ventures on the basis of the equity method, from the date that joint control commences until the date that 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.

LOSS OF CONTROL

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of other comprehensive income related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a fair value financial asset depending on the level of influence retained.

ELIMINATION OF INTRA-GROUP TRANSACTIONS

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

Unrealised gains from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

BUSINESS COMBINATIONS AND GOODWILL

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is completed in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the fair value of the identifiable assets acquired and liabilities at acquisition date.

When the excess is negative, a gain on a bargain purchase is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs incurred by the Group in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.2. Foreign-currency translation

FOREIGN-CURRENCY TRANSACTIONS AND BALANCES

Transactions in foreign currencies are converted into the functional currency of the Company at the foreign exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the reporting date are converted at the foreign exchange rate on that date. Foreign exchange differences arising on conversion are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are valued in terms of historical cost are converted at the exchange rate on the date of the transaction.

FOREIGN OPERATIONS

A foreign operation is an entity that is a subsidiary, an associate, an interest in a joint venture or a branch of the reporting entity, whose activities are based or conducted in a country or currency other than those of the reporting entity.

The financial statements of all Group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the exchange rate at the reporting date;
- income and expenses are translated at the average exchange rate of the year.

Exchange differences arising from the translation of the net investment in foreign subsidiaries, interests in joint ventures and associates at closing exchange rates are included in shareholder's equity under OCI. Upon the (partial) disposal of foreign subsidiaries, joint ventures and associates, (part of) cumulative translation adjustments are recognised in the profit or loss as part of the gain/loss of the sale.

3.3. Balance sheet items

3.3.1. Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost (including the directly allocated costs such as finance costs), less accumulated depreciation and impairment losses (see the section 3.3.7. 'Impairment of non-financial assets'). 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	1.67% – 2.00%
• Industrial buildings	2.00 – 4.00%
• Overhead lines	2.00 – 4.00%
• Underground cables	2.00 – 5.00%
• Substations (facilities and machines)	2.50 – 6.67%
• Remote control	3.00 – 12.50%
• Dispatching	4.00 – 10.00%
• Other PPE (fitting out rented buildings)	contractual period
• Vehicles	6.67 – 20.00%
• Tools and office furniture	6.67 – 20.00%
• Hardware	25.00 – 33.00%
• Right of use assets	contractual period

Decommissioning asset

Provision is made for decommissioning and environmental costs, based on future estimated expenditure, discounted to present values. An initial estimate of decommissioning and environmental costs attributable to property, plant and equipment is recorded as part of the original cost of the related property, plant and equipment.

Changes in the provision arising from revised estimates or discount rates or changes in the expected timing of expenditure relating to property, plant or equipment are recorded as adjustments to their carrying value and depreciated prospectively over their remaining estimated economic useful lives; otherwise such changes are recognised in the profit or loss.

The unwinding of the discount is recorded in the profit or loss as a financing charge.

Derecognition

An asset is no longer recognised when the asset is subject to disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of the asset (which is determined as the difference between the net disposal proceeds and the carrying amount of the asset) are included in profit or loss, under other income or other expenses, during the year in which the asset was derecognised.

3.3.2. Intangible assets

Computer software

Software licences acquired by the Group are stated at cost, less accumulated amortisation (see below) and impairment losses (see the section 3.3.7. 'Impairment').

Expenditure on research activities undertaken with the purpose of developing software within the Group is recognised in profit or loss as expenditure as incurred. Expenditure on the development phase of software developed within the Group is capitalised if:

- the costs of development can be measured reliably;
- the software is technically and commercially feasible and future economic benefits are probable;
- the Group plans – and has sufficient resources – to complete development;
- the Group plans to use the software.

The capitalised expenditure includes cost of material, direct labour costs and overhead costs that are directly attributable to preparing the software for its use. Other costs are recognised in profit or loss as incurred.

Licences, patents and similar rights

Expenditure on acquired licences, patents, trademarks and similar rights are capitalised and amortised on a straight-line basis over the contractual period, if any, or the estimated useful life.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as expenditure as incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, unless the useful life is indefinite. Goodwill and intangible assets with indefinite useful lives are tested systematically for impairment on each end of the reporting period. Software is amortised from the date it becomes available for use. The estimated useful lives are as follows:

• Licences	20.00%
• Concessions	contractual period
• Computer software	20.00 – 25.00%

Depreciation methods, remaining useful lives and residual values of intangible assets are reassessed annually and are prospectively adjusted as the occasion arises.

3.3.3. Goodwill

Goodwill is stated at cost, less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but tested annually for impairment (see the section 3.3.7 'Impairment of non-financial assets'). In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associates.

3.3.4. Trade and other receivables

Contract assets

Revenue arising from 3rd party services (see note 3.4.1.) and associated costs are recognised over time as we have the right to consideration for work performed but not billed. Progress is determined based on the costs incurred.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on project work. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.Contract assets are included in trade and other receivables.

Trade and other receivables

Trade receivables and other receivables are measured at amortised cost minus the appropriate allowance for amounts regarded as unrecoverable.

Impairment

For trade receivables and contract assets, the Group applies a simplified approach in calculating the Expected Credit Losses (ECLs). The Group therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, as its best proxy for future credit losses to be incurred.

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

3.3.5. Inventories

Inventories (spare parts) are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price minus the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted-average-cost-price method. The cost includes the expenditure incurred in acquiring the inventories and the direct costs of bringing them to their location and making them operational.

Write-downs of inventories to net realisable value are recognised in the period in which the write-offs occurred.

3.3.6. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank balances, commercial paper and deposits that can be withdrawn on demand. Overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.3.7. Impairment of non-financial assets

The carrying amount of the Group's assets, excluding inventories and deferred taxes, is reviewed at the end of the reporting period for each asset to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets that are not yet available for use is estimated at the end of each reporting period.

An impairment loss is recognised whenever the carrying amount of such asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Recognised impairment losses relating to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the units on a pro-rata basis.

After recognition of impairment losses, the depreciation costs for the asset will be prospectively adjusted.

Calculation of the recoverable amount

The recoverable amount of intangible assets and property, plant and equipment is determined as the higher of their fair value less costs of disposal, or their value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects both the current market assessment of the time value of money and the risks specific to the asset.

The Group's assets do not generate cash flows that are independent from other assets. The recoverable amount is therefore determined for the cash-generating unit (i.e. the entire high-voltage grid) to which the asset belongs. This is also the level at which the Group administers its goodwill and gather the economic benefits of acquired goodwill.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed. Impairment loss on other assets is reversed if there have been changes in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.3.8. Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The Group initially measures a financial asset at its fair value plus transaction costs.

Subsequent measurement

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

- financial assets at amortised cost (debt instruments)
- financial assets measured at fair value through OCI (equity instruments)
- financial assets measured at fair value through profit and loss

Financial assets at amortised cost

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

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost include loans to third parties.

Financial assets measured at fair value through OCI (equity instruments)

Upon initial recognition, the Group irrevocably classifies its equity investments as equity instruments measured at fair value through OCI when the Group does not have significant influence and the assets are not held for trading. This classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case any such gains are recorded in OCI. Equity instruments measured at fair value through OCI are not subject to impairment assessment.

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

Financial assets measured at fair value through profit and loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for its debt instruments. See Note 8.1, ‘Credit risk’, for a detailed description of the approach.

3.3.9. Derivative financial instruments and hedge accounting

Derivative financial instruments

The Group sometimes uses derivative financial instruments to hedge its exposure to foreign-exchange and interest-rate risks arising from operating, financing and investment activities. In accordance with its treasury policy, the Group neither holds nor issues derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as instruments held for trading purposes.

Derivative financial instruments are initially recognised at fair value. Any gain or loss resulting from changes in the fair value is immediately booked in the 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.

The Group designates only the spot element of forward contracts as a hedged risk. The forward element is considered as cost of hedging and is recognised in OCI and accumulated in a separate component of the statement of financial position under hedging reserves.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is prospectively discontinued. The cumulative gain or loss previously recognised in OCI remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in OCI is transferred, where justified, to the carrying amount of the asset. In other cases, the amount recognised in OCI is transferred to profit or loss in the same period that the hedged item affects profit or loss.

When a derivative or hedge relationship is terminated, cumulative gains or losses still remain in OCI provided that the hedged transaction is still expected to occur. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is removed from OCI and is immediately recognised in profit or loss.

Hedging of monetary assets and liabilities

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as foreign-currency gains and losses.

3.3.10. Equity

Share capital – transaction costs

Transaction costs in respect of the issuing of capital are deducted from the capital received.

Dividends

Dividends are recognised as a liability in the period in which they are declared (see note 6.12.1)

Hybrid securities

Hybrid securities are deeply subordinated securities. With the exception of ordinary shares, hybrid securities rank as the most junior instruments in the capital structure of the Group in an insolvency hierarchy. The holders of the hybrid securities have limited ability to influence the outcome of a bankruptcy proceeding or a restructuring outside bankruptcy. Hybrid securities are perpetual instruments; the terms do not provide for any events of default nor entitle holders to demand repayment or redemption.

Subject to certain exceptions where accrued interest would be mandatorily payable (e.g. in the event that a dividend is paid on any ordinary shares), the Group may elect to defer payment of all of the interest which would otherwise be paid on an interest payment date. Any such failure to pay would not constitute a default for any purpose. In light of their characteristics, hybrid securities are classified as an equity instrument under IFRS. The associated issue costs are recognised directly in retained earnings.

3.3.11. Financial liabilities

Financial liabilities consist of interest-bearing loans and borrowings in the Group. They are initially recognised at fair value, less related transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost price with any difference between amount at initial recognition and redemption value being recognised in profit or loss over the period of the loans on an effective interest basis.

3.3.12. Employee benefits

Defined-contribution plans

In Belgium, contribution-based promises, called defined-contribution pension plans under Belgian pension legislation, are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer.

Before 01/01/2016, the legal minimum return was 3.75% on the employee contributions, 3.25% on the employer contributions and 0% for the deferreds.

As from 01/01/2016, the legal minimum return is a variable rate between 1.75% and 3.75%. The interest rate is automatically adapted on January 1st of each year based on the average return OLO 10 years over 24 months, with 1.75% as a minimum. As from 01/01/2016, the legal minimum return is 1.75% on employee and employer contributions and 0% for the deferreds.

As the plans are funded via a pension fund, the vertical approach is applied, meaning that 1.75% is applied on all the reserves (even before 2016).

The employer needs to finance the deficits related to the LSP ("Law on Supplementary Pensions) guarantee at any time for the employee contract and at the moment the vested reserves are transferred in case of departure, retirement or liquidation of the pension for the employer contract.

For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any).

The Defined-Benefit Obligation (DBO) was determined following the Projected Unit credit (PUC) method. Depending on the plan formula (if the plan is backloaded or not), the premiums are projected or not.

In Germany, the defined-contribution plan involves a fixed pension to be paid to an employee upon retirement, which is usually based on one or several factors such as the employee's age, years of service and salary.

In both countries the calculation is performed by an accredited actuary.

Defined-benefit plans

For defined-benefit plans, which exist in both Belgium and Germany, the pension expenses for each plan are assessed separately on an annual basis by accredited actuaries using the projected unit credit method. The estimated future benefit that employees have earned in return for their service in the current and previous periods is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the interest rate, at the end of the reporting period on high-quality bonds that have maturity dates approximately equivalent to the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss at the earlier of the following dates:

- when the plan amendment or curtailment occurs; or
- when the entity recognises related restructuring costs under IAS 37 or termination benefits.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements – comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) – are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Reimbursement rights (Belgium)

Reimbursement rights are recognised as a separate asset when, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle the corresponding benefit obligation. Reimbursement rights are presented as non-current assets under other financial assets and are measured at fair value. These rights are handled the same as the corresponding defined-benefit obligation. When the changes in the period result from changes in financial assumptions or from experience adjustments or changes in demographic assumptions, then the asset is adjusted through OCI. The components of the defined-benefit cost are recognised net of amounts relating to changes in the carrying amount of the rights to reimbursement.

Other long-term employee benefits

The Group's net obligation in respect of long-term service benefits other than pension plans is assessed on an annual basis by accredited actuaries. The net obligation is calculated using the projected unit credit method and is the amount of future benefit that employees have earned in return for their service in the current and previous periods. The obligation is discounted to its present value, and the fair value of any related assets is deducted. The discount rate is the yield, at the end of the reporting period, on high-quality bonds that have maturity dates approximately equivalent to the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid out under a short-term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be reliably estimated.

3.3.13. Provisions

A provision is recognised in the balance sheet when the Group has a current legal or constructive obligation as a result of a past event and it is likely that an outflow of economic benefits – of which a reliable estimate can be made – will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, of the risks specific to the liability.

The total estimated cost of dismantling and disposal of an asset is, if applicable, recognised as property, plant and equipment and depreciated over the asset's entire useful life. The total estimated cost of dismantling and of disposal of the asset is posted as provisions for the discounted current value. If the amount is discounted, the increase in the provision due to the passage of time is classified as finance expenses.

3.3.14. Trade and other payables

Trade and other payables are stated at amortised cost.

Levies

In its role as TSO, Elia is subject to various public service obligations imposed by Government and/or regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as promotion of renewable energy, social support, fees for the use of the public domain, offshore liability) to be executed by TSOs. Costs incurred by grid operators in respect of those obligations are fully covered by tariff 'levies' as approved by the regulator. The amounts outstanding are reported as a trade and other receivable. See also note 9.1.14

3.3.15. Other non-current liabilities

Government grants

Government grants are recognised when it is reasonably certain that the Group will receive the grant and that all underlying conditions will be met. Grants related to an asset are presented under other liabilities and will be recognised in the 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.

Contract liabilities – Last mile connection

The consideration of the last mile connection is paid upfront, whilst the revenues are recogniased over the life time of the underlying asset. The amounts to be released in future are reflected in this section. See also note 3.4.1..

3.3.16. Leases (applicable from 1 January 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. Assets and liabilities arising from a lease are initially measured on a present value basis anddiscounted using the Group's best estimate for the weighted average incremental borrowing rate, in case the rate implicit in the lease cannot be readily determined. The Group applies a single discount rate per group of similar contracts, summarised per their duration.
Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. Variable lease payments are expensed as incurred. As practical expedient, no distinction is made between lease and non-lease components. Components that do not transfer any goods or service (initial direct costs, prepayments) are excluded from the lease price.

The right of use assets is subsequently reduced by accumulated depreciation, impairment losses and any adjustments resulting from the remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the reassessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option not to be exercised.

The Group presents right-of-use assets within "property, plant and equipment" and lease liabilities within "loans and borrowings" (current and non-current) in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

Leases that substantially transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as finance leases. All other leases that do not transfer all the risks and rewards incidental to ownership of an underlying asset are recognised as operating leases. The Group as a lessor has only operating lease contracts. These lease payments received are recognised as other income on a straight-line basis over the lease term.

3.3.17. Regulatory deferral accounts

The Group operates in a regulated environment in which tariffs are meant to realise total revenue/income consisting of:

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 (tariff setting agreed with regulator) to cover all reasonable costs of the system operator including a reasonable profit margin for the shareholders.

If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to consumers/the general public should have been respectively lower or higher (and vice versa). This surplus or deficit is therefore reported in the regulatory deferral account.

The release of the regulatory deferral account will impact future tariffs: incurred regulatory liabilities will decrease future tariffs, incurred regulatory assets will increase future tariffs.

In the absence of an IFRS specifically applying to the treatment these regulatory deferral accounts, Elia management referred to the requirements of IFRS 14 and the Conceptual Framework for Financial Reporting alongside the latest evolutions of the IASB project on Rate-regulated Activities to develop the following accounting policy in that respect:

- a liability is recognized in the statement of financial position and presented as part of “accruals and deferred income” ” in respect of the Elia Group’s obligation to deduct an amount from the tariffs to be charged to customers in future periods because the total allowed compensation for goods or services already supplied is lower than the amount already charged to customers, or excess revenues has been generated due to higher volumes than initially estimated. (regulatory liability);
- an asset is recognized in the statement of financial position in respect of the Elia Group’s right to add an amount to the tariffs to be charged to customers in future periods because the total allowed compensation for the goods or services already supplied exceeds the amount already charged to customers or shortage in revenues has been occurred due to lower volumes than initially estimated (regulatory asset); and
- the net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line item “net regulatory income (expense)”.

The amount in the regulatory deferral accounts is yearly reported and assessed by the regulator.

The sum of revenue from contracts with customers (as defined in IFRS 15) , other income and the net income (expense) from settlement mechanism is also presented as a subtotal headed “Revenue, other income and net income (expense) from settlement mechanism” , as in substance it represents the revenue that is economically earned during the period taking into account the regulated environment in which the Elia Group operates. The effect of discounting is reflected in the financial result. See note 9.

3.4. Income-statement items

3.4.1. Income

Revenues

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. These are the five steps to consider for each customer contract:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract(s);
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations;
5. Recognise revenue when performance obligations are satisfied, or when control of goods or services is transferred to the customer.

The Group’s main revenues are realised by Transmission System Operators (TSOs), acting under a regulatory framework and having a factual / legal monopoly. The applicable frameworks in the main countries are detailed in Note 9 *Regulatory framework and tariffs.*

For the regulated business, each service is based on a standard contract with the customer, with mostly a predefined regulated tariff (unit price multiplied with the volume (injection or offtake) or the reserved capacity (depending on the type of service), so pricing is not variable. Hence, the allocation of the transaction price over the different performance obligations is straight forward (one-to-one relationship). Most of these contracts are concluded for an indefinite period with general payment terms of 15-30 days.

Considering the business of the Elia Group, there are no relevant right-of-returns and warranty obligations.

For all services provided by the Group, Elia is the solely and primary party responsible for executing the service and so the principal.

However, Elia in its role as TSO, some public service obligations are imposed by Government/regulation mechanism These obligations are mainly related to financial support for the development of renewable energy. For these activities, the TSO’s are acting as an agent and as the expense/income streams are fully covered by tariffs there is no impact in the statement of profit and loss. We refer to 3.3.14 for more information on the accounting treatment.

The Group’s main performance obligations / type of contracts, their pricing and revenue recognition method for 2019 can be summarised as follows:

Revenue by category for Elia Transmission:

Revenue stream	Nature, customer and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Grid connection	**Technical studies** conducted at the request of grid users, directly connected to the grid, to get a new or an alteration of an existing connection. Revenue is recognised at the point in time when the study is delivered.	Contract and tariff approved by Regulator. Fixed amount per type of study
	Last mile connection (Transfer of assets from customers) is a component of the grid connection contract. At the request of a future grid user, Elia constructs/adjusts a dedicated/ physical connection, a so called last-mile connection, to connect the customers’ facility to Elia’s grid. Although the control of the asset is not transferred as such to the grid user, the grid user obtains direct access to the high voltage grid. This access right transferred by Elia is valuable to the grid user, which is the reason why the grid user is compensating Elia in cash. As the grid user enters simultaneously into a grid connection contract both activities (access right and the grid connection services) are not distinct and constitute a single performance obligation and interdependence between these contracts. The total amount of revenue recognised for this single performance obligation, which includes grid connection services, is recognised over the life of the assets, as the contract has no specific end date. This component of the grid connection/ grid user contract is presented separately (not part of the grid connection/ revenues from revenue cap) as from regulatory perspective the tariff setting is very specific.	Standard contract approved by regulator, but the price setting is based on the budget of realisation of the connection.
	Fees charged to grid users/ DSOs cover the m**aintenance and operating** costs related to the **dedicated connection facilities** Revenue is recognised over time as this service is a continuous performance throughout the contractual term.	Contract and tariff approved by Regulator. Tariff is set per type of asset (bay, km cable, ..)
Management and development of grid infrastructure	This component of the access contract signed with access holders/DSOs, covers the development and management of the grid with a view to meeting capacity needs and satisfying demand for electricity transmission.. Revenue is recognised over time as providing sufficient capacity and a resilient grid is a service performed continuously throughout the contractual term.	Contract and tariff approved by Regulator. EUR per kW/KVA for yearly/monthly peak and power available at access point
Management of the electrical system	This component of the access contract signed with access holders/DSO, covers the management and operation of the electricity system and the offtake of additional reactive energy related to Elia’s grid (different from the connection assets). Revenue is recognised over time as these services are performed continuously throughout the contractual term.	Contract and tariff approved by Regulator. EUR per kW/ kVArh at access point
Market integration	This component is part of the access contract signed with access holders/DSOs, covering (i) services to facilitate the energy market: to (ii) develop and enhance integration of an effective and efficient electricity market, (iii) the management of interconnections and the coordination with neighbouring countries and the European authorities, and (iv) the publication of data as required by transparency obligations. Revenue is recognised over time as these services are performed continuously throughout the contractual term.	Contract and tariff approved by Regulator. EUR per kW at access point
Compensation of imbalances	As defined in the BRP contract, the BRP (Balance Responsible Party) has a commitment to ensure a perfect balance between offtake and injection in the grid. In the event of an imbalance by the BRP, Elia has to activate the ancillary services which are to be invoiced to the BRP. Revenue is recognised at the point in time when an imbalance occurs.	Contract and tariff/mechanism approved by Regulator. Based on market prices,EUR per kW imbalance at access point
International revenues	The use of the grid on individual borders is organised through, half-yearly, quarterly, monthly, weekly, weekend, daily and intra-day auctions. Elia and Regulators decide which auctions are conducted on individual borders. Auctions are organised via an auction office, which acts as an agent. The auction office collects the revenues paid by the European energy traders, which are finally shared between neighbouring TSOs based on the volumes imported/exported on the border. The revenue is recognised at the point in time when an import/export activity occurs.	Framework agreement with parties and auction office. Price setting is based on price difference in cross border market prices.

Revenue by category for 50 Hertz Transmission :

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting
Grid revenues		
Revenues from incentive regulation	The 'grid use fee' is charged to gridusers/DSO connected to the grid, for the volume of injection and/or offtake on the onshore grid. This contract is signed with grid users. Revenue is recognised over time as this service is a performed continuously throughout the contractual term.	Standard contract and grid tariffs defined by the regulator.
	Last mile connection (Transfer of assets from customers)is a component of the 'Grid use fee' contract. At the request of a future grid user, Elia constructs a dedicated/ physical connection, a so called last-mile connection, to create an interface point to the grid. Although the control of the asset is not transferred as such to the grid user, the grid user obtains a direct access to the high voltage grid. This access right transferred by Elia is valuable to the grid user, which is the reason why the grid user is compensating Elia in cash. As the grid user enters simultaneously into a grid connection contract both activities (access right and the grid connection services) are not distinct and constitute a single performance obligation and interdependence between these contracts. The total amount of revenue recognised for this single performance obligation, which includes the grid connection services, is recognised over the life of the assets, as these contract have no specific end date. This component of the grid connection/ grid user contract is presented separately (not part of the grid connection/ revenues from revenue cap) as from regulatory perspective the tariff setting is very specific.	Standard contract approved by regulator, but the price setting is based on the budget of realisation of the connection.
Revenues from offshore regulation	This component comprises tariffs charged to gridusers/DSOs to cover grid connection costs for offshore wind farms. Revenue is recognised over time as this service is performed continuously throughout the contractual term	Contract and tariffs predefined in regulatory mechanism .
Energy revenues	This revenue stream consists of different components **Congestion management and redispatch** fees, are paid by market participants for use of the capacity made available by 50Hertz on specific lines (included the use of crossborder assets). This allocation mechanism is governed by market-oriented and transparent procedures. Revenue is recognised at the point in time when it is generated	Standard contracts approved by regulator and tariffs mechanism is defined in regulatory schemes .
	Compensation for imbalances Market participants (Balance Responsible Party) have a commitment to ensure a perfect balance between offtake and injection on the grid. In the event of an imbalance, 50Hertz invoices the market participant to compensate for the costs incurred. Revenue is recognised at the point in time when an imbalance occurs.	Standard contracts approved by regulator and tariffs mechanism is defined in regulatory schemes .
	Horizontal reimbursement of lignite back-up costs In its role as TSO, 50Hertz charges fees to other TSO's for services related to the reserve power required by the legal framework. Revenue is recognised over time as this service is performed continuously throughout the contractual term.	

Other revenues

Revenue stream	Nature and timing of satisfaction of performance obligations	Contract – Price setting -
Other revenues		
3rd party services	Elia Grid International provides consultancy services to third parties around the world. The revenue is recognised over the duration of the contract. The 3rd party services are presented in other revenues.	Contract negotiated between Elia and customer. The contract price is set when concluding the contract with the customer. The payment term is generally 30 days from the invoice date.
Others	Principally includes other services (than described here above) Revenue is recognised at the point in time the service is complete.	

Consequently, all revenue components contain revenue from contracts with customers, i.e. parties that have contracted with Elia to obtain services resulting from Elia's ordinary activities in exchange for a consideration.

Other income

Other income is recognised when the related service is performed and no further performance obligations will arise.

Net regulatory income (expense)

Since the tariffs are based on estimates, there is always a difference between the tariffs that are actually charged and the tariffs that should have been charged (tariff setting agreed with regulator) to cover all reasonable costs of the system operator including a reasonable profit margin for the shareholders.

If the applied tariffs result in a surplus or a deficit at the end of the year, this means that the tariffs charged to consumers/the general public could have been respectively lower or higher (and vice versa). This surplus or deficit is therefore reported in the deferral account from settlement mechanism.

The release of this deferral account will impact future tariffs, incurred regulatory liabilities will decrease future tariffs, incurred regulatory assets, will increase future tariffs. The net movement in the regulatory deferral accounts for the period is presented separately in the statement of profit or loss within the line "net income (expense) from settlement mechanism". We also refer to note 3.3.17.

3.4.2. Expenses

Operating lease payments (until end of 2018)

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

Other expenses

Property taxes are directly recognised in full as soon as ownership is certain (generally as of 1 January of the year in question). However, these costs, qualified as non-controllable costs in the regulatory framework, are recorded as revenue through the settlement mechanism for the same amount, resulting in zero impact in terms of profit or loss.

Finance income and expenses

Finance expenses comprise interest payable on borrowings (calculated using the effective interest rate method), interest on lease liabilities, foreign-exchange losses, gains on currency hedging instruments offsetting currency losses, results on interest-rate hedging instruments, losses on hedging instruments that are not part of a hedge accounting relationship, losses on financial assets classified as for trading purposes and impairment losses on financial assets as well as any losses from hedge ineffectiveness.

Finance income includes interest receivables on bank deposits, which are recognised in profit or loss using the effective interest rate method as they accrue.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Income taxes

Income taxes comprise current and deferred tax. Income-tax expense is recognised in profit or loss, except where it relates to items recognised directly in equity. Taxes on hybrid coupon is recognized in the statement of profit and loss as it is a tax on profits whereas the hybrid copon itself is recognized directly in equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised, using the balance-sheet method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and joint ventures where these will probably not be reversed in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising from initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred items relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they are intended to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is likely that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer likely that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3.5. Statement of comprehensive income and statement of changes in equity

The statement of comprehensive income presents an overview of all revenues and expenses recognised in the consolidated statement of profit or loss and in the consolidated statement of changes in equity. The Group has elected to present comprehensive income using the two-statement approach, i.e. the statement of profit or loss immediately followed by the statement of other comprehensive income. As a result of this presentation, the content of the statement of changes in equity is restricted to owner-related changes.

4. Segment reporting

4.1. Basis for segment reporting

The Group has opted for a segment reporting in conformity with the different regulatory frameworks currently existing within the Group. This reporting approach closely reflects the Group's operational activities and is also in line with the Group's internal reporting to the Chief Operating Decision Maker (CODM), enabling the CODM to better evaluate and assess the Group's performance and activities in a transparent way.

Pursuant to IFRS 8, the Group has identified the following operating segments based on the aforementioned criteria:

- Elia Transmission (Belgium), which comprises the activities based on the Belgian regulatory framework: the regulated activities of Elia Transmission Belgium NV/SA, Elia Asset NV/SA, Elia Engineering NV/SA, Elia Re SA, HGRT SAS, Coreso NV/SA, Ampacimon SA and Enervalis NV, whose activities are directly linked to the role of Belgian transmission system operator and are subject to the regulatory framework applicable in Belgium – see Section 9.1.3.
- 50Hertz Transmission (Germany), which comprises the activities based on the German regulatory framework: Eurogrid GmbH, 50Hertz Transmission GmbH and 50Hertz Offshore GmbH, whose activities are directly linked to the role of transmission system operator in Germany – see Section 9.2.3.
- Non-regulated activities and Nemo Link, comprising:
  - Elia Group NV/SA, mainly consisting of the holding activities in the Elia Transmission (Belgium) and 50Hertz Transmission (Germany) segment; The holding activities includes some operating activities, finance activities for the acquisition of the extra 20% stake in 50Hertz Transmission and the goodwill arising out of this.
  - Eurogrid International NV/SA;
  - the holding activities in Nemo Link Ltd. This company comprises and manages the Nemo project, which connects the UK and Belgium using high-voltage electricity cables, enabling power to be exchanged between the two countries and for which a specific regulatory framework has been set up. See Section 9.3 for more details
  - the non-regulated activities of the Elia Transmission (Belgium) segment. 'Non-regulated activities' refers to activities which are not directly related to the role of TSO (see Section 9.1).
  - EGI (Elia Grid International NV/SA, Elia Grid International GmbH, Elia Grid International Pte. Ltd Singapore and Elia Grid International LLC Qatar), companies supplying specialists in consulting, services, engineering and procurement, creating value by delivering solutions based on international best practice while fully complying with regulated business environments.
  - Re.Alto-Energy BV/SRL, a start-up company founded in August 2019 that is building a platform to facilitate users to exchange energy data and services.

The CODM has been identified by the Group as the Boards of Directors, CEOs and Management Committees of each segment. The CODM periodically reviews the performance of the Group's segments using various indicators such as revenue, EBITDA and operating profit.

The information presented to the CODM follows the Group's IFRS accounting policies, so no reconciling items have to be disclosed.

4.2. Elia Transmission (Belgium)

The table below shows the 2019 consolidated results of Elia Transmission (Belgium)

Elia Transmission key figures (in million EUR) - Year ended 31 December	2019	2018	Difference (%)
Revenue, other income and net income (expense) from settlement mechanism	948.8	959.4	(1.1%)
Revenues	*914.2*	*908.1*	*0.7%*
Other income	*60.7*	*57.2*	*6.1%*
Net income (expense) from settlement mechanism	*(26.1)*	*(5.9)*	*n.r.*
Depreciation, amortization, impairment and changes in provisions	(150.9)	(140.2)	7.6%
Results from operating activities	242.1	227.1	6.6%
Equity accounted investees	1.8	1.8	0.0%
EBIT	243.9	228.9	6.6%
Adjusted items	*4.7*	0.0	*n.r.*
Adjusted EBIT	239.2	228.9	4.5%
EBITDA	394.8	369.1	7.0%
Finance income	0.7	0.6	16.7%
Finance costs	(65.1)	(66.0)	(1.4%)
Income tax expenses	(54.4)	(48.6)	11.9%
Net profit	**125.0**	**114.9**	**8.8%**
Adjusted items	*2.7*	*0.0*	*n.r.*
Adjusted net profit	*122.3*	*114.9*	*6.4%*
Consolidated statement of financial position (in million EUR)	**31 December 2019**	**31 December 2018**	**Difference (%)**
Total assets	6,452.1	5,909.2	9.1%
Capital expenditures	748.5	600.7	24.6%
Net financial debt	3,013.4	2,825.1	6.7%

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

Financial

Elia Transmission's total revenues decreased to €948.8 million, 1.1% down on the previous year. Revenues were impacted by higher depreciations, higher financial costs linked to the capital increase and the bond consent process for the corporate reorganization and higher taxes however are fully offset by lower costs for ancillary services and lower regulated net profit, which are all passed through into revenue to the benefit of consumers.

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

(in million EUR)	2019	2018	Difference (%)
Grid revenue:	910.1	904.2	0.6%
Grid connection	44.5	42.6	4.5%
Management and development of grid infrastructure	479.6	472.7	1.5%
Management of the electrical system	112.2	116.2	(3.4%)
Compensation for imbalances	204.5	189.5	7.9%
Market integration	25.0	25.5	(2.1%)
International revenue	44.3	57.8	(23.3%)
Transfer of assets from customers	3.2	1.9	71.8%
Other revenue	0.9	2.0	(55.6%)
Subtotal revenue	**914.2**	**908.1**	**0.7%**
Other income	60.7	57.2	6.1%
Net income (expense) from settlement mechanism	(26.1)	(5.9)	n.r.
Total revenue and other income	**948.8**	**959.4**	**(1.1%)**

Grid connection revenue increased to €44.5 million (up 4.5%) mainly due to higher revenue from connection studies and new direct customers connections (offshore wind farms and data centres).

Revenue from **management and development of grid infrastructure** increased slightly to €479.6 million (up 1.5%) mainly due to a tariff increase, while revenues from **management of the electrical system** dropped by 3.4% to €112.2 million due to lower tariffs and a decrease in overall net grid offtake.

Services rendered in the context of energy management and individual balancing of balancing groups are covered by the revenues from **compensation for imbalances**. These revenues rose by €15.0 million to €204.5 million, largely due to the tariff increase for the management of power reserves and black-start based on offtake (up €8.5 million), a net grid injection increase for the management of power reserves and black-start based on injection due to higher nuclear availability (up €15.6 million) and lower revenues from compensation of imbalances (down €9.1 million) due to high imbalance price peaks in several months of 2018.

Finally, the last section of tariff revenues encompasses the services that Elia Transmission Belgium provides in the context of **market integration**. These revenues dropped by 2.1% to €25.0 million mainly due to a decrease in overall net grid offtake.

International revenue dropped by 23.3% to €44.3 million, mainly due to lower congestion income (long term and day ahead income), improved nuclear availability in Belgium in 2019 prompting fewer exchanges in the CWE region and with no price spikes compared to 2018.

Transfer of assets from customers increased slightly compared to prior year while **other revenue** dropped to €0.9 million.

The **net expense from settlement mechanism** (€26.1 million) encompasses both deviations in the current year from the budget approved by the regulator (+€136.7 million) and the settlement of net surpluses from prior tariff period (-€110.6 million). The operating excess, in relation to the budget of the costs and revenues authorised by the regulator, must be returned to the consumers and therefore does not form part of the revenues. The operational surplus compared to the budget is primarily a result of the lower regulated net profit (€12.1 million), higher tariff sales (€1.2 million), increased cross-border revenues (€10.0 million), lower costs for ancillary services (€109.4 million) and lower financial charges (€11.3 million). This was partly offset by higher taxes compared to the budget (€9.0 million).

EBITDA (up 7.0%) and **EBIT** (up 6.6%) were mainly affected by higher depreciations attributable to the growing asset base, lower financing costs and higher current taxes to be passed on in tariffs. Additionnally, EBITDA was also impacted by the treatment of leasing costs with the adoption of IFRS 16 (up €9.6 million). These increases were partly offset by a slightly lower regulated net profit. The contribution of equity-accounted investments (HGRT, Ampacimon and Coreso) remained flat at €1.8 million.

Net **finance costs** dropped by €1.0 million (down 1.5%) compared to the previous year. Early in 2019, Elia took advantage of supportive market conditions to manage its liquidity position by refinancing a €500 million bond that matured in May 2019, and thereby significantly reduced its average cost of debt, to consumers' benefit. This was partially offset by a full year of interest charges linked to a €100 million EIB loan drawn in the last quarter of 2018 and lower interest income on cash advances provided to Nemo Link during the construction phase, because the Nemo Link interconnector was commissioned at the beginning of 2019. The push-down of regulated debt from Elia System Operator (ESO) to Elia Transmission Belgium (ETB) as part the Group's corporate reorganisation (Adjusted item), generated financial charges totalling €4.7 million. As the bank and consent fees are spread over the maturity of the various bonds under IFRS, the net financial costs recognised for regulated debt in 2019 totals €0.9 million.

Adjusted net profit rose by 6.4% to €122.3 million, mainly due to the following factors:

1. Lower **fair remuneration** (down €5.5 million)
2. The lower average OLO compared to 2018 (down 0.62%), partially offset by the increase in equity due to the reservation of part of the 2018 result (€65.1 million) and the capital increase allocated the Belgian regulated activities (€327.5 million), led to a fair remuneration of €38.8 million.
3. Increase in the **incentives** (up €4.9 million)
4. Strong operational performance, primarily driven by focusing on operational efficiency (up €4.1 million), the good performance on the influencable incentive (up €6.3 million) and the incentive for timely completion of strategic interconnection investments (up €1.0 million) as no project went operational in 2018. This was partially offset by a lower performance regarding the incentive linked to import capacity, which was attributable to a higher nuclear availability than in the previous year (down €4.5 million). Although the tax rate decreased year on year, the higher gross incentives are partially offset by a higher tax total.
5. Higher **mark-up** for strategic investments (up €6.2 million)
6. Higher IAS 19 and tax provisions (down €4.1 million)
7. Tariff compensation for the financial costs linked to the capital increase accounted through equity under IFRS (up €6.1 million)
8. Higher capitalised borrowing costs driven by the growing asset base (up €2.2 million)
9. Slightly more damage to electrical installations compared to 2018 (down € 1.4 million)
10. Other items (down €0.9 million) include mainly lower bad debt provisions (up €3.2 million), and the capitalisation of hardware and software cost (€2.1 million) which were offset by deferred tax effects (down €7.3 million).

Net profit increased by a more pronounced 8.8% to €125.0 million due to tariff compensations for the financial costs linked to the push-down of regulated debt to ETB as part of the corporate reorganisation and amortised under IFRS.

Total assets increased by €542.9 million to €6,452.1 million, mainly as a result of the investment program. **Net financial debt** increased to €3,013.4 million (up 6.7%), as Elia's Capex program was mainly financed by cash flows generated from operating activities, capital raised following the rights issue, and use of a temporary credit facility of €75 million. The commercial paper drawn at the end of 2018 (€50 million) was reimbursed in the course of 2019

4.3. 50Hertz Transmission (Germany)

The table below shows the 2019 consolidated results for 50Hertz Transmission (Germany) system operator activities in Germany:

50Hertz Transmission key figures (in million EUR) - Year ended 31 December	**2019**	**2018**	**Difference (%)**
Revenue, other income and net income (expense) from settlement mechanism	1,360.1	1,364.9	(0.4%)
Revenue	*1,323.6*	*1,403.6*	*(1.7%)*
Other income	*84.1*	*67.4*	*24.8%*
Net income (expense) from settlement mechanism	*(47.6)*	*(106.1)*	*(55.1%)*
Depreciation, amortization, impairment and changes in provisions	(209.2)	(89.6)	133.5%
Results from operating activities	321.3	385.4	(16.6%)
EBIT	321.3	385.4	(16.6%)
Adjusted items	*0.0*	*30.6*	*n.r.*
Adjusted EBIT	321.3	354.8	(9.4%)
EBITDA	530.5	475.0	11.7%
Finance income	1.4	2.5	(44.0%)
Finance costs	(66.7)	(48.1)	38.7%
Income tax expenses	(78.6)	(101.9)	(22.9%)
Net profit	**177.5**	**237.9**	**(25.4%)**
Of which attributable to Elia Group	***142.0***	***169.2***	***(16.1%)***
Adjusted items	*0.0*	*21.6*	*n.r.*
Adjusted net profit	*177.5*	*216.3*	*(17.9%)*
Consolidated statement of financial position (in million EUR)	**31 December 2019**	**31 December 2018**	**Difference (%)**
Total assets	6,279.6	6,752.1	(7.0%)
Capital expenditures	516.0	511.0	1.0
Net financial debt	2,108.1	1,272.9	65.6%

50Hertz Transmission's total revenues and other income are stable compared to last year (down 0.4%). With the start of a new regulatory period in 2019, the regulatory return on equity dropped from 9.05% to 6.91% before tax, but this decrease was mainly offset by asset growth. Furthermore, the offshore remuneration scheme changed and is now remunerated via a separate offshore surcharge. Although the asset growth and updated Opex revenue base positively impacted the remuneration the turnover dipped due to the lower regulatory return on equity. Moreover the new offshore surcharge leads to decreased pass-through third-party revenues for the offshore business.

Total revenues are detailed in the table below:

Total revenue (in million EUR)	**2019**	**2018**	**Difference (%)**
Grid revenues	1,318.7	1,404.5	(6.1%)
Revenues from incentive regulation	815.1	1,262.8	(35.5%)
Revenues from offshore regulation	329.1	0.0	*n.r.*
Energy revenues	174.5	141.7	23.1%
Other revenues (incl. transfer of assets from customers)	4.9	(0.9)	*n.r*
Subtotal revenues	**1,323.6**	**1403.6**	**(5.7%)**
Other income	84.1	67.4	24.8%
Net income (expense) from settlement mechanism	(47.6)	(106.1)	(55.1%)
Total revenue and other income	**1,360.1**	**1,364.9**	**(0.4%)**

Revenues from incentive regulation including net income (expense) from settlement mechanism mainly consist of grid tariffs and are driven primarily by the regulatory remuneration for onshore activities (revenue cap). Included is the net regulatory income (expense) which comprises both the annual offsetting of deficits and surpluses arising accounted for prior to 2019 (+€52.8 million) and the net surplus generated in 2019 between the costs allowed to be passed on in the tariffs and the actual costs (-€100.4 million).

Revenues from incentive regulation decreased by €389.2 million, mainly due to the removal of offshore costs from the revenue cap to a separate surcharge (down €438.6 million). At the start of the new regulatory period, the Opex remuneration was updated using cost from the base year 2016 (up €38.7 million). Furthermore, several pass-through energy costs went up compared to 2018, e.g. ancillary services (up €33.3 million) whereas redispatch revenues dropped (by €19.2 million) as a result of investments in recent years (e.g. the Southwest Coupling Line).

Revenues from offshore regulation include all revenues derived from the new offshore grid surcharge. This includes remuneration for 50Hertz's own costs, imputed remuneration related to the connection of offshore wind farms and offshore costs charged to 50Hertz by third parties, e.g. other TSOs.

In 2019, the new offshore surcharge generated €329.1 million, €237.4 million of which related to 50Hertz's own offshore grid connection costs (up €34.1 million) and a €91.7 million pass-through of third party costs (down €168.5 million).

Energy revenues include all operating revenues relating to system operation, which are usually linked to corresponding ancillary service costs charged on to third parties, e.g. redispatch measures, reserve power plants and balancing groups, but also includes revenues generated from auctioning interconnector capacity.

Energy revenues rose by €32.8 million compared to 2018, driven mainly by a new cost-sharing mechanism for reserve power plant costs (up €56.5 million), which was partly offset by lower charges to other TSOs for redispatch measures (down €16.5 million) and lower revenues from balancing groups (down €8.0 million).

Other revenues (including amortisation of transfer of assets from customers) increased by €5.8 million, mainly due to revenues from the cost balancing mechanism "ITC" (Inter-TSO compensation). This revenue component can either be a revenue or a loss – and amounted to a loss last year (up €5.5 million).

Other income went up by €16.7 million, partly due to insurance payments mainly related to offshore cable damage (up €13.2 million), higher passing-on of IT-costs to third parties (up €3.4 million) and higher own work capitalised (up €2.6 million).

Although the new regulatory period is marked by a lower regulatory return on equity, **EBITDA** increased by €55.5 million (up 11.7%). With the start of the new regulatory period, the completed onshore investments measure projects rolled over to being remunerated via the base year mechanism. Together with the decrease in the regulatory return on equity, which fell from 9.05% to 6.91%, remuneration for investment measures also dropped (down €64.7 million). However this decrease was more than offset by higher revenues from the Base Year mechanism (up €100.4 million), firstly because completed onshore investment projects are now being remunerated via the Base Year and secondly because the Opex revenue base was updated at the beginning of the new regulatory period. Despite the drop in regulatory return on equity, the offshore investment remuneration increased driven by asset growth and last year's successful commissioning of Ostwind 1 (up €15.7 million). Personnel costs increased compared to the same period last year, following continuous business growth (down €8.2 million) leading as well to higher own work capitalised (up €2.6 million). Finally, EBITDA was also impacted by the treatment of leasing costs with the adoption of IFRS 16 (up €7.6 million) and higher other revenues, e.g. from damage claim payments (up €1.5 million).

EBIT dipped by €64.1 million (down 16.6%) due to the release of a large portion of the easement claim provision in 2018 (€72.1 million) following a re-assessment after a tax audit. A further portion was released in 2019, amounting to €5.9 million pre-tax (down €66.2 million). Depreciations increased (down €53.7 million), mainly as a result of commissioning the first cables and platform of Ostwind 1 in December 2018 (€36.5 million) and due to the depreciation component of leasing as per IFRS 16 (€6.9 million).

Excluding the impact of the major release of the easement provision in 2018, the **adjusted EBIT** would have increased (up 13.7%), attesting to the strong operational performance of 50Hertz despite the drop in regulatory return on equity with the start of the third regulatory period.

The **adjusted net profit** decreased by 17.9% to €177.5 million as a result of:

1. Higher base year revenues (up €70.7 million) through asset growth and an updated Opex revenue base
2. Lower onshore investment remuneration (down €45.5 million);
3. Higher offshore investment remuneration (up €34.5 million) with €23.5 million from the offshore commissioning in 2018 that was presented as an adjusted item in 2018 and presented as part of the adjusted net profit as from 2019.
4. Stable onshore Opex and other costs and revenues (down by €0.4 million);
5. Lower release of provisions (down €46.4 million);
6. Increased depreciation (down €37.8 million);
7. Increased net finance costs (down €13.9 million), mainly due to lower capitalisation of borrowing costs after completion of the construction of Ostwind 1 (down €7.1 million) and the adoption of IFRS 16 (down €1.1 million);

Total assets were €472.5 million down on the year-end total in 2018, mainly due to a drop in EEG's cash (down €429.0 million). In 2019 there was also a negative **free cash flow** of €656.8 million, including the effect of the €429.0 million associated with the EEG mechanism. No new debts were issued in 2019. **Net financial debt** rose by €835.1 million mainly due to the financing of the ongoing investment program and the high EEG cash-out. The EEG cash position as at 31 December 2019 totalled to €430.5 million.

4.4. Non-regulated activities and Nemo Link

The table below shows the 2019 consolidated results of the 'Non-regulated activities and Nemo Link' segment:

Non-regulated activities & Nemo Link key figures (in million EUR)	2019	2018	Difference (%)
Total revenue	4.9	7.5	(34.6%)
Other income	15.8	6.4	146.3%
Depreciation, amortization, impairment and changes in provisions	(0.3)	(1.0)	(70.0%)
Results from operating activities	(2.0)	(9.3)	(78.5%)
Share of profit of equity accounted investees (net of income tax)	6.5	0.3	n.r.
EBIT	4.5	(8.9)	(150.6%)
Adjusted items	*1.3*	*(3.3)*	*n.r.*
Adjusted EBIT	3.2	*(5.6)*	(157.0%)
EBITDA	4.8	(7.9)	(160.8%)
Finance income	3.5	19.1	(81.7%)
Finance costs	(13.4)	(17.8)	(24.7%)
Income tax expenses	12.0	4.1	n.r.
Net profit	**6.6**	**(3.5)**	**(288.6%)**
Of which attributable to Elia Group	***6.5***	***(2.8)***	***(332.1%)***
Adjusted items	*0.2*	*4.3*	*(94.9%)*
Adjusted net profit	*6.4*	*(7.8)*	*(182.0%)*
Consolidated statement of financial position (in million EUR)	**31 December 2019**	**31 December 2018**	**Difference (%)**
Total assets	1,733.5	1,677.9	3.3%
Capital expenditures	0.8	0.0	n.r.
Net financial debt	401.6	507.6	(20.9%)

Non-regulated revenue increased by 48.9% compared to 2018. EGI's revenue rose by €3.0 million to €12.5 million on the back of stronger owner's engineering services and the expansion of international consulting activities. In addition, one-off regulatory compensation totalling €3.8 million was recognised.

As an equity-accounted investment, **Nemo Link** contributed €6.5 million to the Group's result in its first year of operation. The interconnection was commissioned in late January 2019. Since then, 5.6 TWh of commercial flows have been exchanged between Belgium and the UK. The interconnector's overall availability was 95.8%, but since Q4 2019, it has been 100%. Despite this high availability, Nemo Link's performance throughout the year was impacted by low spreads of the electricity commodity price, driven by higher CO2 prices in continental Europe and low gas prices in the UK. Higher-than-planned curtailments also affected revenues from Nemo Link during the first half of 2019. Throughout the lifetime of the project, Nemo Link will be exposed to volatility in the spread of the electricity commodity price.

Adjusted EBIT increased to €3.2 million. The €8.8 million increase in adjusted EBIT compared to last year is mainly due to the contribution of Nemo Link (€6.5 million), a higher operational result for EGI (up €0.6 million) and lower non-regulated costs. Taking into account one-time costs linked to the reorganisation of the corporate structure (down €2.5 million) and regulatory compensation (up €3.8 million), EBIT totals €4.5 million.

Net finance costs increased to €9.9 million, primarily as a result of a full year of interest charges linked to the €300 million non-regulated senior bond contracted during the second half of 2018 to finance the acquisition of an additional stake in Eurogrid (€4.7 million). The corporate reorganisation of the Group resulted in a one-off consent fee (€4.3 million) paid to noteholders for the aforementioned non-regulated bond and generated other financial costs amounting to €0.2 million. The financing of Nemo Link incurred a net financial cost of €0.5 million due to higher financial costs linked to the €210 million take out financing concluded at the end of 2018 and partly offset by interest income on cash advances to Nemo Link during the construction phase. Following the rights issue at the end of June, these cash advances were reimbursed and Nemo Link became financed in a manner similar to the current regulatory framework in Belgium (33% equity / 66% debt). Finally, the previous year's financial result benefited from adjusted items linked to the aforementioned acquisition, being a one-off financial gain (€9.2 million) linked to the remeasurement to fair value of the Group's initial 60% shareholding in Eurogrid and offset to some extent by costs for the unwinding of the hedge linked to the hybrid bond (€3.2 million).

Adjusted net profit rose to €6.4 million, mainly due to::

1. Contribution from Nemo Link since its commissioning in 2019 (up €6.2 million)
2. Higher result for EGI (up €0.8 million)
3. Higher non-regulated financing costs (down €0.4 million)
   Higher interest costs linked to the non-regulated €300 million senior bond (up €1.6 million) issued in September 2018 and replacing the initial bridge financing (down €1.3 million). Interest costs linked to the €700 million hybrid bond did not impact profit as they were directly accounted in equity
4. Tax credit on the interest charges linked to hybrid securities (up €4.8 million)
5. Lower operating and tax expenses of Eurogrid International(up €2.5 million)
6. Other items (up €0.4 million): mainly lower other non-regulated costs

Total assets increased by €55.6 million to €1,733.5 million driven by the capital increase of which €107.8 million was allocated to the non-regulated segment to finance Nemo Link and was offset by the contribution of non-regulated activities in the 2018 dividend payment. The capital increase which was allocated to the non-regulated segment was used to change the financing structure of Nemo Link from debt financing to equity financing. Consequently, **net financial debt** decreased by €105.9 million to €401.6 million.

4.5. Reconciliation of information on reportable segments to IFRS amounts

Consolidated results (in million EUR) - Year ended 31 December	2019 Elia Transmission (a)	2019 50Hertz Transmission (b)	2019 Non-regulated activities and Nemo Link (c)	2019 Consolidation entries & intersegment transactions (d)	2019 Elia Group (a) + (b) + (c) + (d)
Total revenue	914.2	1,323.6	4.9	(0.4)	2,242.3
Other income	60.7	84.1	15.8	(10.3)	150.3
Net income (expense) from settlement mechanism	(26.1)	(47.6)	0.0	0.0	(73.7)
Depreciation, amortization, impairment and changes in provisions	(150.9)	(209.2)	(0.3)	0.0	(360.4)
Results from operating activities	242.1	321.3	(2.0)	0.0	561.4
Share of profit of equity accounted investees, net of tax	1.8	0.0	6.5	0.0	8.3
Earnings before interest and tax (EBIT)	243.9	321.3	4.5	0.0	569.7
Earnings before depreciations, amortizations, interest and tax (EBITDA)	394.8	530.5	4.8	0.0	930.1
Finance income	0.7	1.4	3.5	0.0	5.6
Finance costs	(65.1)	(66.7)	(13.4)	0.0	(145.2)
Income tax expenses	(54.4)	(78.6)	12.0	0.0	(121.0)
Profit attributable to the owners of the company	**125.0**	**142.0**	**6.5**	**0.0**	**273.5**
Consolidated statement of financial position (in million EUR)	**31 Dec 2019**	**31 Dec 2019**	**31 Dec 2019**	**31 Dec 2019**	**31 Dec 2019**
Total assets	6,452.1	6,279.6	1,733.5	(571.8)	13,893.4
Capital expenditures	748.5	516.0	0.8	0.0	1,265.3
Net financial debt	3,013.4	2,108.1	401.6	0.0	5,523.1

Consolidated results (in million EUR) - Year ended 31 December	2018 Elia Transmission (a)	2018 50Hertz Transmission (b)	2018 Non-regulated activities and Nemo Link (c)	2018 Consolidation entries & intersegment transactions (d)	2018 Elia Group (a) + (b) + (c) + (d)
Total revenues	908.1	1,403.6	7.5	(384.4)	1,934.8
Other income	57.2	67.4	6.4	(22.0)	109.0
Net income (expense) from settlement mechanism	(5.9)	(106.1)	0.0	0.0	(112.0)
Depreciation, amortization, impairment and changes in provisions	(140.2)	(89.6)	(1.0)	(17.1)	(247.9)
Results from operating activities	227.1	385.4	(9.3)	(166.2)	437.0
Share of profit of equity accounted investees, net of tax	1.8	0.0	0.3	63.5	65.6
Earnings before interest and tax (EBIT)	228.9	385.4	(8.9)	(102.8)	502.6
Earnings before depreciations, amortizations, interest and tax (EBITDA)	369.1	475.0	(7.9)	(85.7)	750.5
Finance income	0.6	2.5	19.1	(0.3)	21.9
Finance costs	(66.0)	(48.1)	(17.8)	16.7	(115.2)
Income tax expenses	(48.6)	(101.9)	4.1	44.2	(102.2)
Profit attributable to the owners of the company	**114.9**	**169.2**	**(2.8)**	**0.1**	**281.4**
Consolidated statement of financial position (in million EUR)	**31 Dec 2018**	**31 Dec 2018**	**31 Dec 2018**	**31 Dec 2018**	**31 Dec 2018**
Total assets	5,909.2	6,752.1	1,677.9	(584.9)	13,754.3
Capital expenditures	600.7	511.0	0.0	(20.8)	1,090.9
Net financial debt	2,825.1	1,272.9	507.6	0.0	4,605.6

There are no significant intersegment transactions.

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

4.6. Adjusted items – reconciliation table

(in € million) - Period ended 31 Dec. 2019	Elia Transmission	50Hertz Transmission (100%)	Non-regulated & Nemo Link (100%)	Consolidation entries	Elia Group
Adjusted items					
Regulatory compensation for acquisition	0.0	0.0	3.8	0.0	3.8
Corporate reorganisation	4.7	0.0	(2.5)	0.0	2.2
Adjusted items EBIT	**4.7**	**0.0**	**1.3**	**0.0**	**6.0**
Corporate reorganisation fin. cost	(0.9)	0.0	(4.5)	0.0	(5.4)
Adjusted items before tax	**3.8**	**0.0**	**(3.2)**	**0.0**	**0.6**
Tax impact	(1.1)	0.0	3.4	0.0	2.3
Net profit – Adjusted items	**2.7**	**0.0**	**0.2**	**0.0**	**2.9**

(in € million) - Period ended 31 Dec. 2018	Elia Transmission	50Hertz Transmission (100%)	Non-regulated & Nemo Link (100%)	Consolidation entries	Elia Group
Adjusted items					
Regul. settlements prior year (*)	0.0	(2.8)	0.0	1.4	(1.4)
Equity consolidation 50Hertz (60% net profit)	0.0	0.0	0.0	(0.6)	(0.6)
Offshore commissioning (*)	0.0	33.3	0.0	0.0	33.3
Energy bonuses	0.0	0.1	0.0	0.0	0.1
Eurogrid acquisition costs	0.0	0.0	(3.3)	0.0	(3.3)
Adjusted items EBIT	**0.0**	**30.6**	**(3.3)**	**0.8**	**28.1**
Financial acquisition cost	0.0	0.0	(3.8)	0.0	(3.8)
Revaluation participation Eurogrid	0.0	0.0	9.2	0.0	9.2
Adjusted items before tax	**0.0**	**30.6**	**2.1**	**0.8**	**33.5**
Impact tax reform on deferred tax	0.0	0.0	0.0	0.0	0.0
Tax impact	0.0	(9.0)	2.2	(0.4)	(7.3)
Net profit – Adjusted items	**0.0**	**21.6**	**4.3**	**0.4**	**26.3**

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

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

Besides the adoption of IFRS 16 as from 1 January 2019, there were no changes in the basis of preparation and therefore no restatements of figures from previous years were required.

5.1. Revenue, net income (expense) from settlement mechanism and other income

(in million EUR)	2019	2018
Total revenues	**2,242.3**	**1,934.8**
Grid revenue	2,228.8	1,923.7
Transfers of assets from customers	4.6	2.6
Other revenue	8.9	8.5
Net income (expense) from settlement mechanism	**(73.7)**	**(112.0)**
Other income	**150.3**	**109.0**
Services and technical expertise	0.6	1.6
Own production	63.0	53.9
Optimal use of assets	17.4	16.3
Other	68.8	36.8
Gain on sale PPE	0.4	0.5

See the segment reporting, which contain a detailed analysis of the Group's recognised revenues at segment level. The Elia Transmission (Belgium) segment reported revenues and other income of €948.8 million (Note 4.2), the 50Hertz Transmission (Germany) segment reported revenues and other income of €1,360.1 million (Note 4.3) and the 'Non-regulated activities and Nemo Link' segment reported revenues and other income of €20.7 million (Note 4.4). The reported revenues and other income amounts to €2,319.0 million.

No further geographical information is provided as the revenue is realised in the countries where the grid infrastructure is located, which is substantially correspond to the segments mentioned above.

The Group's own production relates to time spent on investment projects by Group employees.

The Group has recognised €3.0 million of revenue in the reporting period that was included in the contract liability balance at the beginning of the period (€9.2 million). The Group did not recognise any substantial revenues in the reporting period in respect of performance obligations in previous periods.

5.2. Operating expenses

COST OF MATERIALS, SERVICES AND OTHER GOODS

(in million EUR)	2019	2018
Raw materials, consumables and goods for resale	76.9	41.5
Purchase of ancillary services	616.4	500.2
Services and other goods (excl. purchase of ancillary services)	390.7	445.5
Total	**1,084.0**	**987.2**

The Group's costs for 'Raw materials, consumables and goods for resale' increased to €76.9 million for financial year 2019. In 2018 costs were attributable to Elia Transmission (Belgium) for an amount of €5.6 million, EGI for an amount of €0.5 million and 50Hertz Transmission (Germany) for €35.4 million. Whereas costs attributable to Elia Transmission (Belgium) decreased in 2019 to €4.7 million, EGI's raw material costs increased significantly in the year to €3.4 million mainly due to the increase in EPC contracts. The costs attributable to 50Hertz Transmission (Germany) amounted to €70.5 million due to raw material costs. In 2018, the costs incurred by the German segment totalled €35.4 million (for eight months).

'Purchase of ancillary services' includes the costs for services which enable the Group to balance generation with demand, maintain constant voltage levels and manage congestion on its grids. The cost incurred in 2019 by Elia Transmission (Belgium) decreased to €146.7 million (from €203.6 million in 2018) mainly because of the increased availability of nuclear power which resulted in lower reservation prices on the market in 2019. 50Hertz Transmission (Germany) incurred costs of €469.7 million compared to €296.6 million in 2018, this latter figure corresponding to the costs incurred from the date of acquisition to the end of 2018 (eight months).

'Services and other goods' relates to maintenance of the grid, services provided by third parties, insurance and consultancy, and others. The decrease is mainly driven by 50Hertz Transmission (Germany)'s, with a contribution of €165.1 million for a full year in 2019, whereas it contributed €222.4 million in 2018 where only 8 months were taken into account. The decrease at 50Hertz Transmission (Germany) can be explained by a new regulatory compensation mechanism for offshore investments as of 1 January 2019. This has led to an amended breakdown of purchased services, from costs in 'Services and other goods' to 'Purchases of ancillary services'. Elia Transmission (Belgium) incurred €225.6 million of 'Services and other goods' costs, relative stable compared with 2018 (€223.1 million).

PERSONNEL EXPENSES

(in million EUR)	2019	2018
Salaries and wages	206.9	159.5
Social security contributions	44.1	36.1
Pension costs	20.5	17.0
Other personnel expenses	6.2	4.8
Share-based payment	(0.2)	1.1
Employee benefits (excl. pensions)	5.4	10.8
Total	282.9	229.3

In March 2019, the second tranche of the 2018 capital increase for Elia employees was completed. The capital increase resulted in the creation of 9,776 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.

Total 2019 personnel expenses for the Belgian and non-regulated activities amounted to €160.7 million (up from €157.7 million the previous year). 50Hertz Transmission (Germany) accounted for €122.2 million of the Group's personnel expenses for 2019 compared to 2018 in which for 8 months 50Hertz Transmission (Germany) accounted for €71.6 million. On a comparative full-year basis, the personnel expenses for 50Hertz Transmission increased by €8.2 million due to a continued growth in headcount (2019: 1,051 ; 2018: 1,006).

For more information about pension costs and employee benefits, see Note 6.14, 'Employee benefits'.

DEPRECIATION, AMORTISATION, IMPAIRMENT AND CHANGES IN PROVISIONS

(in million EUR)	2019	2018
Amortisation of intangible assets	21.5	16.5
Depreciation of property, plant and equipment	353.1	233.1
Total depreciation and amortisation	**374.6**	**249.5**
Impairment of inventories and trade receivables	(1.2)	2.8
Total impairment	**(1.2)**	**2.8**
Provisions for litigations	(9.0)	(3.1)
Environmental provisions	(3.3)	(1.3)
Dismantling provision	(0.6)	0.0
Changes in provisions	**(12.9)**	**(4.4)**
Total	360.5	247.9

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

A detailed description is provided in other sections for 'Intangible assets' (see Note 6.2), 'Property, plant and equipment' (see Note 6.1) and 'Provisions' (see Note 6.15).

OTHER EXPENSES

(in million EUR)	2019	2018
Taxes other than income tax	13.0	13.9
Loss on disposal/sale of property, plant and equipment	10.4	13.5
Impairment on receivables	2.8	0.4
Other	3.9	2.6
Other operating expenses	30.1	30.4

Taxes other than income tax mainly consist of property taxes.

Losses on disposal for property, plant and equipment totalled €10.3 million for Elia Transmission (Belgium), compared with €11.2 million the previous year.

50Hertz Transmission (Germany)'s total share in the Group's other expenses in 2019 was €6.1 million.

5.3. Net finance costs

(in million EUR)	2019	2018
Finance income	**5.6**	**21.9**
Interest income on cash and cash equivalents and granted loans	4.1	7.1
Other financial income	1.5	14.8
Finance costs	**(145.2)**	**(115.2)**
Interest expense on eurobonds and other bank borrowings	(113.5)	(95.8)
Interest expense on derivatives	(2.1)	(4.4)
Interest cost on leasing	(2.0)	0.0
Other financial costs	(27.6)	(15.0)
Net finance costs	(139.6)	(93.3)

Finance income decreased from €21.9 million in 2018 to €5.6 million in 2019. 50Hertz Transmission (Germany)'s contribution to finance income amounts to €1.6 million for 2019. Interest income includes €3.3 million (2018: €6.3 million) of interest from a loan agreement between Elia System Operator and Nemo Link Ltd. In June 2019, the loan agreement was terminated and the loan was swapped to equity.

Other financial income decreased from €14.8 million to €1.5 million in 2019, mainly due to a 2018 one-off remeasurement gain to fair value of €9.2 million of the Group's initial 60% shareholding in Eurogrid following the acquisition in 2018.

The interest expenses on Eurobonds and other bank borrowings increased significantly compared to previous year. This is due to 50Hertz, which interest expenses for 2018 were only accounted for from the date of full control at Elia Group level (from May 2018). Neutralizing this effect, the interest expense on Eurobonds and other bank borrowings remained stable.

Other financial costs increased from €15.0 million to €27.6 million in 2019. The increase is mainly related to the internal corporate reorganisation in 2019 (see note 7.1) . In this context, Elia Group paid consent fees to bondholders in order to secure their acceptance of the change of borrower for the debt linked to regulated activities and to compensate them for the subordination of the € 300 million bond remaining at Elia Group NV/SA. Additionally, bank fees and other financial costs were incurred in respect of this reorganisation, resulting in a total of €5.4 million of financial costs.

With the adoption of IFRS 16, 2019 was the first year to have interest costs on leasing, which amounted to €2.0 million.

For more details of net debt and loans, see Note 6.13.

5.4. Income taxes

RECOGNISED IN PROFIT OR LOSS

The consolidated income statement includes the following taxes:

(in million EUR)	2019	2018
Current year	129.4	82.6
Adjustments for prior years	(4.7)	23.2
Total current income tax expenses	**124.7**	**105.9**
Origination and reversal of temporary differences	(3.7)	(3.7)
Total deferred taxes expenses	**(3.7)**	**(3.7)**
Total income taxes and deferred taxes recognised in profit and loss	121.0	102.2

Total income tax expenses were higher in 2019 than in 2018. The increase in tax expenses is mainly driven by a higher profit before income tax.

RECONCILIATION OF THE EFFECTIVE TAX RATE

The tax on the Group's profit (loss) before tax differs from the theoretical amount that would arise using the Belgian statutory tax rate applicable to profits (losses) of the consolidated companies:

(in million EUR)	2019	2018
Profit before income tax	430.1	409.3
Income tax expense	**121.0**	**102.2**
Income tax, using the domestic corporate income tax rate	127.2	121.0
Domestic corporate income tax	29.58%	29.58%
Effect of the foreign tax rate*	0.2	(0.1)
Share of profit of equity-accounted investees	5.9	(19.4)
Non-deductible expenses	5.2	5.3
Adjustments for prior years	(4.7)	0.5
Tax on hybrid securities	(6.0)	0.0
Tax credit for R&D	(0.1)	(0.5)
Tax reform: deferred income tax adjustments	0.0	(0.4)
Other	(6.7)	(4.2)
Income tax expense	121.0	102.2

**the income tax rate in Germany amounts to 29.61%*

The income tax expense is lower than the theoretical income tax expense (calculated using the nominal tax rate) due to prior year adjustments and tax deduction for the dividend coupons on hybrid securities in the Belgian tax books while not having the negative impact of the dividend coupons in the statement of profit and loss as they are accounted directly in equity.

Deferred income taxes are discussed further in Note 6.7.

5.5. Earnings per share (EPS)

BASIC EPS

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Company (after adjustment for the distribution on hybrid securities) (€254.3 million) by the weighted average number of ordinary shares outstanding during the year.

Weighted average number of ordinary shares	2019	2018
Ordinary shares issued on 1 January	61,015,058	60,901,019
Impact of the shares issued in December 2018	0	3,437
Ordinary shares issued in March 2019	7,794	0
Ordinary shares issued in June 2019	4,096,187	0
Weighted average number of shares on 31 December	**65,119,039**	**60,904,456**

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 €48.4 per share on 31 December 2019, compared with a value of €44.9 per share at the end of 2018.

5.6. Other comprehensive income

Total comprehensive income includes both the result of the period recognised in the statement of profit or loss and other comprehensive income recognised in equity. 'Other comprehensive income' includes all changes in equity other than owner-related changes, which are reported in the statement of changes in equity.

Changes in fair value

Cash flow hedges

The fair value change of the cash flow hedges had a negative impact on OCI of €1.0 million and was due to a decrease in the fair value of the interest rate swap hedges on the loan with Publi-Part and other loans.

Remeasurements

The OCI on post-employment obligations had an impact of (€5.4) million ((€3.9) million net of tax). See Note 6.14 for more details.

6. Items in the consolidated statement of financial position

6.1. Property, plant and equipment

(in million EUR)	Land and buildings	Machinery and equipment	Furniture and vehicles	Other tangible assets	Leasing and similar rights	Assets under construc-tion	Total
ACQUISITION VALUE							
Balance at 1 January 2018	205.9	5,265.1	169.3	16.4	2.9	401.9	6,061.6
Acquisition business combinations	207.0	2,713.3	68.6	0.0		1,504.4	4,493.4
Additions	6.1	162.5	20.1	0.1		841.4	1,030.1
Disposals	(4.1)	(68.6)	(6.3)	0.0		(22.2)	(101.1)
Transfers from one heading to another	2.7	1,087.1	10.4	5.7		(1,105.9)	0.0
Balance at 31 December 2018	**417.6**	**9,159.3**	**262.2**	**22.3**	2.9	**1,619.7**	**11,483.9**
Balance at 1 January 2019	417.6	9,159.3	262.2	22.2	2.9	1,619.7	11,483.9
Recognition of right-of-use on initial application of IFRS16	0.0	0.0	0.0	0.0	95.8	0.0	95.8
Additions	9.0	465.4	43.0	0.2	8.8	759.9	1,286.3
Disposals	(0.6)	(67.6)	(4.0)	0.0	(0.4)	0.0	(72.7)
Transfers from one heading to another	2.3	862.2	9.0	4.7	0.0	(878.3)	0.0
Balance at 31 December 2019	**428.4**	**10,419.3**	**310.2**	**27.1**	**107.2**	**1,501.3**	**12,793.4**
DEPRECIATION AND IMPAIRMENT							
Balance at 1 January 2018	(24.7)	(2,685.9)	(132.6)	(13.2)	(2.9)	-	(2,859.2)
Depreciation	(4.4)	(207.2)	(21.2)	(0.9)		-	(233.7)
Disposals	2.8	56.4	6.0	0.0		-	65.2
Transfers from one heading to another	0.0	5.7	(0.3)	(5.3)		-	0.0
Balance at 31 December 2018	**(26.3)**	**(2,831.0)**	**(148.1)**	**(19.4)**	(2.9)	**-**	**(3,027.7)**
Balance at 1 January 2019	(26.3)	(2,831.0)	(148.1)	(19.4)	(2.9)	-	(3,027.7)
Depreciation	(5.7)	(300.7)	(29.5)	(1.2)	(16.0)	-	(353.1)
Disposals	0.0	29.3	4.0	0.0	(0.1)	-	33.2
Transfers from one heading to another	0.0	4.0	(0.0)	(4.0)	0.0	-	(0.0)
Balance at 31 December 2019	**(32.0)**	**(3,098.4)**	**(173.7)**	**(24.5)**	**(19.1)**	**-**	**(3,347.7)**
CARRYING AMOUNT							
Balance at 1 January 2018	181.2	2,579.3	36.7	3.2		401.9	3,202.4
Balance at 31 December 2018	391.3	6,328.3	114.1	2.9		1,619.7	8,456.2
Balance at 1 January 2019	391.3	6,328.3	114.4	2.9		1,619.7	8,456.2
Balance at 31 December 2019	396.3	7,320.8	136.5	2.6	88.1	1,501.3	9,445.6

The biggest investments are related to the Modular Offshore Grid (€215 million), interconnection project ALEGrO (€92 million), the investments in Brabo project (€41 million) and the upgrading of the Mercator-Horta-Avelin high-voltage lines (€71 million).

In Germany, a total of €259.5 million was invested in onshore projects, while offshore investments totalled €229.1 million. The most significant onshore investments related to the construction of the overhead line between Wolmirstedt and Güstrow (€29.8 million) and the upgrading of high voltage pylons to boost operational safety (€30.0 million). Offshore investments mainly concerned the offshore grid connection of Ostwind 1 (€68.3 million) and Ostwind 2 (€131.0 million).

During 2019, €18.6 million of borrowing costs were capitalised on assets under construction. €11.1 million (€8.8 million in 2018), based on an average interest rate of 2.28% (2.68% in 2018), originates from the Elia Transmission Belgium segment. An amount of €7.5 million, based on an average interest rate of 1.25% (1.25% in 2018) comes from the 50Hertz Transmission segment.

There were no mortgages, pledges or similar securities on PP&E relating to loans.

Outstanding capital expenditure commitments are described in Note 8.2.

6.2. Intangible assets

(in million EUR)	Development costs of software	Licences/ concessions	Total
ACQUISITION VALUE			
Balance at 1 January 2018	100.7	3.6	104.3
Acquisition through business combinations	30.8	21.8	52.6
Additions	24.3	0.0	24.3
Disposals	(0.5)	0.0	(0.5)
Balance at 31 December 2018	**155.3**	**25.4**	**180.7**
Balance at 1 January 2019	155.3	25.4	180.7
Additions	25.7	1.0	26.7
Disposals	(1.0)	0.0	(1.0)
Balance at 31 December 2019	180.1	26.4	206.5
DEPRECIATION AND IMPAIRMENT			
Balance at 1 January 2018	(70.9)	(2.6)	(73.5)
Depreciation	(15.1)	(1.3)	(16.4)
Disposals	0.4	0.0	0.0
Balance at 31 December 2018	**(85.7)**	**(3.9)**	**(89.5)**
Balance at 1 January 2019	(85.7)	(3.9)	(89.5)
Depreciation	(19.6)	(1.8)	(21.5)
Disposals	0.9	0.0	0.9
Balance at 31 December 2019	**(104.4)**	**(5.7)**	**(110.1)**
CARRYING AMOUNT			
Balance at 1 January 2018	29.8	1.0	30.8
Balance at 31 December 2018	69.6	21.5	91.2
Balance at 1 January 2019	69.6	21.5	91.2
Balance at 31 December 2019	75.6	20.7	96.4

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

During 2019, €0.2 million in borrowing costs were capitalised on software in development (compared with €0.2 million in 2018) in the Elia Transmission (Belgium) segment, based on an average interest rate of 2.28% (2.68% in 2018). No borrowing costs on software in development were capitalised in the 50Hertz Transmission segment.

6.3. Goodwill

(in million EUR)	Goodwill
ACQUISITION VALUE	
Balance at 1 January 2018	**1,707.8**
Additions	703.3
Balance at 31 December 2018	**2,411.1**
Balance at 1 January 2019	**2,411.1**
Additions	0.0
Disposals	0.0
Balance at 31 December 2019	**2,411.1**
CARRYING AMOUNT	
Balance at 1 January 2018	1,707.8
Balance at 31 December 2018	2,411.1
Balance at 1 January 2019	2,411.1
Balance at 31 December 2019	2,411.1

The goodwill relates to the following business combinations and is allocated to the CGU Elia Transmission for the acquisition of Elia Asset and Elia Engineering and to the CGU 50Hertz Transmission for the acquisition of the 20% stake in Eurogrid International:

(in million EUR)	2019	2018
Acquisition Elia Asset - 2002	1,700.1	1,700.1
Acquisition Elia Engineering - 2004	7.7	7.7
Acquisition Eurogrid International – 2018	703.4	703.4
Total	**2,411.2**	**2,411.2**

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

- According to IFRS rules, goodwill should be tested for impairment at least on an annual basis or upon the occurrence of a triggering event. Goodwill is allocated to the cash generating units (CGUs) Elia Transmission and 50Hertz Transmission for impairment testing. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually as the higher of their fair value less costs to sell.

Acquisition of Elia Asset and Elia Engineering

In 2002, the acquisition of Elia Asset by the Company for €3,304.1 million resulted in a positive consolidation difference of €1,700.1 million. This positive consolidation difference was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. This difference consists of various aspects such as the fact that (i) Elia was appointed as a TSO for a period of 20 years (ii) Elia had unique resources in Belgium as Elia owns the whole of the very-high-voltage grid and owns 94% of the high-voltage grid (or has the right to use this), and hence only Elia is entitled to put forward a development plan and (iii) Elia had the relevant TSO know-how.

At the date of acquisition, the description or the quantification in euros of these aspects could not be performed on an objective, transparent and reliable basis and therefore, the difference could not be allocated to specific assets and was considered unallocated. This difference has therefore been recognised as goodwill since the initial adoption of IFRS in 2005. The regulatory framework, in particular the offsetting in the tariffs of the decommissioning of fixed assets, applicable from 2008 onwards, did not have an impact on this accounting treatment. The goodwill described above and the goodwill resulting from the acquisition of Elia Engineering in 2004 were allocated to the single cash-generating unit for the impairment test determined, since the income and expenses were generated by one activity, specifically 'regulated activity in Belgium', which will also be considered to be one cash-generating unit.

As a result, the Company assigned the carrying amount of the goodwill to one unit, the regulated activity in Belgium. Since 2004, annual impairment tests have been conducted and have not resulted in recognition of any impairment losses.

The impairment test was conducted by an independent expert. This impairment test is based on fair value less costs to sell and uses two main valuation methods to estimate the recoverable amount, 1) a discounted cash flows method (DCF) and 2) a dividend discount model (DDM), both of which are further detached in valuation variants depending on the terminal value calculation. Costs to sell were considered negligible in the exercise.

Future cash flows and future dividends are based on a business plan for the period 2019-2028 (two regulatory periods). As the asset base of the Group consists of assets with long useful lifes, the business plan's projection period has been set to encompass the coming two regulatory periods. Note that the regulatory framework within which Elia operates is characterised by an allowed revenues basis structured around 1) a fair remuneration of the regulatory asset base and 2) incentives to guarantee the continuity of supply and improve efficiency. Considering that the regulator will allow a fair remuneration of the regulatory asset base consistent with market expectations, the estimated regulatory asset base for the last forecast year can be considered an indication of the terminal value. This approach does not capture potential cash flows from meeting or beating future efficiency targets.

The valuation methods are subject to different assumptions, most importantly:

1. Discounting of future cash flows (DCF-models):
   - Discount rate:
     - Cost of Equity of 7.1%;
       - Risk-free-rate: -0.3%
       - Beta 0.9
       - Equity market risk premium 5.5%
       - Country risk premium 0.5%
       - Small firm premium 1.8%
     - Pre-tax Cost of Debt of 1.1%;
     - Corporate tax rate of 25%;
     - Target gearing (D/(D+E)): 60%;
     - Post-tax WACC: 3.3%.
   - Terminal value based on three variants:
     - Terminal value based on a 1.1x RAB multiple in 2028
   - NB: as such, the RAB itself does not capture the contribution of the incentive remuneration to the value creation process.
     - Terminal value based on a value driver approach, assuming any new CAPEX after 2028 will generate a return equal to the WACC of 3.3%. This means that CAPEX in the terminal value will neither create nor destroy value.
     - Terminal value based on a perpetual growth rate of 1.5% reflecting the long-term inflation expectation reported by the International Monetary Fund (IMF).

2. Discounting of future dividends (DDM-models):
- Discount rate:
  - Cost of Equity of 7.1%
- Terminal value based on two variants:
  - Terminal value based on 1.1x RAB multiple in 2028.
- NB: as such, the RAB itself does not capture the contribution of the incentive remuneration to the value creation process.
  - Terminal value based on a perpetual growth rate of 1.5%. This approach assumes that the residual value consists of profit after tax less investments and considers net borrowings (in relation to the investments). However, profit and thus dividend payments in FY28 is most likely not yet capturing the (positive) impact of the investments planned in FY23-FY28.

- The independent analysis, based on a (€2,640 million) midpoint of the different valuation approaches and variants used, and sensitivity analysis did not result in the identification of an impairment of goodwill in the financial year 2019. Moreover, market multiples (based on current enterprise values and current/forecasted EBITDA) were applied for plausibility.

- As the median and the average of the different methods presented above were relatively far apart (€2.487 million and €3.121 million respectively), mainly due to differences in assumptions in the terminal value, the expert based its mid-point on 75% of the median and 25% of the average, bearing in mind, among other factors, that the median alone might not appropriately reflect the impact of the incentive remuneration in the terminal value (see above for more details).

Acquisition of Eurogrid International

- In April 2018, the acquisition of an extra 20% stake in Eurogrid International by the Company for €988.7 million resulted in a positive consolidation difference of €703.4 million. This positive consolidation difference was the result of the difference between the acquisition value of this entity and the carrying amount of its assets. The goodwill resulting from the additional 20% stake in Eurogrid International was allocated to the cash-generating unit 50Hertz Transmission, since it comprises all income and expenses generated thereby.

- The impairment test was conducted by an independent expert. This impairment test is based on two main valuation methods, 1) a discounted cash flows (DCF) method and 2) a dividend discount model (DDM), both of which are further detached in valuation variants depending on the terminal value calculation. Future cash flows and future dividends are based on a business plan for the period 2019-2028 (two regulatory periods). As the asset base of the Group consists of assets with long useful lives, the business plan's projection period has been set to encompass the coming two regulatory periods.

  1. Discounting of future cash flows (DCF-models):
  - Discount rate:
    - Cost of Equity of 6.6%;
      - Risk-free-rate: -0.3%
      - Beta 0.9
      - Equity market risk premium 5.5%
      - Country risk premium 0.0%
      - Small firm premium 1.8%
    - Pre-tax Cost of Debt of 1.1%;
    - Corporate tax rate of 30%;
    - Target gearing (D/(D+E)): 60%;
    - WACC: 3.1%.
  - Terminal value based on three variants:
    - Terminal value based on a 1.1x RAB multiple in 2028;
    - Terminal value based on a value driver approach, assuming any new CAPEX after 2028 will generate a return equal to the WACC of 3.1%;
    - Terminal value based on a perpetual growth rate of 1.5%.

  2. Discounting of future dividends (DDM-models):
  - Discount rate:
    - Cost of Equity of 6.6%
  - Terminal value based on two variants:
    - Terminal value based on 1.1x RAB multiple in 2028;
    - Terminal value based on a perpetual growth rate of 1.5%.

- The independent analysis, based on a median of the different valuation approaches and variants used, and sensitivity analysis did not result in the identification of an impairment of goodwill in the financial year 2019.

6.4. Non-current trade and other receivables

(in million EUR)	2019	2018
Loans to third parties	2.3	2.6
Loans to joint ventures	0.0	174.4
Total	**2.3**	**177.0**

The Group has a receivable outstanding to a third party for an amount of €2.3 million. This receivable was granted for the financing of a joint project with Elia.

The loans to joint ventures was related to Nemo Link Ltd., in which both Elia Group and National Grid have a 50% stake. Until June 2019, Nemo Link Ltd was financed by both shareholders through equity and loans. In June 2019, the shareholders' loan has been swapped to equity funding.

6.5. Equity-accounted investees

6.5.1. Joint ventures

Nemo Link Ltd

On 27 February 2015, Elia System Operator and National Grid signed a joint venture agreement to build the Nemo Link Interconnector between Belgium and the UK. This project consists of subsea and underground cables connected to a converter station and an electricity substation in each country, allows electricity to flow in either direction between the two countries and give the UK and Belgium improved reliability and access to electricity and sustainable generation. Each shareholder holds a 50% stake in Nemo Link Ltd, a UK company. The interconnection was commissioned in late January 2019.

To finance the project both shareholders have provided funding to Nemo Link Ltd since 2016 via equity contributions and loans (divided on a 50/50 basis). In June 2019, the loans were incorporated in the share capital (loan swap to equity), which explains the significant decrease in non-current liabilities with the inverse effect in equity.

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)	2019	2018
Percentage ownership interest	**50.0%**	**50.0%**
Non-current assets	660.8	606.3
Current assets	33.9	35.5
Non-current liabilities	30.9	381.2
Current liabilities	14.8	27.4
Equity	649.0	233.2
Group's carrying amount for the interest	**324.5**	**116.6**
Revenues and other income	61.5	0.0
Depreciation and amortisation	24.2	0.0
Net finance result	(6.4)	0.6
Profit before income tax	13.7	0.6
Income tax	(0.8)	0.0
Profit for the year	12.9	0.6
Total comprehensive income for the year	12.9	0.6
Group's share of profit for the year	**6.5**	**0.3**
Dividends received by the Group	0.0	0.0

6.5.2. Associates

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

The Group has a 17.4% interest in Enervalis NV, a start-up that develops innovative software-as-a-service solutions that will allow market players to optimise their energy bills while helping to meet the growing need for flexibility in the electricity system. A representative of the Group has been appointed a member of Enervalis's Board of Directors. The Group therefore considers itself as having a significant influence and Enervalis is, as such, accounted for using the equity method.

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

Following the acquisition of a 20% stake in 50Hertz, the Group's interest in Coreso NV/SA increased to 22.2%. Coreso NV/SA is a company which provides coordination services aimed at facilitating the secure operation of the high-voltage electricity system in several European countries.

HGRT SAS is a French company with a 49.0% stake in Epex Spot, the exchange for power spot trading in Germany, France, Austria, Switzerland, Luxembourg and (through its 100% associate APX) the UK, Netherlands and Belgium. The Group itself holds a 17.0% stake in HGRT. As one of the founding partners of HGRT, the Group has a 'golden share', enabling the Group to have a minimum number of representatives on the Board of Directors. This constitutes a significant influence and therefore HGRT is accounted for using the equity method. In 2019, the Group received a dividend of €2.6 million from HGRT (€2.0 million in 2018).

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 2019	Ampacimon 2019	Coreso 2019	HGRT 2019
Percentage ownership interest	**17.4%**	**20.5%**	**22.2%**	**17.0%**
Non-current assets	0.0	0.0	7.9	93.3
Current assets	6.0	2.6	3.6	1.0
Non-current liabilities	0.0	0.0	0.0	0.0
Current liabilities	0.0	0.0	8.4	0.0
Equity	6.0	2.6	3.2	94.3
Group's carrying amount for the interest	**1.0**	**0.5**	**0.7**	**16.0**
Revenues and other income	0.0	0.0	17.7	0.0
Profit before income tax	0.0	0.1	0.8	10.4
Income-tax expense	0.0	0.0	(0.4)	(0.1)
Profit for the year	0.0	0.1	0.1	10.2
Total comprehensive income for the year	0.0	0.1	0.1	10.2
Group's share of profit for the year	**0.0**	**0.0**	**0.1**	**1.8**

(in million EUR)	Enervalis 2018	Ampacimon 2018	Coreso 2018	HGRT 2018
Percentage ownership interest	**12.5%**	**20.5%**	**22.2%**	**17.0%**
Non-current assets	0.3	0.3	4.4	93.7
Current assets	1.4	2.2	2.2	6.3
Non-current liabilities	0.0	0.0	0.0	0.0
Current liabilities	0.3	0.0	4.5	0.4
Equity	1.3	2.5	2.7	99.6
Group's carrying amount for the interest	**0.7**	**0.5**	**0.6**	**16.9**
Revenues and other income	0.0	0.0	13.7	0.0
Profit before income tax	0.0	(0.6)	0.6	10.8
Income-tax expense	0.0	0.0	(0.3)	0.1
Profit for the year	0.0	(0.6)	0.3	10.9
Total comprehensive income for the year	0.0	(0.6)	0.3	10.9
Group's share of profit for the year	**0.0**	**(0.1)**	**0.0**	**1.9**

6.6. Other financial assets

(in million EUR)	2019	2018
Immediately claimable deposits	7.0	7.0
Other shareholdings	28.8	27.7
Reimbursement rights	53.1	52.2
Total	**88.9**	**86.9**

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

Other shareholdings mainly consist of the shareholdings owned by 50Hertz Transmission and grew by €1.1 million due to an increase in the ownership percentage in EEX. The full list of other shareholdings is disclosed in note 7.1.

The reimbursement rights are linked to the obligations for (i) the retired employees falling under specific benefit schemes (Scheme B - unfunded plan) and for (ii) the medical plan and plan for tariff benefits for retired staff members. See Note 6.14: 'Employee benefits'. The reimbursement rights are recoverable through the regulated tariffs. The following principle applies: all incurred pension costs for 'Scheme B' retired employees and the costs linked to healthcare and tariff benefits for retired Elia staff members are defined by the regulator (CREG) as non-controllable expenses that are recoverable through the regulatory tariffs. The increase in the carrying value of this asset is disclosed in Note 6.14: 'Employee benefits'.

6.7. Deferred tax assets and liabilities

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

(in million EUR)	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	3.3	(211.8)	3.3	(157.4)
Intangible assets	0.0	(8.6)	0.0	(8.2)
Non-current trade and other receivables	1.3	(0.2)	1.7	0.0
Interest-bearing loans and other non-current financial liabilities	26.7	(4.6)	2.2	(4.0)
Employee benefits	29.6	(13.3)	26.2	(13.9)
Provisions	48.0	(0.6)	40.6	0.0
Deferred revenue	31.5	(2.2)	9.4	(2.9)
Regulatory liabilities	25.3	(0.0)	19.6	0.0
Deferred tax on investment grants	0.0	(1.1)	0.0	(1.1)
Losses carried forward	0.6	(0.1)	2.5	0.0
Other items	0.6	(7.8)	0.7	(9.0)
Tax asset/liability before offsetting	**166.9**	**(250.2)**	**106.3**	**(196.5)**
Offsetting of tax	(163.2)	163.2	(101.3)	101.3
Net tax asset/(liability)	**3.7**	**(87.0)**	**5.0**	**(95.2)**

The changes in deferred tax assets and liabilities can be presented as follows:

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES RESULTING FROM MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE FINANCIAL YEAR

(in million EUR)	Opening balance	Business Combina-tions	Recog-nised in profit or loss	Recog-nised in OCI	Other	Closing balance
2018						
Property, plant and equipment	(8.8)	(157.6)	12.4		0.0	(154.1)
Intangible assets	(8.4)		0.2			(8.2)
Non-current trade and other receivables		1.8	(0.1)			1.7
Interest-bearing loans and other non-current financial liabilities	(1.2)	(3.2)	0.4	2.2		(1.8)
Employee benefits	7.5	4.2	0.7	(0.2)		12.3
Provisions		54.4	(13.8)			40.6
Deferred revenue		6.3	0.2			6.5
Regulatory liabilities		18.1	1.5			19.6
Losses carried forward			2.5			2.5
Deferred tax on investment grants	(1.2)		0.1			(1.1)
Other items	(6.5)	0.5	(0.4)		(1.8)	(8.2)
Total	**(18.6)**	**(75.5)**	**3.7**	**2.0**	**(1.8)**	**(90.2)**
2019						
Property, plant and equipment	(180.0)		(28.4)			(208.4)
Intangible assets	(8.2)		(0.4)			(8.6)
Non-current trade and other receivables	1.7		(0.4)			1.2
Interest-bearing loans and other non-current financial liabilities	24.2		(2.2)	0.2		22.1
Employee benefits	12.3		2.5	1.5		16.3
Provisions	40.6		6.7			47.4
Deferred revenue	6.5		22.8			29.3
Regulatory liabilities	19.6		5.7			25.3
Losses carried forward	2.5		(2.1)			0.4
Deferred tax on investment grants	(1.1)					(1.1)
Other items	(8.2)		(0.4)	1.5		(7.2)
Total	**(90.2)**		**3.7**	**3.2**	**0.0**	**(83.3)**

The deferred tax liability on right-of-use assets from IFRS 16 leases is shown under property, plant and equipment, the deferred tax asset on finance lease liability is shown under 'Interest-bearing loans and other non-current financial liabilities'.

UNRECOGNISED DEFERRED TAX ASSETS OR LIABILITIES
As at 31 December 2019, there is an unrecognised deferred tax asset of € 0.5 million relating to tax losses carried forward originating from EGI NV.

6.8. Inventories

(in million EUR)	2019	2018
Raw materials and consumables	39.5	34.0
Write-downs	(15.3)	(14.8)
Total	24.3	19.2

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.

Write-downs are recorded following the non-utilisation of stock items based on their underlying rotation. These were slightly higher than in 2018.

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

(in million EUR)	2019	2018
Contract assets	4.6	3.6
Trade and other receivables and advance payments	338.1	417.9
Levies	2.3	38.9
VAT and other taxes	56.9	50.5
Other	86.2	48.0
Deferred charges and accrued revenues	9.8	20.5
Total	497.8	579.4

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

Contract assets increased slightly from €3.6 million in the previous year to €4.6 million at year-end and are mainly related to EGI's business.

The decrease in levies is mainly due to a decrease of €36.6 million relating to Flemish green certificates which were auctioned earlier in the year than in previous years.

The increase in 'other' is mainly due to an increase of outstanding receivables linked to the regulatory surcharges in Germany (up €16.4).

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables are shown in Note 8.1.

At 31 December, the ageing analysis of trade and other receivables and advance payments is as follows:

(in million EUR)	2019	2018
Not past due	320.0	389.7
Past due 0-30 days	14.1	6.6
Past due 31-60 days	1.2	(0.6)
Past due 61 days - one year	3.0	23.6
More than one year	0.7	0.5
Total (excl. impairment)	**339.1**	**419.8**
Doubtful amounts	199.6	170.2
Amounts of write-offs	(199.1)	(169.8)
Provision for expected credit losses	(1.5)	(2.3)
Total	338.1	417.9

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

6.10. Current tax assets and liabilities

(in million EUR)	2019	2018
Tax receivables	5.5	3.6
Tax liabilities	(54.8)	(93.1)
Net tax asset / (liability)	(49.3)	(89.5)

Tax receivables increased compared with the previous year. The €5.5 million in income tax receivables at 31 December 2019 mainly relates to 2019 advances on corporation tax to be recovered in the financial year 2020. Income tax liabilities decreased to €54.8 million in 2019.

6.11. Cash and cash equivalents

(in million EUR)	2019	2018
Short-term deposits	573.5	1,356.2
Balance at bank	401.5	433.1
Total	975.0	1,789.3

Cash and cash equivalents have declined as a result of a significant drop at 50Hertz Transmission (Germany), primarly driven by a by €428.8 million decrease in EEG cash and a €356.6 million decrease in core cash.

Short-term deposits are invested for periods varying from a few days and a few weeks to several months (generally not exceeding three months), depending on immediate cash requirements, and earn interest in accordance with the interest rates for the short-term deposits.

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 €30.8 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.

6.12. Shareholders' equity

6.12.1. Equity attributable to the owners of the Company

SHARE CAPITAL AND SHARE PREMIUM

Number of shares	2019	2018
Outstanding on 1 January	61,015,058	60,901,019
Issued against cash payment	7,638,880	114,039
Number of shares (end of period)	68,652,938	61,015,058

The capital increase of 14 June 2019 resulted in the creation of 7,628,104 additional shares at a subscription price of €57 per share. This transaction involved €434.8 million of funds raised, consisting of a €190.3 million capital increase and a €244.5 million increase in share premium. The transaction costs related to this capital increase were €6.2 million.

In addition to this, the second tranche of the 2018 capital increase for Elia employees was completed in March 2019. This transaction involved €0.5 million of funds raised, consisting of a €0.2 million capital increase and a €0.3 million increase in share premium. Through this transaction, 9,776 new shares were issued.

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 2019 the Group's legal reserve amounts to €173.0 million and represents 10% of the capital.

The Board of Directors can propose the payout of a dividend to shareholders up to a maximum of the available reserves plus the profit carried forward from the Company's previous financial years, including the profit for the financial year ended 31 December 2019. 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	2019	2018
Per ordinary share entitled to dividend	1.69	1.66

At the General Meeting of Shareholders on 21 May 2019, the Board of Directors proposed the payout of a gross dividend of €1.66 per share, yielding a total amount of €101.3 million.

The Board of Directors' meeting of 5 March 2020 proposed a gross dividend of €1.69 per share. This dividend is subject to approval by shareholders at the Annual General Meeting on 19 May 2020 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 5 March 2020, corresponds to a total of €116.0 million.

6.12.2. Hybrid securities

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

The hybrid securities bear an optional, cumulative coupon of 2.75%, payable at the Group's discretion annually on 5 December of each year, with the first payment on 5 December 2019. As at 31 December 2019, the unpaid cumulative dividend amounts to €1.4 million. (2018: € 6.2 million). A coupon of 24.0 million has been paid to the bondholders, as result the impact in the profit attributable to the hybrid securities is € 19.3 million.

The hybrid securities have an initial call date in December 2023 with a reset every five years thereafter.

The hybrid securities are structured as perpetual instruments, have junior ranking to all the senior debt and are recorded as equity in the Group's accounts pursuant to IFRS.

6.13. Interest-bearing loans, borrowings and lease liabilities

(in million EUR)	2019	2018
Non-current borrowings	5,304.2	5,773.8
Finance lease liabilities – non current	74.7	0.0
Subtotal non-current borrowings	5,378.9	5,773.8
Current borrowings	1,042.2	549.9
Finance lease liabilities – current	14.1	0.0
Accrued interest	62.9	71.1
Subtotal current loans and borrowings	1,119.2	621.1
Total	**6,498.1**	**6,394.9**

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 at 1 January 2018	**49.5**	**2,834.7**	**2,884.2**
Acquisition through business combinations	28.5	2,829.9	2,858.4
Cash flow: interest paid	(141.8)	0.0	(141.8)
Cash flow: proceeds from withdrawal borrowings	50.0	606.9	656.9
Interest accruals	121.2	0.0	121.2
Other	513.7	(497.7)	16.0
Balance at 31 December 2018	**621.1**	**5,773.8**	**6,394.9**
Balance at 1 January 2019	**621.1**	**5,773.8**	**6,394.9**
Cash flow: interest paid	(158.4)	0.0	(158.4)
Cash flow: repayment of borrowings	(757.6)	0.0	(757.6)
Cash flow: proceeds from withdrawal borrowings	275.0	499.2	774.2
Interest accruals	62.9	0.0	62.9
Other	1,076.2	(894.1)	182.1
Balance at 31 December 2019	**1,119.2**	**5,378.9**	**6,498.1**

In January 2019, the Company has successfully issued a €500 million Eurobond under its €5 billion EMTN program. The €500 million senior bond will mature in 2026 and has an annual coupon of 1.375%.

The proceeds from the new bond issue has been used to refinance an existing €500 million Eurobond which matured in May 2019.

Movements in 'Other' in the financial year 2019 mainly relates to reclassifications of long-term debt to short-term debt in accordance with when instruments become due in 2020.

Information on 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 proporti on - variable
Eurobond issues 2013/15 years	2028	546.9	3.25%	3.25%	100.00%	0.00%
Eurobond issues 2013/20 years	2033	199.1	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	498.2	1.38%	1.38%	100.00%	0.00%
Eurobond issues 2017/10 years	2027	247.6	1.38%	1.38%	100.00%	0.00%
Senior bond 2018/10 years	2028	297.3	1.50%	1.50%	100.00%	0.00%
Eurobond issues 2019/7 years	2026	498.0	1.38%	1.38%	100.00%	0.00%
Other loans	2020	453.6	Euribor 6M + 1,15%	0.97%	60.51%	39.49%
Loan with Publi-Part	2022	42.1	Euribor 6M + 1,15%	0.97%	60.51%	39.49%
Amortized term loan	2033	209.7	1.80%	1.80%	100.00%	0.00%
European Investment Bank	2025	100.0	1.08%	1.08%	100.00%	0.00%
Credit line facility	2019	75.0	0.275%	0.275%	100.00%	0.00%
Bond as part of Euro Medium Term Note program 2010	2020	499.6	3.875%	3.875%	100.00%	0.00%
Bond as part of Debt Issuance Program 2015	2025	497.9	1.875%	1.875%	100.00%	0.00%
Bond as part of Debt Issuance Program 2015	2023	748.7	1.625%	1.625%	100.00%	0.00%
Bond as part of Debt Issuance Program 2015	2030	139.2	2.625%	2.625%	100.00%	0.00%
Bond as part of Debt Issuance Program 2016	2028	747.0	1.500%	1.500%	100.00%	0.00%
Registered bond 2014	2044	50.0	3.000%	3.000%	100.00%	0.00%
Unsecured bank loan	2026	150.0	0.90%	0.900%	100.00%	0.00%
Total		**6,346.4**			**96.92%**	**3.08%**

The above €6,346.4 million is to be increased with €62.9 million of interest accruals and €88.8 million of finance lease liabilities to reconstitute the overall debt of €6,498.1 million.

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

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

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

6.14. Employee benefits

The Group has various legal and constructive defined benefit obligations linked to its Belgian and German operations.

The total net liability for employee-benefit obligations is as follows:

(in million EUR)	2019			2018		
	Belgium	Germany	Total	Belgium	Germany	Total
Defined-benefit plans	20.6	26.5	47.1	20.3	20.6	40.8
Post-employment benefits other than pensions	67.5	5.0	72.1	62.2	2.4	64.6
Total provisions for employee benefits	**88.1**	**31.5**	**119.6**	**82.5**	**22.9**	**105.4**

Of the €119.6 million in employee benefit provisions recognised at the end of financial year 2019, €118.1 million is presented in the long term and €1.5 million in the short term (see Note 6.14).

The overall increase of €14.2 million is mainly driven by decreases in discount rates.

BELGIUM

DEFINED-CONTRIBUTION PLANS

Employees remunerated based on a salary scale and recruited after 1 June 2002, as well as management staff recruited after 1 May 1999 are covered by two defined-contribution pension plans (Powerbel and Enerbel):

- The Enerbel plan is a plan for salaried employees hired after 1 June 2002, to which the employee and the employer contribute based on predefined formula.
- The Powerbel plan is a plan for managers hired after 1 May 1999. The contributions of the employee and employer are based on a fixed percentage of the employee's salary.

The new law on occupational pension plans, published at the end of 2015, made various changes to the guaranteed return on defined-contribution plans. For payments made after 1 January 2016, the law requires employers to guarantee an average annual return of at least 1.75% (up to 3.75% depending on who contributes) over the course of the career.

For insured plans the minimum guaranteed return until 31 December 2015 still needs to be equivalent to at least 3.25% for the employer's contribution and 3.75% for the employee's contribution, with any shortfall being covered by the employer.

As a result of the above change and as mentioned in the accounting policies, all defined-contribution pension plans under Belgian pension legislation are classified as defined-benefit plans for accounting purposes due to the legal minimum return to be guaranteed by the employer, which represents a plan amendment. They are accounted for with the Projected Unit Credit method (PUC-method). For each plan, the fair value of assets equals the sum of the accrued individual reserves (if any) and the value of the collective fund(s) (if any), hence no application of IAS 19 § 115. In addition, with the exception of Enerbel, the DC plans are not backloaded, as such these plans are valued without projection of future contributions. The Enerbel DC plan is backloaded and this plan is valued with projection of future contributions.

Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best off' plans since 2016. The main objective of these plans is to guarantee for every subscriber a minimum guaranteed return of 3.25% on the acquired reserves until retirement age.

Both employee' and employer' contributions are paid on a monthly basis for the base plans. The employee' contribution is deducted from the salary and paid to the insurer by the employer. The amount of future cash flows depends on wage growth.

DEFINED-BENEFIT PLANS

For a closed population, collective agreements in the electricity and gas industries provide 'pension supplements' based on the annual salary and an employee's career within a company (partially revertible to the inheritor in case of early death of the employee).The benefits granted are linked to Elia's operating result. There is no external pension fund or group insurance for these liabilities, which means that no reserves are constituted with third parties. The obligations are classified as a defined benefit.

The collective agreement determines that active staff hired between 1 January 1993 and 31 December 2001 and all managerial/executive staff hired prior to 1 May 1999 will be granted the same guarantees via a defined-benefit pension scheme (Elgabel and Pensiobel – closed plans). Obligations under these defined-benefit pension plans are funded by a number of pension funds for the electricity and gas industries and by insurance companies.

As mentioned above, Elia Transmission Belgium has transferred certain acquired reserves guaranteed by the insurers to 'Cash balance – best off' plans since 2016. As this guarantee is an obligation by the employer, these plans represent defined-benefit plans.

Both employees' and employers' contributions are paid on a monthly basis for the base plans. The employee's contribution is deducted from the salary and paid to the insurer by the employer.

OTHER PERSONNEL OBLIGATIONS

Elia Transmission (Belgium) has also granted staff certain early-retirement schemes and other post-employment benefits such as reimbursement of medical expenses and a contribution to energy prices, as well as other long-term benefits (seniority payments). Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

GERMANY

DEFINED-CONTRIBUTION PLANS

In the case of externally financed defined contribution plans, 50Hertz Transmission (Germany)'s obligation is limited to paying the agreed contributions. For those defined contribution plans recognised in the form of direct guarantees, there are pledged congruent employer's liability insurance policies in place.

- **Pension obligations for executives (agreement with staff representatives from 2003 onwards):** individual contractual pension obligations based on an agreement with representatives;
- **Pension obligations for executives (agreement with staff representatives from 19 August 2008 onwards):** individual contractual pension obligations relating to a company pension plan with the Vattenfall Europe Group;
- **Collective bargaining agreement on the company pension scheme:** obligations based on the collective bargaining agreement on 50Hertz Transmission's company pension scheme, concluded on 28 November 2007
- **Direct insurance:** direct insurance policies for all former employees who worked at Vereinigte Energiewerke AG (VEAG) from 1993 to 31 December 2004, with the exception of managers;
- **Individual commitments:** individual commitments which are financed exclusively by external pension funds (welfare fund and pension fund).

DEFINED-BENEFIT PLANS

Defined benefit plans entitle employees to make direct pension claims against 50Hertz Transmission. Provisions for these are recognised in the statement of financial position. If plan assets are created for the sole purpose of fulfilling pension obligations, the amount is offset against the present value of the obligation. The following defined benefit plans exist in Germany:

- Group works agreement on the company pension scheme

In accordance with the group works agreement on the company pension scheme, employees are granted a company pension plan on the basis of a defined contribution plan (effective 1 January 2007). This agreement applies to all employees within the meaning of Sec. 5 (1) of the German Work Constitution Act (BetrVG) and came into effect at the Company on 1 January 2007. Participation in the scheme is voluntary. The scheme grants pension benefits upon reaching the statutory retirement age, upon taking early retirement from statutory pension insurance, and in the event of occupational disability for death. Current pension benefits are increased by 1% p.a., so the scheme is classified as a defined benefit plan.

- TVV Energie

This pension plan relates to direct guarantees resulting from a collective bargaining agreement concluded on 16 October 1992. It was closed to new hires on 1 January 1993. This contribution plan applies to employees who worked at Vereinigte Energiewerke AG until 30 November 2001 and whose vested benefits were allocated to Vattenfall Europe Transmission GmbH (now 50Hertz Transmission GmbH). The scheme covers pension obligations, based on years of service and remuneration level and grants retirement and disability pensions, but no pension for surviving dependants. It is not possible to index current post-employment benefits falling due for the first time after 1 January 1993.

OTHER PERSONNEL OBLIGATIONS

50Hertz Transmission also has following obligations, which are listed under 'Other personnel obligations':

- Obligations for long-service benefits;
- Obligations from German phased retirement schemes;
- Obligations for working lifetime accounts.

Not all of these benefits are funded and, in accordance with IAS 19, these post-employment benefits are classified as defined-benefit plans.

EMPLOYEE BENEFIT OBLIGATIONS AT GROUP LEVEL

The Group's net liability for employee benefit obligations is as follows:

(in million EUR)	Pensions 2019	2018	Other 2019	2018
Present value of funded defined-benefit obligation	(278.1)	(247.8)	(98.5)	(85.8)
Fair value of plan assets	231.0	207.0	25.9	21.2
Net employee benefit liability	(47.1)	(40.8)	(72.5)	(64.6)

Movement in the present value of the defined benefit obligation (in million EUR)	Pensions 2019	2018	Other 2019	2018
At the beginning of the period	**(247.8)**	**(224.3)**	**(85.8)**	**(63.7)**
Acquisition through business combinations	0.0	(19.0)	0.0	(17.1)
Current service cost	(12.6)	(9.1)	(8.3)	(4.5)
Interest cost/income	(3.7)	(3.2)	(1.5)	(1.2)
Contributions from plan participants	(1.2)	0.3	0.0	2.2
Cost of early retirement	(0.0)	(0.1)	0.0	0.0
Including remeasurement gains/(losses) in OCI and in statement of profit or loss, arising from:				
Changes in demographic assumptions	0.0	(0.5)	0.0	0.0
Changes in financial assumptions	(23.8)	2.2	(6.5)	0.9
Changes from experience adjustments	0.9	6.4	1.3	0.6
Taxes on contributions paid during the year	0.0	(0.7)	0.0	0.0
Past service cost	0.0	0.0	(0.7)	0.0
Payments from the plan	10.3	15.1	3.0	0.2
Settlements	0.0	0.0	0.0	0.0
Transfers	0.0	(14.9)	0.0	(3.2)
At the end of the period	(278.1)	(247.8)	(98.5)	(85.8)

Movements in the fair value of the plan assets (in million EUR)	Pensions 2019	Pensions 2018	Other 2019	Other 2018
At the beginning of the period	**207.0**	**203.1**	**21.2**	**0.6**
Acquisition through business combinations	0.0	0.1	0.0	14.8
Interest income	3.0	3.1	0.1	0.0
Remeasurement gains/losses in OCI arising from:				
Return of plan assets (excluding interest income on plan assets)	17.6	(10.1)	0.4	(0.2)
Contributions from employer	11.9	11.1	7.7	5.3
Contributions from plan participants	1.2	1.3	0.0	0.0
Benefit payments	(9.7)	(16.3)	(3.4)	(2.5)
Transfers	0.0	14.9	0.0	3.2
At the end of the period	**231.0**	**207.0**	**25.9**	**21.2**

Amounts recognised in Profit and Loss or OCI (in million EUR)	Pensions 2019	Pensions 2018	Other 2019	Other 2018
Service cost				
Current service cost	(12.6)	(9.1)	(3.6)	(4.5)
Cost of early retirement	0.0	(0.1)	0.0	0.0
Past service cost	0.0	0.0	(0.7)	0.0
Settlements	0.6	0.0	0.1	0.1
Actuarial gains/(losses) on defined benefit obligation	0.0	0.0	(0.0)	0.8
Net interest on the net defined benefit liability/(asset)	**(0.7)**	**(0.1)**	**(1.9)**	**(1.2)**
Interest cost on defined benefit obligation	(3.7)	(3.2)	(1.5)	(1.2)
Interest income on plan assets	3.0	3.1	0.1	0.0
Other	0.0	(0.2)	(0.4)	(0.3)
Defined benefit costs recognised in profit or loss	**(12.7)**	**(9.5)**	**(6.1)**	**(2.2)**
Actuarial gains(losses) on defined obligation arising from:				
1/ Changes in demografic assumptions	0.0	(0.5)	0.0	0.0
2/ Changes in financial assumptions	(23.8)	2.2	(6.5)	0.7
3/ Changes from experience adjustments	0.9	6.4	1.3	0.0
Return on plan assets (excluding interest income on plan assets)	17.6	(10.1)	0.4	(0.2)
Remeasurements of net defined-benefit (liability)/asset recognised in Other Comprehensive Income (OCI)	**(5.4)**	**(2.0)**	**(4.9)**	**0.5**
Total	**(18.1)**	**(11.6)**	**(11.0)**	**(4.5)**

(in million EUR)	2019	2018
Breakdown of defined-benefit obligation by type of plan participants	**(376.6)**	**(333.6)**
Active plan participants	(293.7)	(251.8)
Terminated plan participants with def.-benefit entitlements	(18.8)	(15.1)
Retired plan participants and beneficiaries	(64.1)	(66.7)
Breakdown of defined-benefit obligation by type of benefits	**(376.6)**	**(333.6)**
Retirement and death benefits	(291.4)	(253.7)
Other post-employment benefits (medical and tariff reductions)	(70.5)	(65.0)
Seniority payments	(14.6)	(14.8)

When determining the appropriate discount rate, the Group considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined-benefit obligation.

A stress test is performed annually. This test verifies that the minimum funding requirements are covered to deal with 'shocks' with probabilities of occurrence of 0.5%.

The members (mostly) contribute to the financing of the retirement benefits by paying a personal contribution.

The annual balance of the defined-benefit lump sum is financed by the employer through a recurrent allowance expressed as a percentage of the total payroll of the participants. This percentage is defined by the aggregate cost method and is reviewed annually. This method of financing involves smoothing future costs over the remaining period of the plan. The costs are estimated on a projected basis (taking into account salary growth and inflation). The assumptions related to salary increase, inflation, employee turnover and age term are defined on the basis of historical data from the Company. The mortality tables used are those corresponding to the observed experience within the financing vehicle and take into consideration expected changes in mortality. The Group calculates the net interest on the net defined-benefit liability (asset) using the same high-quality bond discount rate (see above) used to measure the defined-benefit obligation (net interest approach). These assumptions are challenged on a regular basis.

Exceptional events (such as modification of the plan, change of assumptions and overly short coverage terms) can eventually lead to outstanding payments from the sponsor.

The defined-benefit plans expose the Company to actuarial risks such as investment risk, interest-rate risk, longevity risk and salary risk.

Investment risk

The present value of the defined-benefit plan liability is calculated using a discount rate determined based on high-quality corporate bonds. The difference between the actual return on assets and the interest income on plan assets is included in the remeasurements component (OCI). Currently the plan has a relatively balanced range of investments, as shown below:

Fair value of the plan assets per major category	2019	2018
Investments quoted in an active market	**73.17%**	**73.54%**
Shares - Eurozone	13.64%	14.40%
Shares - outside Eurozone	19.10%	19.34%
Government bonds - Eurozone	1.46%	0.96%
Other bonds - Eurozone	26.01%	25.67%
Other bonds – outside Eurozone	12.96%	13.17%
Unquoted investments	**26.83%**	**26.46%**
Qualifying insurance contracts	8.50%	7.72%
Property	2.34%	2.54%
Cash and cash equivalents	3.10%	3.01%
Other	12.88%	13.19%
Total (in %)	**100.00%**	**100.00%**

Due to the long-term nature of the plan liabilities, it is considered appropriate that a reasonable portion of the plan assets be invested in equity securities to leverage the return generated by the fund. In Germany, all plan assets are invested in insurance agreements.

Interest risk

A decrease in the bond interest rate will increase the plan liability. However, this will be partially offset by an increase in the return on the plan's assets, of which approximately 95% is now invested in pension funds with an expected return of 3.3%.

Longevity risk

The present value of the defined-benefit plan liability is calculated based on the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. The prospective mortality tables from the IA/BE have been used in Belgium and the 2018 Heubeck tables in Germany.

Salary risk

The present value of the defined-benefit plan liability is calculated based on the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

ACTUARIAL ASSUMPTIONS

(in % and years)	2019 Belgium	2018 Belgium	2019 Germany	2018 Germany
Discount rate				
- Pensions - defined-benefit plans and cash balance - best off plans	0.64%	1.39%	1.20%	2.00%
- Pensions - defined-contribution plans	1.02%	1.72% to 1.79%	-	-
- Other	1.04%	1.80%	1.20%	2.00%
Expected average salary increase (excluding inflation)	1.00%	1.00%	1.75%	1,75%
Expected inflation	1.75%	1.75%	2.00%	2.00%
Expected increase in health benefits (including inflation)	2.75%	2.75%	2.25%	2.25%
Expected increase in tariff advantages	1.75%	1.75%	-	-
Average assumed retirement age				
- Employee	63	63	65	65
- Manager	65	65	65	65
Life expectancy in years of a pensioner retiring at age 65 at closing date:*				
Life expectancy for a 65-year-old male	19.9	19.9	20.2	20.1
Life expectancy for a 65-year-old female	23.6	23.6	23.7	23.6

**Mortality tables used: IABE in Belgium, 2018 Heubeck in Germany*

(in years)	2019 Belgium	2018 Belgium	2019 Germany	2018 Germany
Weighted average duration of the defined-benefit obligation	9.0	8.95	26.5	23.90
Weighted average duration of the defined-contribution plans	9.7	16.82	n.r.	n.r.
Weighted average duration of the post-employment benefits other than pensions	13.5	13.47	13.2	12.47

In Germany, the liability of the defined-contribution plans is completely covered by the plan assets. Therefore, no weighted average duration is necessary and thus not calculated.

The actual return on plan assets in % for 2019 was in the range of 3.0% to 19.0% (compared with a range of -2.49% to -7.75% in 2018).

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

Future expected cash outflows (per bucket)	< 12 months	1-5 years	6-10 years
- Pensions	(4.0)	(18.7)	(21.4)
- Other	(4.4)	(18.6)	(18.5)
Total (in million EUR)	(8.4)	(37.3)	(39.9)

There is some degree of uncertainty linked to the above expected cash outflows which can be explained by the following factors:

- Differences between assumptions and actual data can occur, e.g. retirement age and future salary increase;
- The expected cash outflows shown above are based on a closed population and therefore do not incorporate future new hires;
- Future premiums are calculated based on the last known aggregate cost rate, which is reviewed on an annual basis and varies depending on the return on plan assets, the actual salary increase as opposed to the assumptions, and unexpected changes in the population.

SENSITIVITY ANALYSIS

Effect on defined benefit obligation (in million EUR)	Belgium Increase (+) / decrease	Germany Increase (+) / decrease
Impact on the net defined-benefit obligation of an increase in:		
Discount rate (0.5% movement)	15.2	4.8
Average salary increase - excl. inflation (0.5% movement)	(8.0)	(1.9)
Inflation (0.25% movement)	(4.7)	n.r.
Increase in healthcare benefits (1.0% movement)	(4.4)	n.r.
Increase in tariff advantages (0.5% movement)	(0.0)	n.r.
Life expectancy of pensions (1 year)	(3.0)	(1.3)

REMEASUREMENTS OF POST-EMPLOYMENT BENEFIT OBLIGATIONS

(in million EUR)	2019	2018
Cumulative amount at 1 January	(24.6)	(22.1)
Acquisition through business combinations	(0.0)	(0.7)
Recognised in the period	(6.2)	0.6
Cumulative amount at 31 December	(30.7)	(22.1)

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

REIMBURSEMENT RIGHTS (BELGIUM)

As described in Note 6.6, a non-current asset (within other financial assets) is recognised as reimbursement rights linked to the defined-benefit obligation for the population benefitting from the interest scheme and medical plan liabilities and tariff benefits for retired Elia employees. Each change in these liabilities equally affects the corresponding reimbursement rights under non-current other financial assets.

The change in reimbursement rights is presented below:

Movement in the present value of reimbursement rights (in million EUR)	Pensions 2019	2018	Other 2019	2018
At the beginning of the period	(25.1)	(28.0)	(27.1)	(25.6)
Current service cost	3.1	3.3	1.6	1.2
Interest cost/income	(0.3)	(0.3)	(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	(1.5)	0.2	(3.5)	0.4
3) Changes from experience adjustments	0.7	(0.3)	(0.5)	(2.6)
Taxes on contributions paid during the year	0.0	0.0	0.0	0.0
At the end of the period	(23.1)	(25.1)	(30.0)	(27.1)

The sum of Pensions (€23.1 million) and Other (€30.0 million) reimbursement rights amounted to €53.1 million in 2019 (2018: € 52.2 million), which reconciles with the reimbursement rights listed in Note 6.6.

6.15. Provisions

(in million EUR)	Environment	Elia Re	Easement provision	Dismantling obligations	Employee benefits	Other	Total
Balance at 1 January 2018	14.6	8.1	0.0	0.0	0.0	2.6	25.3
Acquisition through business combinations	3.4	0.0	15.0	66.8	1.5	4.8	91.6
Increase in provisions	0.7	1.3	0.0	2.4	0.0	0.3	4.7
Reversals of provisions	(0.7)	(1.3)	(2.9)	0.0	(0.1)	(0.3)	(5.3)
Utilisation of provisions	(2.3)	(0.1)	(1.1)	0.0	0.0	(0.2)	(2.7)
Discounting of proviosions	(0.3)	0.0	(0.1)	0.3	0.0	0.0	(0.1)
Balance at 31 December 2018	15.3	8.0	12.0	69.5	1.4	7.2	113.4
Long-term portion	10.8	8.0	6.0	69.5	0.0	2.6	96.9
Short-term portion	4.5	0.0	6.0	0.0	1.4	4.5	16.5
Balance at 1 January 2019	15.3	8.0	12.0	69.5	1.4	7.2	113.4
Increase in provisions	0.9	1.1	0.0	37.2	0.1	0.4	39.7
Reversals of provisions	(2.4)	(1.6)	(5.9)	(0.1)	(0.0)	(0.4)	(10.4)
Utilisation of provisions	(1.8)	(4.2)	(0.1)	0.0	(0.1)	(0.2)	(6.4)
Discounting of provisions	0.0	0.0	0.0	1.6	0.0	0.0	1.6
Balance at 31 December 2019	12.0	3.3	6.0	108.2	1.5	7.0	137.9
Long-term portion	8.8	3.3	0.0	108.2	0.0	2.0	122.3
Short-term portion	3.2	0.0	6.0	0.0	1.5	4.9	15.6

The Group has recognised provisions for the following:

Environment: The environmental provision provides for existing exposure with respect to land decontamination. The €12.0 million provision mainly relates to the Belgian segment, with only a €2.3 million provision relating to the German segment. The decrease in the Belgian segment explains the decrease in provision from €15.3 million at the end of 2018 to €12.0 million as at 31 December 2019.

More specifically for the Belgian segment, Elia has conducted soil surveys on over 200 sites in Flanders in accordance with contractual agreements and Flemish legislation. Significant soil contamination was found on a number of sites, with this being mainly attributable to historical pollution arising from earlier or nearby industrial activities (gas plants, incinerators, chemicals, etc.). In the Brussels-Capital and Walloon Regions, Elia also carried out analyses and studies to detect contamination at a number of substations and a number of plots occupied by pylons for overhead power lines. Based on the analyses and studies it conducted, Elia has made provisions for possible future soil remediation costs in line with the relevant legislation.

Environmental provisions are recognised and measured based on an expert appraisal bearing in mind BATNEEC (Best Available Techniques Not Entailing Excessive Costs) as well as on the circumstances known at the end of the reporting period. The timing of the settlement is unclear but for the premises where utilisations occur, the underlying provision is classified as a short-term provision.

Elia Re: An amount of €3.3 million is included at year-end for Elia Re, a captive reinsurance company. €2.1 million of this is linked to claims for overhead lines, and €1.2 million to electrical installations. The expected timing of the related cash outflow depends on the progress and duration of the respective procedures.

Easement provisions: The easement provision relates to payments likely to be made to landowners as a compensation for overland lines crossing their property. These easement rights are recognised within the German segment for overland lines built by the former owners of 50Hertz Transmission, with exposure resulting from section 9 of the German Land Register Amendment Act (GBBerG.). The estimates are based on the value of claims filed or on the estimated amount of the risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the claim filed. A re-assessment of the remaining expected payments in 2019 led to a partial reversal of the provision through profit orand loss in 2019.**Dismantling provisions:** As part of the Group's CAPEX programme, the Group is exposed to decommissioning obligations; most of which are related to offshore projects. These provisions take into account the effect of discounting and the expected cost of dismantling and removing the equipment from sites or from the sea. The carrying amount of the provision as at 31 December 2019 was €108.2 million. The increase is mainly to do with a recognition of provisioins related to the MOG project in Belgium and adjustment for discounting of the provision.The Group has applied a case-by-case approach to estimate the cash outflow needed to settle the liability.

Employee benefits: See Note 6.14, for more details of these short-term employee benefits.

'**Other**' consists of various provisions for litigation to cover likely payment where legal proceedings have been instituted against the Group by a third party or where the Group is involved in legal proceedings. These estimates are based on the value of claims filed or on the estimated level of risk exposure. The expected timing of the related cash outflow depends on the progress and duration of the associated proceedings.

No assets have been recognised in connection with the recovery of certain provisions.

6.16. Other non-current liabilities

(in million EUR)	2019	2018
Investment grants	83.8	85.8
Non-current deferred income	129.8	129.8
Other	0.5	0.6
Total	**214.1**	**216.2**

Of the total investment grants, €80.3 million relates to 50Hertz Transmission (Germany). The grants are released in profit and loss when entitlement to them is acquired.

Other non-current liabilities remained stable. The deferred income relates to up front payment for the last mile connection,. At the end of 2019, a liability of €87.4 million was recognised within Elia Transmission (Belgium) and a liability of €42.4 million within 50Hertz Transmission (Germany).

6.17. Trade and other payables

(in million EUR)	2019	2018
Trade debts	542.8	602.4
VAT and other taxes	4.1	19.4
Remuneration and social security	35.2	31.3
Dividends	1.2	1.2
Levies	618.5	1,137.7
Other	111.3	137.9
Accrued liabilities	43.8	59.2
Total	**1,356.9**	**1,989.1**

The amount for levies can be split into levies related to 50Hertz Transmission (€538.1 million) and levies related to Elia Transmission (€80.4 million).

The levies for Elia Transmission decreased compared to previous year (2018: €108.5 million). The levies include federal levies, which totalled €41.3 million at 31 December 2019 (down from €43.4 million in 2018). Levies for the Walloon government have decreased to €20.9 million, from €45.9 million at the end of 2018. The remaining balance consists of federal green certificates (€12.3 million) and strategic reserves (€5.5 million).

The levies for 50Hertz Transmission decreased compared to previous year (2018: €1,029.2 million) and mainly consist of EEG (€433.9 million), KWK (€39.3 million), §19StromNEV (€51.1 million) and offshore contributions (€11.4 million).

6.18. Financial instruments – fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair-value hierarchy.

(in million EUR)	Carrying amount					Fair value			
	Fair Value through P&L	Fair Value through OCI	Financial assets at amortised Cost	Financial liabilities at amortised Cost	Total	Level 1	Level 2	Level 3	Total
31 December 2018									
Other financial assets	7.0	27.7			34.7	7.0		27.7	34.7
Trade and other receivables			736.0	0.0	736.0				
Cash and cash equivalents			1,789.3	0.0	1,789.3				
Assets held to hedge long-term borrowings		(2.9)			(2.9)		(2.9)		(2.9)
Unsecured financial bank loans and other				(1,076.9)	(1,076.9)		(1,076.9)		(1,076.9)
Unsecured bond issues				(5,318.0)	(5,318.0)		(5,603.1)		(5,603.1)
Trade and other payables				(1,989.0)	(1,989.0)				
Total	**7.0**	**24.8**	**2,525.3**	**(8,383.9)**	**(5,826.8)**	n.r	n.r	n.r	n.r
31 December 2019									
Other financial assets	7.0	28.8			35.8	7.0		28.8	35.8
Trade and other receivables			490.3		490.3				
Cash and cash equivalents			975.0		975.0				
Assets held to hedge long-term borrowings		(4.4)			(4.4)		(4.4)		(4.4)
Unsecured financial bank loans and other				(1,030.4)	(1,030.4)		(1,030,4)		(1,030.4)
Unsecured bond issues				(5,316.0)	(5,316.0)		(5,857,6)		(5,857.6)
Trade and other payables				(1,356.9)	(1,356.9)				
Total	**7.0**	**24.4**	**1,465.3**	**(7,703.3)**	**(6,206.6)**	n.r	n.r	n.r	n.r

The above tables do not include fair-value information for financial assets and liabilities not measured at fair value, such as cash and cash equivalents, trade and other receivables, and trade and other payables, as their carrying amount is a reasonable approximation of fair value.The fair value of finance lease liabilities is not required to be disclosed.

Fair value is the amount for which an asset could be exchanged or a liability settled in an arm's-length transaction. IFRS 7 requires, for financial instruments that are measured in the balance sheet at fair value and for financial instruments measured at amortized cost for which the fair value has been disclosed, the disclosure of fair-value measurements by level in the following fair value measurement hierarchy:

- **Level 1:** The fair value of a financial instrument that is traded in an active market is measured based on quoted (unadjusted) prices for identical assets or liabilities. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
- **Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to assess the fair value of an instrument are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices), the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs used in applying the valuation technique is not based on observable market data, the financial instrument is included in level 3. The fair value amount included under 'Other financial assets' has been determined by referring to either (i) recent transaction prices, known by the Group, for similar financial assets or (ii) valuation reports issued by third parties.

The fair value of financial assets and liabilities, other than those presented in the above table, approximates to their carrying amounts largely due to the short-term maturities of these instruments.

FAIR-VALUE HIERARCHY

The fair value of 'sicavs' falls into level 1, i.e. valuation is based on the listed market price on an active market for identical instruments.

The fair value of interest-rate swaps, loans and bond issues falls into level 2, which entails valuation being based on input from 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 prices for identical or similar instruments on markets that are deemed less than active; or other valuation techniques arising directly or indirectly from observable market data.

ESTIMATE OF FAIR VALUE

Derivatives

Brokers' statements are used for valuations of the interest-rate and foreign-currency rate swaps. The statements are controlled using valuation models or techniques based on discounted cash flows. The models incorporate various inputs including the credit quality of counterparties and interest-rate curves at the end of the reporting period. As at 31 December 2019, the counterparty risk is considered close to zero as a result of the negative market value of the IRS. The Group's own non-performance risk has been estimated to be close to zero as well.

Interest-bearing loans

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

6.19. Leasing

THE GROUP AS A LESSEE

The Group mainly leases buildings, cars and optical fibers. It has also some rights to use (portions) of land and overhead lines. The valuation period used is according to the contractual term. Where no fixed term has been set and an ongoing extension is subject to the contract, the relevant department has assumed a termination date. In the event that the lease contract contains a lease extension option, the Group assesses whether it is reasonably certain of exercising the option and makes its best estimate of the termination date.

All lease contracts were previously classified as operating leases under IAS 17.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets are presented separately within 'Property, plant and equipment and break down as follows, with the discounted lease liability for comparison. Additionally, the split between current and non-current lease liabilities is given:

(in million EUR)	Use of land and overhead lines	Building / office rentals	Cars	Optical fibers	Other	Total
At 1 January	40.2	28.6	11.7	10.1	4.2	94.8
Additions	1.7	0.8	6.2	0.4	0.8	9.8
Depreciations	(1.2)	(3.1)	(5.3)	(3.8)	(2.8)	(16.3)
Derecognition of right-of-use assets	0.0	0.0	(0.3)	0.0	0.0	(0.3)
At 31 December	40.7	26.3	12.3	6.7	2.1	88.1

The right-of-use assets are briefly described below:

- The use (portions) of land and overhead lines constitutes a right for the Group to use a well identified piece of land to construct on someone's property. Only the contracts where the Group has the full right to control the use of the identified asset are in scope.
- The Group leases buildings and offices in which corporate functions are performed.
- The Group has car leasing contracts which are used by the employees for business and private activities.
- The Group leases optical fibres to transmit data. Only cables that are well identified are in scope.
- Other lease contracts: printer lease contracts and strategic reserves contracts. Strategic reserves are contracts where the Group has the right to control the use of a power plant to keep the balance in the electricity network

The Group has only lease contracts with fixed lease payments and assesses whether it is reasonable that a lease contract will be extended. If so, the lease contract is valued as if the extension would be exercised.

Lease liabilities

Information concerning the maturity of the contractual undiscounted cash flows is given below:

Maturity analysis - contractual undiscounted cash flows (in million EUR)	2019
< 1 year	20.9
1-5 years	32.5
> 5 years	66.9
Total undiscounted lease liabilities at 31 December	120.4
Lease liabilities in the statement of financial position at 31 December	88.8
Current	14.1
Non-current	74.7

The discount rate used to discount the lease liabilities is the Group's best estimate for the weighted average incremental borrowing rate and ranges from 0.26% to 2.94%. The Group made use of the practical expedients, i.e. a single discount rate per group of contracts, summarised per their duration.

The Group has assessed the extension options concluded in the lease contracts and considers that these extension options are reasonably certain to be executed. Therefore, the Group has considered the lease contract as if the extension option is exercised in the lease liability.

The Group has no lease contracts with variable payments nor residual value guarantees. The Group did not commit to any lease that is not yet commenced.The Group has no contracts which include contingent rental payments, and no purchase options were agreed in the significant lease contracts. Furthermore, these significant lease contracts do not include any escalation clauses or restrictions that are significant to the use of the respective asset.

Amounts recognised in profit and loss

The following amounts were recognised in profit and loss for the financial year:

(in million EUR)	2019
Depreciation expense of right-of-use assets	16.3
Interest on lease liabilities	2.0
Variable lease payments not included in the measurement of lease liabilities	0.0
Expenses relating to short-term leases	0.1
Expenses relating to low-value assets	0.2
Total recognised in profit and loss	**18.6**

A total of €18.6 million in lease expenses was recognised in the income statement in 2019.

In 2018, the following amounts were recognised in profit and loss (under previous standard IAS 17):

(in million EUR)	2018
Use of land	0.3
Buildings	4.4
Cars, IT equipment and others	11.9
Total	**16.6**

The total cash outflow for leases amounted to €16.3 million in 2019.

THE GROUP AS A LESSOR

The Group leases out optical fibers, land and buildings presented as part of 'Property, plant and equipment'. Leasing is only an ancillary business. Rental income is presented under 'Other income'.

Contracts that do not relate to separately identifiable assets or under which the customer cannot directly the use of the asset or does not obtain substantially all the economic benefits associated with the use of the asset do not constitute a lease. The new lease definition led to the exclusion of some telecommunication equipment. Figures for previous year have been adjusted accordingly in the following tables below.

The Group has classified these leases as operating leases as they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date and considering the best estimate of the contractual term:

(in million EUR)	< 1 year	1–5 years	> 5 years
Telecom	15.9	6.4	4.3
Land and buildings	0.3	0.0	0.0
Balance at 31 December 2018	16.2	6.4	4.3
Telecom	15.6	2.9	3.8
Land and buildings	0.1	0.1	0.1
Balance at 31 December 2019	15.7	3.0	3.9

The Group recognized €16.3 million in rental income in 2019 (2018: €17.7 million).

(in million EUR)	2019	2018
Telecom	16.0	16.7
Land and buildings	0.3	1.0
Total	**16.3**	**17.7**

6.20. Accruals and deferred income

(in million EUR)	2019	2018
Accruals and deferred income	28.1	19.3
Deferral account from settlement mechanism Belgian regulatory framework	559.3	532.9
Deferral account from settlement mechanism German regulatory framework	502.5	444.5
Total	**1,089.9**	**996.7**

The movements in deferral account from settlement mechanism are as follows :

(in million EUR)	Regulatory claims	Regulatory obligations	total
Opening balance	45.0	(1,022.4)	(977.4)
Increase	18.7	(246.5)	(227.7)
Reversal	(36.3)	79.5	43.2
Utilisation	0.00	110.5	110.5
Discounting	0.00	(10.4)	(10.4)
Closing balance	**27.5**	**(1,089.3)**	**(1,061.8)**

In the Elia Transmission segment, the deferral account from settlement mechanism (€559.3 million) increased compared to year end 2018 (€532.9 million). The increase in deferral account from settlement mechanism encompasses deviations in the current year from the budget approved by the regulator (+€136.7 million), the settlement of net surpluses from prior tariff period (-€110.6 million) and the review of the regulator on previous year' settlement mechanism (+€0.3 million). The operating excess, in relation to the budget of the costs and revenues authorised by the regulator, must be returned to the consumers and therefore does not form part of the revenues. The operational surplus compared to the budget is primarily a result of the lower regulated net profit (€3.3 million), higher tariff sales (€1.2 million), increased cross-border revenues (€10.1 million), lower costs for ancillary services (€109.4 million) and lower financial charges (€11.3 million). This was partly offset by higher taxes compared to the budget (€11.1 million).

In the 50Hertz Transmission segment, the deferral accounts from settlement mechanism (€502.5 million) strongly increased compared to year end 2018 (€444.5 million). New liabilities from FSV Redispatch amounting to €75..8 million and €23.3 million from RES curtailment (§14/15 EEG Redispatch) as well as new assets amounting to €32.1 million from FSV balancing energy are included. Overall, the deferral accounts strongly increased despite the significant increase in Redispatch liabilities mainly due to 2017 issues which are consumed in 2019 (y+2). For this reason, the deferral account from settlement mechanism increased in total by €58.0 million compared to year-end 2018.

The release of the deferral account is determined in the tariff setting process. The amounts on the deferral account are recognized on a yearly basis and the release depends on the source of the deferral, some are released in T+1, other in T+2 and some in a longer period.

The future release of deferral account from settlement mechanism to the future tariffs is set out in the table below (situation at 31 December 2019):

(in million EUR)	Belgian regulatory framework	German regulatory framework
To be refunded to the tariffs in the current regulatory period*	431.4	403.3
To be refunded to the tariffs in the next regulatory period (or after)	127.9	99.2
Total regulatory deferral account	**559.3**	**502.5**

**Belgium: from 2020 to 2023 ; Germany: from 2019 to 2022*

7. Group structure

7.1. Subsidiaries, joint ventures and associates

RESTRUCTURING OF THE GROUP

Elia carried out an internal reorganisation at the end of 2019 with a view to separating its regulated activities in Belgium, i.e. the ownership and operation of the high- and very high-voltage transmission network in Belgium (including its stake in Nemo Link) plus the debt raised for this purpose, from its non-regulated activities and its regulated activities outside Belgium, including the underlying cash flows and related debts.

The reorganisation sought to enable the Elia Group to continue implementing its investment strategy, especially following the application of the new tariff methodology in 2020.

In this context, Elia Transmission Belgium SA/NV, was therefore incorporated as a public limited company by Elia System Operator SA/NV and Publi-T SCRL on 31 July 2019.

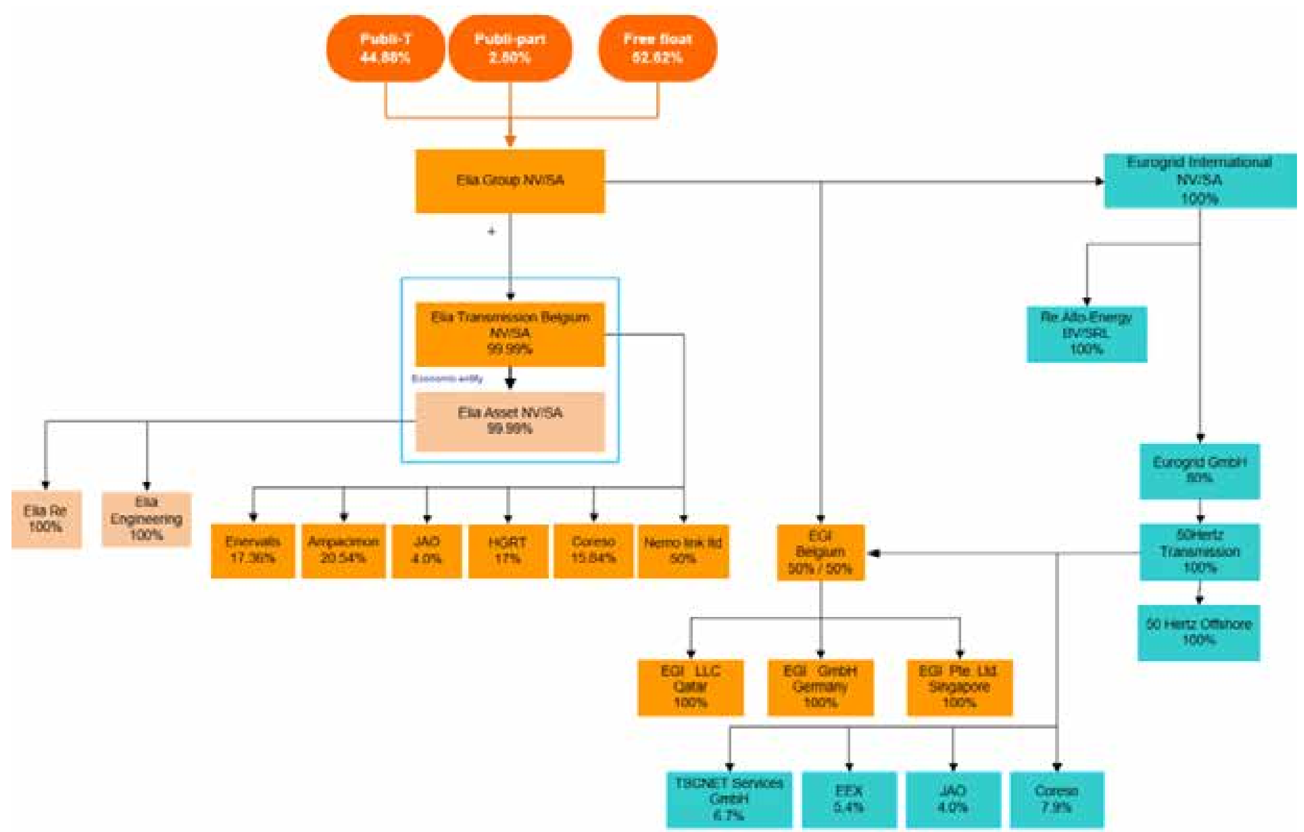
The transfer of the regulated business (regulated assets and liabilities) from Elia System Operator NV/SA to Elia Transmission Belgium NV/SA was completed and the new shares were delivered to Elia Group NV/SA with effect from just before midnight 31 December 2019.

Elia Transmission Belgium NV/SA has been designated as Belgian TSO at federal and regional level on 31 December 2019 (retroactive designation). Once these designations were obtained, the articles of association of Elia System Operator were amended to change the name of the entity to Elia Group.

As a result of the reorganization, Elia Group NV/SA was transformed into a holding company ("Elia Group") on 31 December 2019. It holds stakes in various subsidiaries including Elia Transmission Belgium NV/SA and other subsidiaries such as Eurogrid International (which covers the activities of 50Hertz, the German TSO) and Elia Grid International, the group's consulting company.

The transaction was treated as a transaction between shareholders and is neutral in terms of the Group's financial performance.

OVERVIEW OF GROUP STRUCTURE



SUBSIDIARIES

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

In June 2019, KfW stepped out of the shareholdership of Eurogrid International SA. its shares were acquired by Elia System Operator NV/SA. In return, KfW acquired 20% of the shares of Eurogrid GmbH from Eurogrid International SA. Eurogrid GmbH is the direct subsidiary of Eurogrid International SA and the direct holding entity of 50 Hertz Transmission GmbH.

Other than a € 2.5 million payment made to KfW to compensate for any assets held at the Belgian holding entity only, the transaction was treated for as a transaction between shareholders and is neutral in terms of the Group's financial performance.

The company Re.Alto-Energy BV/SRL was founded in August 2019 as a direct subsidiary of Eurogrid International NV/SA. It is building a platform to enable users to exchange energy data and services.

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 NV/SA).

Name	Country of	Headquarters	Stake % 2019	Stake % 2018
Subsidiaries				
Elia Transmission Belgium NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	-
Elia Asset NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	99.99	99.99
Elia Engineering NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	100.00
Elia Re SA	Luxembourg	Rue de Merl 65, 2146 Luxembourg	100.00	100.00
Elia Grid International NV/SA	Belgium	Bd de l'Empereur 20, 1000 Bussels	90.00	90.00
Elia Grid International GmBH	Germany	Heidestraße 2, 10557 Berlin	90.00	90.00
Elia Grid International LLC	Qatar	Office 905, 9th Floor, Al Fardan Office Tower, Westbay - Doha	90.00	90.00
Elia Grid International Pte. Ltd.	Singapore	20 Collyer Quay #09-01, Singapore 049319	90.00	-
Eurogrid International NV/SA	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	80.00
Eurogrid GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Transmission GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
50Hertz Offshore GmbH	Germany	Heidestraße 2, 10557 Berlin	80.00	80.00
Re.Alto-Energy BV/SRL	Belgium	Bd de l'Empereur 20, 1000 Brussels	100.00	-
E-Offshore A LLC	U.S.	874, Walker Road, Suite C, 19904 Dover, Delaware	-	80.00
Atlantic Grid Investment A Inc	U.S.	1209 Orange Street, 19801 Wilmington,	-	80.00
Investments accounted for using the equity-method – Joint Ventures				
Nemo Link Ltd.	United Kingdom	Strand 1-3, London WC2N 5EH	50.00	50.00
Investments accounted for using the equity-method – Associates				
H.G.R.T S.A.S.	France	1 Terrasse Bellini, 92919 La Défense Cedex	17.00	17.00
Coreso NV/SA	Belgium	Avenue de Cortenbergh 71, 1000 Brussels	22.16	22.16
Ampacimon SA	Belgium	Rue de Wallonie 11, 4460 Grâce-Hollogne	20.54	20.54
Enervalis NV	Belgium	Centrum-Zuid 1111, 3530 Houthalen-	17.36	12.47
Investments accounted for using IFRS9 - other shareholdings				
JAO SA	Luxembourg	2, Rue de Bitbourg, 1273 Luxembourg Hamm	7.20	8.28
Atlantic Grid A LLC	U.S.	4445, Willard Av, Suite 1050, 20815 Chevy	-	7.46
European Energy Exchange (EEX)	Germany	Augustusplatz 9, 0409 Leipzig	4.32	4.16
TSCNET Services GmbH	Germany	Dingolfinger Strasse 3, 81673 Munich	5.36	6.16

8. Other notes

8.1. Financial risk and derivative management

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group aims to identify each risk and set out strategies to control the economic impact on the Group's results.
The Risk Management Department defines the risk-management strategy, monitors the risk analysis and reports to management and the Audit Committee. The financial risk policy is implemented by determining appropriate policies and setting up effective control and reporting procedures. Selected derivative hedging instruments are used depending on the assessment of the risk involved. Derivatives are used exclusively as hedging instruments. The regulatory framework in which the Group operates significantly restricts their effects on profit or loss (see the section 'Regulatory framework and tariffs'). The major impact of increased interest rates, credit risk, etc. can be settled in the tariffs, in accordance with the applicable legislation.

CREDIT RISK

Credit risk encompasses all forms of counterparty exposure, i.e. where counterparties may default on their obligations to the Company in relation to lending, hedging, settlement and other financial activities. The Company is exposed to credit risk from its operating activities and treasury activities. As regards its operating activities, the Group has a credit policy in place, which takes into account customer's risk profiles. The exposure to credit risk is monitored on an ongoing basis, resulting in a request to issue bank guaranties from the counterparty for some major contracts.

At the end of the reporting period there were no significant concentrations of credit risks. The maximum credit risk is the carrying amount for each financial asset, including derivative financial instruments.

(in million EUR)	2019	2018
Loans and receivables – long term	2.3	177.0
Loans and receivables – short term	488.0	558.9
Cash and cash equivalents	975.0	1,789.3
Immediately claimable deposits	7.0	7.1
Interest-rate swaps used for hedging:		
Liabilities	(4.4)	(2.9)
Total	**1,467.9**	**2,529.5**

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	1.7	(1.3)	0.4
Changes during the year	168.6	(168.5)	0.1
Balance at 31 December 2018	**170.3**	**(169.8)**	**0.5**
Opening balance	170.3	(169.8)	0.5
Changes during the year	29.4	(29.3)	0.1
Balance at 31 December 2019	**199.6**	**(199.1)**	**0.5**

Almost all bad debtors are related to outstanding receivables linked to the regulatory levies in Germany. If the debtor goes into bankruptcy, 50Hertz Transmission is compensated by the regulator for the incurred loss.

The Group believes that the unimpaired amounts overdue by more than 30 days are still collectible, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available. The credit quality of trade and other receivables is assessed based on a credit policy.

IFRS 9 requires the Group to impair financial assets based on a forward-looking expected credit loss (ECL) approach.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for all customers. No segmentation of customers is performed as all customers show similar loss patterns. Intercompany trade receivables are excluded as there is no credit risk. In addition, trade receivables connected with a pending commercial dispute are excluded to avoid double provisioning (provision for risks and charges).

The provision rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. As the sales and payment profile of the Group's customers has remained very stable over the years, the Group considers historical credit losses to be a good proxy for future (expected) credit losses.

Subsequently, a loss given default is calculated as the percentage of the amount of trade receivables that is not covered by a bank guarantee.The total outstanding amount of trade receivables covered by a bank guarantee totals €30.2 million.The loss given default is multiplied by the outstanding trade receivables.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables:

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

31 December 2019	Not past due	0-30 days past due	31-60 days past due	61 days - 1 year	1 year - 2 years	> 2 year	Total
Expected loss rate	0.0%	0.6%	8.2%	12.3%	67.9%	100.0%	
Carrying amount - trade receivables	465.3	16.4	1.4	3.8	0.8	0.2	488.0
Loss given default	93.9%	92.6%	93.3%	92.6%	93.0%	92.2%	
Loss allowance	**0.1**	**0.1**	**0.1**	**0.4**	**0.5**	**0.2**	**1.5**

CURRENCY RISK

The Group is not exposed to any significant currency risk, either from transactions or from exchanging foreign currencies into euro, since it has no material foreign investments or activities and less than 1% of its costs are expressed in currencies other than 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 programs, etc. For medium- to long-term funding, the Group uses bonds. The maturity profile of the debt portfolio is spread over several years. The Group Treasury frequently assesses its funding resources taking into account its own credit rating and general market conditions.

Bond issuances realised in 2013, 2014, 2015, 2017, 2018 and 2019 and loan contracts signed with EIB and other banks in 2019, proves that the Group has access to different sources of funding.

(in million EUR)	Face Value	Closing balance	Expected cash out-flows	6 months or less	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial liabilities	**8,406.0**	**8,384.0**	**(9,372.5)**	**(2,709.8)**	**(45.6)**	**(619.0)**	**(1,537.7)**	**(4,460.4)**
Unsecured bond issues	5,340.0	5,318.0	(6,212.1)	(592.5)	(41.2)	(607.6)	(1,014.6)	(3,956.2)
Unsecured financial bank loans and interest	1,076.9	1,076.9	(1,171.3)	(128.2)	(4.4)	(11.4)	(523.1)	(504.2)
Trade and other payables	1,989.1	1,989.1	(1,989.1)	(1,989.1)	0.0	0.0	0.0	0.0
Derivative financial liabilities	**n.r.**	**2.9**	**(2.9)**	**(0.3)**	**(0.3)**	**(0.6)**	**(1.7)**	**0.0**
Interest-rate swaps used for hedging	n.r.	2.9	(2.9)	(0.3)	(0.3)	(0.6)	(1.7)	0.0
Total at 31 December 2018	**8,406.0**	**8,386.9**	**(9,375.4)**	**(2,710.1)**	**(45.9)**	**(619.6)**	**(1,539.4)**	**(4,460.4)**
Non-derivative financial liabilities	**7,755.2**	**7,774.0**	**(8,588.9)**	**(1,894.7)**	**(547.2)**	**(102.3)**	**(1,580.2)**	**(4,389.5)**
Unsecured bond issues	5,340.0	5,315.7	(6,119.8)	(73.2)	(541.2)	(95.1)	(1,518.9)	(3,891.5)
Unsecured financial bank loans and interest	1,050.4	1,093.6	(1,104.3)	(531.7)	(6.0)	(7.2)	(61.3)	(498.0)
Trade and other payables	1,356.9	1,356.9	(1,356.9)	(1,356.9)	0.0	0.0	0.0	0.0
Derivative financial liabilities	**n.r.**	**4.4**	**(4.4)**	**(4.4)**	**0.0**	**0.0**	**0.0**	**0.0**
Interest-rate swaps used for hedging	n.r.	4.4	(4.4)	(4.4)	0.0	0.0	0.0	0.0
Total at 31 December 2019	**7,747.4**	**7,770.7**	**(8,585.5)**	**(1,966.3)**	**(547.2)**	**(102.3)**	**(1,580.2)**	**(4,389.5)**

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%	75.0	35.0
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
Straight Loan EGI	unlimited	2.5	Eurribor + 0.75%	0.0	2.5
Confirmed credit line	24/03/2022	750.0	Euribor + 0,275%	0.0	750.0
Confirmed credit line	unlimited	150.0	av. 1M-Euribor +0.275%	0.0	150.0
Confirmed credit line	14/12/2026	150.0	0.90%	150.0	0.0
Total		**1,702.5**		**225.0**	**1,477.5**

INTEREST-RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed- and variable-rate loans and borrowings. To manage this, the Group could engage in interest-rate swaps, which would entail the Group agreeing to exchange, at specified intervals, the difference between fixed- and variable-rate interest amounts calculated based on an agreed notional principal amount. These swaps are allocated to hedge underlying debt obligations. As at 31 December 2019, interest-rate swaps were outstanding to cover a nominal debt amount of € 300 million.

The table (see Note 6.13) shows the average interest rate..

SENSITIVITY ANALYSIS

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

FAIR VALUE SENSITIVITY ANALYSIS FOR INTEREST RATE SWAPS

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

(in million EUR)	100 bp increase	100 bp decrease
Interest rate swaps - Impact in equity	7.1	(6.8)

HEDGING ACTIVITIES AND DERIVATIVES

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is interest rate risk.

All financial derivatives entered into by the Group relate to an underlying transaction or forecast exposure, depending on the expected impact on the income statement, and if the IFRS 9 criteria are met, the Group decides on a case-by-case basis whether hedge accounting will be applied.

Derivatives not designated as hedging instruments

The Group had no derivatives not designated as hedging instruments.

Derivatives designated as hedging instruments

In 2018, the Group hedged the interest rate risk linked to the acquisition of a 20% stake in 50Hertz Transmission (Germany) for which a bridge loan was initially put in place. To cover the potential exposure to interest rate risk, the Group entered into a pre-hedge interest rate swap agreement in June 2018 to lock in market interest rates at the moment of the issuance of the € 300 million senior bond. The Group applied hedge accounting as the derivative transaction met the requirements under IFRS 9. With the settlement of the transaction in September 2018, the portion of the gain or loss on the derivative was recognised within hedging reserves and had an impact of €5.7million.

These hedging reserves are recycled into profit and loss over the lifetime of the underlying hedged instrument, i.e. the senior bond with 10-year maturity. In 2019, an amount of €0.6 million was recycled into profit and loss.

Three interest rates swaps for a total nominal value of €300 million have been concluded for the loan with Publi-Part (€42.1 million) and for loans with third parties ("Other loans" , €453.6 million) to hedge the Euribor interest rate risk on these loans. All three interest-rate swaps are designated as cash flow hedges under IFRS 9. The negative net fair value of these interest rate swaps at 31 December 2019 is €4.4 million.

CAPITAL RISK MANAGEMENT

The purpose of the Group's capital-structure management is to maintain the debt and equity ratios related to the regulated activities as close as possible to the recommended level set by the relevant regulatory frameworks.

The Company's dividend guidelines involve optimising dividend payments while bearing in mind that self-financing capacity is needed to carry out its legal mission as transmission system operator, finance future CAPEX projects and, more generally, implement the Group's strategy.

The Company offers its employees the opportunity to subscribe to capital increases that are exclusively reserved for them.

8.2. Commitments and contingencies

CAPITAL-EXPENDITURE COMMITMENT

As at 31 December 2019, the Group had a commitment of €1,558.4 million relating to the purchase contracts for the installation of property, plant and equipment for further grid extensions.

OTHER CONTINGENCIES AND COMMITMENTS

As at 31 December 2019, the Group had a commitment of €182.2 million relating to purchase contracts for general expenses, maintenance and repair costs.

Having received approval from the Walloon government and from the CREG, on 22 June 2015 Elia entered into an agreement with Solar Chest for the sale of Walloon green certificates with a total value of €275 million, of which €221 million was settled in 2015 and a total of €48 million was settled in 2016. Solar Chest's mission is to buy, hold and sell Walloon green certificates for periods of five, six and seven years. In accordance with legislation, Solar Chest realised in September 2019 an auctioning and 615.400 green certifictes were sold to different marketparticipants, resulting in a revenue of € 40 million. At the end of each period (30 June 2020, 30 June 2021 and 30 June 2022 respectively), any unsold certificates will be bought back by Elia. CREG confirmed and guaranteed to Elia that at the end of each reservation period, the cost and any expense for repurchase of non-marketable certificates may be recovered fully through the tariffs for levies, and as a consequence the potential repurchase by Elia will have no impact on the Company's financial performance.

In September 2017, Elia sold 2.8 million green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) leading to a net cash inflow of €176.2 million. This was a result of the Decree of 29 June 2017 amending the Decree of 12 April 2011 relating to the organisation of the regional electricity market and the Decree of 5 March 2008 relating to the creation of the Walloon Agency for Air and Climate. The green certificates transferred by Elia can be gradually resold by AwAC as from 2022, taking into account the market conditions that exist for green certificates at that time. The legislation also envisages the green certificates being held by the AwAC for a period of up to nine years, after which Elia is required to buy back any unsold certificates. These repurchase commitments will have no impact on Elia's financial performance, as the cost and expense for the repurchase will be fully recovered through the tariffs for levies.
In November 2018, Elia sold another €0.7 million in green certificates to the Walloon Region (i.e. the Walloon Agency for Air and Climate, or AwAC) which resulted in a net cash inflow of €43.3 million. Similarly as for the transaction in September 2017, Elia might be required to buy back a portion of the certificates sold as from 2023. Any repurchase will be covered through the tariffs for levies. There have been no transaction with the AwAC in 2019.

8.3. Related parties

CONTROLLING ENTITIES

The core shareholder of Elia Group is Publi-T and remained unchanged from 2018. Other than the yearly dividend payment and the capital increase (see note 6.12.1) , no transactions occurred with the core shareholder in 2019.

The shareholder structure of the Group can be found in the activity report, pg.151 and note 7.1.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

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

The members of Elia's Board of Directors are not employees of the Group. The remuneration for their mandate is detailed in the Corporate Governance Statement forming part of this annual report (see remuneration report pg.127-128). Eurogrid International NV's Board of Directors are not remunerated.

The other members of key management personnel are hired as employees. The components of their remuneration are detailed below (i.e. excluding the directors who are not employees).

The names of the key management personnel are included in the corporate governance report, pg. 114-115.

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

(in million EUR)	2019	2018
Short-term employee benefits	**5.1**	**4.8**
Basic remuneration	3.0	4.1
Variable remuneration	2.2	0.7
Post-employment benefits	**0.7**	**0.7**
Other variable remuneration	**2.1**	**1.2**
Total gross remuneration	**8.0**	**6.7**
Number of persons (in units)	13	12
Average gross remuneration per person	0.6	0.6
Number of shares (in units)	**19,216**	**24,331**

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

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

Transactions with joint ventures and associates (as defined in section 7.1.) were not eliminated, and therefore details of transactions with other related parties are shown below:

(in million EUR)	2019	2018
Transactions with joint ventures and associates	**1.4**	**6.5**
Sales of goods	2.2	2.5
Purchases of goods	(4.1)	(2.5)
Interest and similar revenue	3.2	6.5
Outstanding balances with joint ventures and associates	**0.6**	**196.6**
Long-term debtors	0.0	174.7
Trade debtors	0.7	10.5
Trade debts	(0.1)	(0.2)
Accruals and deferred income	0.0	(11.6)

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

In June 2019, Nemo Link Ltd. incorporated the loan with its shareholders, National Grid and Elia System Operator, into its share capital. The outstanding long-term receivables and related accrued interests are therefore reflected in the book value of the stake in Nemo Link Ltd.. See Note 6.5 for more info regarding this transaction. See also Note 8.2 which details the guarantees issued by Elia System Operator for its joint venture Nemo Link Ltd.

TRANSACTIONS WITH SHAREHOLDERS

The Group also has an outstanding loan with its shareholder PubliPart for an amount of €42.1 million. We refer to Note 6.13 for more details.

TRANSACTIONS WITH RELATED PARTIES
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 2019 with various distribution system operators (Sibelga, Eandis), which are customers of Elia Group. All these transactions took place in the normal course of Elia's business activities.The total value of realised sales was €4.6 million and related to regulated sales contracts with a predefined price by the regulator. The total value of expenses amounted to €2.3 million. As at 31 December 2019, there was an outstanding trade-receivable position of €0.3 million and an outstanding trade-debt position of €0.5 million.

8.4. Subsequent events

Covid-19 crisis

In the context of the Covid-19 crisis, Elia, as a TSO, has an important societal role. Elia closely works with the authorities to ensure the continuation of its activities, keeping the lights on and providing business continuity for all its customers.

At the date of the approval of the annual accounts and the annual report by the Board of Directors, it is too early to provide an accurate assessment of the impact of Covid-19 on the Group's operations, the financial results and the liquidity position in 2020.

In general, most part of Elia's cash flows and financial performance are ensured though a regulated framework. This prevents that Covid-19 has a major impact on Elia. Potential drops in revenues could temporally affect the liquidity needs, but these are being closely monitored. Moreover, such drops in revenue are in general 100% recoverable through future tariffs. Therefore, Elia currently does not anticipate a material impact on the 2020 financial performance. However, other impacts, for example in terms of delays in the execution of investment projects, are likely, although to date these delays have not been evaluated as having a significant impact on profitability. For 2019, as the impairment test of the goodwill in section 6.3 of the annual report is based on long term forecasted figures and cash flows, Elia currently considers that the potential consequences of this crisis would not lead to other conclusions.

8.5. Miscellaneous

Impact of the United Kingdom leaving the European Union

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

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

The Group has successfully completed a consultation resulting in the approval by both regulators of the IEM access rules for the event that a soft Brexit occurs. Similarly, non-IEM access rules have been sent out for consultation for the event that a hard Brexit occurs. Although an approved Brexit deal was concluded between UK and the EU, effective 31 January 2020, a hard Brexit may still occur if the two parties do not reach an agreement by the end of 2020.

From the all feedback obtained and the analysis performed, the overall conclusion is that Nemo Link would remain operational under both a soft and a hard Brexit. Profitability on the investment would also remain largely unaffected due to the cap and floor mechanism (see Note 9.3), which provides certainty regarding the company's cash flows over a 25-year span.

Other than the risk identified above, the Group expects Brexit to have a very limited effect on the consolidated financial statements.

8.6. Services provided by the auditors

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

50Hertz Transmission (Germany) appointed Ernst & Young GmbH for the audit of the consolidated financial statements of Eurogrid GmbH and the statutory financial statements of 50Hertz Transmission GmbH and 50Hertz Offshore GmbH. KPMG GmbH was appointed for the audit of Elia Grid International GmbH.

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

in EUR	Belgium	Germany	Total
Statutory audit	306.434	281.913	588.347
Audit related	291.621	8.410	300.031
Income tax	4.260	0	4.260
Indirect tax	2.953	0	2.953
Other advisory	182.236	8.410	190.646
Total	**787.504**	**298.733**	**1.086.237**

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 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 supplemented by various other rules and regulations on matters such as public service obligations, renewable energy and authorisation procedures for suppliers.

9.1.3. Regulatory agencies

As required by EU law, the Belgian electricity market is monitored and controlled by independent regulators.

FEDERAL REGULATOR
The 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 the CREG for these grids.

9.1.4. Tariff setting

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

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 the CREG.

The costs taken into account include the forecast value of the authorised remuneration of the invested capital, an estimate of the amounts allocated to Elia in the form of performance incentives and the predicted values of various cost categories. These costs are subdivided into three groups: controllable costs, for which Elia is offered a financial incentive to improve its efficiency levels; non-controllable costs, over which Elia has no influence and for which the deviations from the budget are completely allocated to the calculation of future tariffs; and influenceable costs, to which a hybrid rule applies (see the information provided below with regard to controllable and non-controllable costs and income and influenceable costs).

FAIR REMUNERATION

Fair remuneration is the return on capital invested in the grid. It is based on the average annual value of the regulatory asset base (RAB), which is calculated annually, taking into account new investments, divestments, 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 the 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 regulatory asset base (RAB) to calculate Elia’s reference equity.

By means of this ratio, the CREG encourages the proportional share between equity and regulatory 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 property, plant and equipment, 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

The tariff predefined by the regulator includes, besides the fair remuneration, all the incentives listed below. In case Elia would not perform on these incentives as set by the regulator, the amount of these incentives attributable to Elia will be decreased. The impact is reflected in the deferred revenues which will generate future tariff decreases – see description settlement mechanism below.

- *Market integration:* This incentive consists of three components: (i) enhancement of Belgium's import capacity; (ii) increase in social welfare generated by regional market coupling: both elements only have a positive impact on the net profit, with a maximum of €6 million for import capacity and a maximum of €11 million for social welfare (pre-tax). (iii) the profit (dividends and capital gains) resulting from Elia's financial participation in various other companies contributing to market integration (CASC, Coreso, HGRT, APX-ENDEX) - This is shared between Elia (40%) and future tariffs reductions (40%).

- *Investment program:* This incentive is linked to three objectives: (i) Elia's ex ante/ex post justification of the costs involved in each investment (this objective contributes to €2.5 million to pre-tax profits); (ii) adherence to the planned dates for commissioning of the Stevin, Brabo, ALEGrO and fourth phase-shifting transformer (PST) projects (€1 million pre-tax per project commissioned on time); and (iii) production of a list of selected strategic projects, especially investments aimed at consolidating European integration (the "mark-up' incentive). The mark-up is calculated based on the actual cumulative amounts spent, whereby it must however be borne in mind that there are annual and project caps on amounts invested and that the incentive is calculated on the basis of the actual amounts invested. The mark-up applies in full when the OLO rate is 0.5% or less. It is reduced if the OLO rate is greater than 0.5% and decreases to 0 for an OLO rate of 2.16% or more. It should be noted that 10% of the mark-up amount obtained for each project must be repaid if the project is not completed by the stipulated deadlines or if the availability levels provided by the project after commissioning are unsatisfactory.

- *Continuity of supply*: Elia is entitled to an incentive calculated based on the Average Interruption Time (AIT) measured in the course of a year. The allocated sum is capped at €2 million (pre-tax).

- *Innovation:* This incentive is calculated based on the total costs incurred in obtaining innovation subsidies, up to a maximum sum corresponding to 50% of the amount of subsidies received or €1 million (pre-tax).

- *Discretionary incentive:* Each year, CREG sets the objectives Elia is expected to meet to receive this incentive. These mainly relate to the implementation of projects and mechanisms aimed at balancing supply and demand on the electricity market. This incentive contributes to the profit to the tune of up to €2 million (pre-tax).

Regulatory framework for the Modular Offshore Grid

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

Regulatory deferral account: deviations from budgeted values

On a yearly basis, the actual volumes of electricity transmitted may differ from the forecast volumes. If the transmitted volumes are higher (or lower) than those forecast, the deviation is booked to an accrual account during the year in which it occurs . These deviations from budgeted values (a regulatory debt or a regulatory receivable) are accumulated, and will be included in the the tariff setting for the subsequent tariff period.Regardless of deviations between the forecast parameters for tariffs setting (Fair remuneration, Non-controllable elements, Controllable elements, Influencable costs, Incentive components, Cost and revenue allocation between regulated and non-regulated activities) and effective incurred costs or revenues related to these parameters, the CREG takes yearly a final decision as to whether the incurred costs/revenue are deemed reasonable to be borne by the tariffs. This decision may result in the rejection of elements incurred and, in the event that such elements incurred are rejected, the amount will not be taken into account for the setting of tariffs for the next period. Despite the fact that Elia can ask for a judicial review of any such decision, if this judicial review were to be unsuccessful, a rejection may well have an overall negative impact Elia’s financials.

Cost and revenue allocation between regulated and non-regulated activities

The tariff methodology for 2016-2019 features a mechanism enabling Elia to develop activities outside the Belgian regulated perimeter and whose costs are not covered by grid tariffs in Belgium. This methodology establishes a mechanism to ensure that the impact on Belgian grid users of Elia's financial participation in other companies which the CREG does not consider part of the RAB (such as stakes in regulated or non-regulated activities outside Belgium, for example its shareholding in 50Hertz or EGI) is neutral.

Public service obligations

In its role as TSO, Elia is subject to various public service obligations imposed by Government and/or regulation mechanisms. Public authorities/regulation mechanisms identify public service obligations in various fields (such as promotion of renewable energy, green certificates , strategic reserves, social support, fees for the use of the public domain, offshore liability) to be executed by TSOs. Costs incurred by grid operators in respect of those obligations are fully covered by tariff ‘levies’ as approved by the regulator. The amounts outstanding are reported as levies (see notes 6.9 for other receivables and 6.17 for other payables).

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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 grid access arrangements, including:

- the Ordinance on Electricity Network Tariffs (*Verordnung über die Entgelte für den Zugang zu Elektrizitätsversorgungsnetzen* (*Stromnetzentgeltverordnung* – StromNEV)), which establishes, inter alia, principles and methods for the grid-tariff calculations and other obligations applying to grid operators;
- the Ordinance on Electricity Network Access (*Verordnung über den Zugang zu Elektrizitätsversorgungsnetzen (Stromnetzzugangsverordnung* – StromNZV), which, inter alia, sets out further detail of how to grant access to the transmission systems (and other types of grids) by way of establishing the balancing amount system (*Bilanzkreissystem*), the scheduling of electricity deliveries, control energy and other general obligations, e.g. congestion management (*Engpassmanagement*), publication obligations, metering, minimum requirements for various types of contracts and the duty of certain system operators to manage the balancing amount system for renewable energy;
- the Ordinance on Incentive Regulation (*Verordnung über die Anreizregulierung der Energieversorgungsnetze (Anreizregulierungsverordnung* – ARegV)), which sets out the basic rules for incentive regulation for TSOs and other system operators (as set out in more detail below). It also describes in general terms how to benchmark efficiency, which costs are included in the efficiency benchmarking, how to determine inefficiency and how this translates into yearly targets for efficiency growth.

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 third regulatory period starting on 1 January 2019 and ending on 31 December 2023. Tariffs are public and cannot be the subject of negotiations with customers. Only certain customers (under certain set circumstances laid down in the relevant legislation) are allowed to agree to individual tariffs under Article 19 of the StromNEV (for example, in the case of sole use of a grid asset). The Federal Network Agency has to approve such individual tariffs.

For the purposes of the revenue cap, the costs incurred by a 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 deferral account from settlement mechanism. In addition, PNIC include costs relating to ancillary services, grid losses and redispatch costs, as well as European initiatives and income from auctions. These costs and income are included in the revenue cap based on a procedural regulation mechanism set by the Federal Network Agency in accordance with Article 11(2) of the ARegV (FSV). The regulation process relating to ancillary services and grid losses costs gives the system operator an incentive to outperform the planned costs through bonus/malus mechanisms. Since the revision of the ARegV in 2016, also costs for the curtailment of renewable energy sources to relieve grid congestion are based on forecast values. Moreover, costs resulting from European projects of common interest (PCI) where a cost contribution of Germany has been decided can be included as PNIC, albeit with a two-year time lag.
- Temporary non-influenceable costs (TNIC) and influenceable costs (IC): These costs include return on equity, depreciation, cost of debt, imputed trade tax and other operational expenses and are subject to an incentive mechanism as set by the Federal Network Agency, which features an efficiency factor (only applicable to IC), a productivity improvement factor and an inflation factor (applicable to both TNIC and IC) over a five-year period. In addition, the current incentive mechanism provides for the use of a quality factor, but the criteria and implementation mechanism for this factor for TSOs are yet to be defined by the Federal Network Agency. The various defined factors give the TSOs the medium-term objective of eliminating what are deemed to be inefficient costs. As regards the cost of debt, the permitted cost of debt related to influenceable costs needs to be shown to be marketable;

As for return on equity, the relevant laws and regulations set out the provisions relating to the permitted return on equity, which is included in the TNIC/IC for assets belonging to the regulatory asset base and the PNIC for assets approved in investment measures. In 2016, the BNetzA determined the return on equity applicable for the third and current regulatory period (2019-2023); the values were significantly down from the second regulatory period, namely to 5.12% (instead of 7.14%) for investments made before 2006 and 6.91% (instead of 9.05%) for investments made since 2016. The return on equity is calculated before corporate tax and after imputed trade tax.

Separately from the revenue cap, 50Hertz is compensated for costs incurred related to its renewable energy obligations, including EEG and CHP/KWKG obligations and offshore liabilities. For this purpose, various surcharges (levies) have been implemented that are subject to specific regulatory mechanisms aimed at a balanced treatment of costs and income.

CHANGES IN TARIFF REGULATIONS

In 2016, a revision of the ARegV entered into force implementing various relevant changes, especially regarding the regulatory system for distribution system operators. However, TSOs are also affected as the revised ARegV changes several aspects relevant to PNIC such as the methodology for determining replacement portions in new investment measures (the status quo will be preserved for investment measures that had already been approved or applied for before entering into force of the revision), the consideration of costs from the curtailment of renewable energy sources based on forecast values, and the consideration of PCI costs. Moreover, the revised ARegV substantiates the methodologies that can be applied to measure the individual efficiency of the four German TSOs, only allowing an international benchmark or a relative reference grid analysis to be used for this purpose.

By 31 December 2019, 50Hertz had obtained approval for 68 of the 86 active applications for approval of investment measures submitted since 2008. As of 31 December 2018, 34 applications had reached the end of their term.

Based on the total requested investment measure volume of approx. € 10.9 billion, the approved investment measure volume for the same date amounts to € 8.6 billion.

TARIFFS

Grid access tariffs were calculated based on the respective revenue cap and published on 11 December 2019 for 2020. They have increased by an average of 7% from 2019. One key driver for lowering the tariffs was the removal of the offshore costs from the revenue cap mechanism into a new offshore tariff (see section below). Furthermore, 50Hertz has actively and successfully advanced with its grid extension projects; the commissioning of new lines made it possible to lower costs for redispatch and for curtailment of renewables and thus offset for the persistently high costs of grid expansion and allow a decrease in tariffs.

In recent years, the grid access tariffs of the four German TSOs have developed differently. This has mainly been driven by the different volumes of renewable energies installed in the control areas, leading to significantly higher tariffs in those control areas with higher levels of renewable energies. In July 2017, the Act for Modernisation of Grid Tariffs (*Netzentgeltmodernisierungsgesetz* – NEMoG) came into force. The NEMoG envisages the gradual harmonisation of the grid access tariffs of the four German TSOs as of 2019, culminating in uniform transmission tariffs in 2023. Moreover, the NEMoG eliminates 'avoided grid fees' (vNNE) for volatile RES generation and creates a new system for offshore grid connections, shifting the related costs from the revenue cap tariffs to an offshore revenue based on a fully pass through mechanism from 2019.

9.3. Regulatory framework for the Nemo Link interconnector

The key features of the NemoLink Ltd. regulatory framework can be summarised as follows:

- A specific regulatory framework will be applicable to the Nemo Link interconnector from the date of operation. The framework is part of the new tariff methodology issued on 18 December 2014 by the CREG. The cap and floor regime is a revenue-based regime with a term of 25 years. The national regulators of the UK and Belgium (OFGEM and the CREG respectively) will determine the levels of the cap and floor ex-ante and these will remain largely fixed for the duration of the regime. Consequently, investors will have certainty about the regulatory framework during the lifetime of the interconnector.

- Once the interconnector becomes operational, the cap and floor regime will start. Every five years the regulators will assess the cumulative interconnector revenues (net of any market-related costs) over the period against the cumulative cap and floor levels to determine whether the cap or floor is triggered. Any revenue earned above the cap would be returned to the TSO in the UK (National Electricity Transmission System Operator or 'NETSO') and to the TSO in Belgium on a 50/50 basis. The TSOs would then reduce the grid charges for grid users in their respective countries. If revenue falls below the floor then the interconnector owners would be compensated by the TSOs. The TSOs will in turn recover the costs through grid charges. National Grid performs the NETSO role in the UK and the Issuer, the Belgian TSO, in Belgium.

- Each five-year period will be considered separately. Cap and floor adjustments in one period will not affect the adjustments for future periods, and total revenue earned in one period will not be taken into account in future periods.

- The high-level tariff design is as follows:

Regime length	25 years
Cap and floor levels	Levels are set at the start of the regime and remain fixed in real terms for 25 years from the start of operation. Based on applying mechanistic parameters to cost-efficiency: a cost of debt benchmark will be applied to costs to deliver the floor, and an equity return benchmark to deliver the cap.
Assessment period (assessing whether interconnector revenues are above/below the cap/floor)	Every five years, with within-period adjustments if needed and justified by the operator. Within-period adjustments will let operators recover revenue during the assessment period if revenue is below the floor (or above the cap) but will still be subject to true-up at the end of the five-year assessment period.
Mechanism	If revenue is between the cap and floor, no adjustment is made. Revenue above the cap is returned to end customers and any shortfall of revenue below the floor requires payment from grid users (via grid charges).

The cap and floor levels for Nemo Link will be decided when final project costs are known and will then be set for the length of the regime.

JOINT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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Joint auditors' report to the general meeting of Elia Group NV/SA for the year ended 31 December 2019

As required by law, we report to you as joint statutory auditors of Elia Group NV/SA (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019 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 ended 31 December 2019. The audit of the Consolidated Financial Statements of the Group was performed during respectively 19 consecutive years for KPMG Bedrijfsrevisoren CVBA and 18 consecutive years for EY Bedrijfsrevisoren BV.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Elia Group NV/SA, which consists of the consolidated statement of the financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year ended 31 December 2019, and the notes, which show a consolidated balance sheet total of € 13,893.4 million and of which the consolidated income statement shows a profit for the year of € 309.1 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 2019, 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.

Emphasis of matter – subsequent events – Covid-19

We draw attention to note 8.4 of the consolidated financial statements, which describes the possible effects of the Covid-19 crisis on the operations and financial situation of the Group. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Calculation of net result

Description

As described in the notes 3.3.17. 'Regulatory deferral accounts', 6.20 'Accruals and deferred income', 9.1.4

Audit report dated 14 April 2020 on the Consolidated Financial Statements of Elia Group NV/SA as of and for the year ended 31 December 2019 (continued)

'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 on calculation methods that are complex and require the use of parameters (average interest rate on governmental bonds, the Beta of Elia's share, return on equity, ...), accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditure ("CAPEX"), subsidies received) and external operating data (such as hourly import capacity, consumer and producer surpluses).

Both Tariff Mechanisms make a distinction between income and expenses based on the control that the Group has over the expenses and income in each segment. The first type are the non-controllable elements for which deviations are fully passed on to future tariffs. The second type are the controllable elements that the Group can control, and for which under-and overspending is (partly) attributable to the shareholders.

Therefore, the calculation methods of the Group's net result are complex and require judgement from management, more particularly related to the use of correct accounting data, operating data, and parameters imposed by the regulators. The use of incorrect accounting and operating data, and deviations in used assumptions, can have a material impact on the Group's net result.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls relating to the calculation of the net result, including those related to (i) the completeness and accuracy of the underlying data used in the calculation and (ii) management review controls;
- Evaluating the adequate and consistent classification of income and expenses by nature (controllable and non-controllable) as described in the Tariff Mechanisms;
- Performing independent mathematical recalculations of the regulated results based on underlying internal documentation and external information, and taking into account the formulas as described in the Tariff Mechanisms;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG and the BNetzA;
- Assessing the adequacy of notes 3.3.17, 6.20, 9.1.4 and 9.2.3 of the Consolidated Financial Statements.

Capitalization of property, plant and equipment

Description

Given the current evolution in the electricity environment towards green energy production, Elia Group NV/SA has very significant investment projects ongoing to connect these new productions sites on Elia Group NV/SA's network. The timely and on-budget progress of these investment projects is one of the key performance goals for management as set by the Board of Directors. The progress of these network projects is equally a key performance indicator for investors as a key driver of their return on investment is the maintenance and expansion of the network. It is also an important quantitative and qualitative measure for the regulators. This is further explained and evidenced in Note 6.1 'PPE' and in Note 4 'Segment reporting' of the Consolidated Financial Statements.

These assets are classified as Property, Plant and Equipment ("PP&E"), with a total capital expenditure of € 1,286.3 million in 2019 and a net book value of € 9,445.6 million as at 31 December 2019 or 68.0% of total balance sheet.

Elia Group NV/SA's accounting policies describe that all maintenance expenses are considered to be operating expenses ("OPEX") and all new project or replacement investments are considered capital expenditure "CAPEX". As network projects can include both maintenance and investments, the classification as either OPEX or CAPEX requires judgement from management. Given this judgement, the importance of the amount of PP&E on the total balance sheet, and its relevance to the users of the financial statements as well as the prominence in Elia Group NV/SA's communication in press releases and in investor presentations on the progress on new projects, this matter is considered a key audit matter.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and evaluating the operating effectiveness of key controls, including management review controls, over (i) the appropriate authorization of capitalization, (ii) the compliance of capitalization criteria used with the accounting policies and (iii) the correct classification of expenditure as CAPEX or OPEX;
- Assessing relevant IT application controls with the support of our IT specialists;
- Performing substantive analytical procedures on CAPEX and OPEX by comparing current year figures with the budgeted figures as approved by the regulator at the level of asset classes and projects;
- Testing a selection of additions to PP&E, including those under construction, and assessing whether the

Audit report dated 14 April 2020 on the Consolidated Financial Statements of Elia Group NV/SA as of and for the year ended 31 December 2019 (continued)

expenditure met the criteria for capitalization under IFRS as adopted by the European Union and the Group's accounting policies and whether the CAPEX were allocated to the correct projects, including the assessment of management judgement in case of a project including both maintenance and investments;

- Assessing the adequacy of note 4 and 6.1 of the Consolidated Financial Statements.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium as well as internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional scepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of 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 to the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period

Audit report dated 14 April 2020 on the Consolidated Financial Statements of Elia Group NV/SA as of and for the year ended 31 December 2019 (continued)

and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report and other information included in the annual report.

Responsibilities of the joint auditors

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

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 3:32 of the Code of companies and associations (former article 119 of the Belgian Company 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 2019 (pg 152) included in the Activity report
- Management discussion (pg 153-164) included in the Activity report

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

The non-financial information required by article 3:32 §2 of the Code of companies and associations is included in the chapter Sustainability reporting of the annual report. The Group has prepared this non-financial information based on the Global Reporting Initiative Standards ("GRI"). In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with the Global Reporting Initiative Standards mentioned in the board of directors' annual report on the consolidated financial statements.

Independence matters

We, and our respective networks, have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and we have remained independent of the Company and the Group during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 3:65 of the Code of companies and associations have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

Other communications

- This report is consistent with our additional report to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 14 April 2020

The joint statutory auditors

EY Bedrijfsrevisoren BV
represented by

Patrick Rottiers
Partner*
*Acting on behalf of a BV

KPMG Bedrijfsrevisoren CVBA
represented by

Alexis Palm
Partner

Alexis Palm (Authentication)
Digitally signed by Alexis Palm (Authentication)
Date: 2020.04.14 13:59:50 +02'00'

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)	2019	2018
FIXED ASSETS	3,312.5	4,690.3
Financial fixed assets	3,312.5	4,690.3
Affiliated companies	3,312.5	4,560.9
Participating interests	3,312.5	4,560.9
Other enterprises linked by participating interests	0.0	129.4
Participating interests	0.0	129.2
Other participating interests	0.0	0.2
CURRENT ASSETS	161.4	2,397.2
Amounts receivable after more than one year	0.0	174.9
Trade receivables	0.0	0.0
Other amounts receivable	0.0	174.9
Inventories and contracts in progress	2.5	6.9
Contracts in progress	2.5	6.9
Amounts receivable within one year	45.3	2,052.0
Trade debtors	3.2	221.4
Other amounts receivable	42.1	1,830.6
Investments	0.0	0.0
Cash at bank and in hand	108.7	143.1
Deferred charges and accrued income	4.9	20.4
TOTAL ASSETS	3,473.9	7,087.5

EQUITY AND LIABILITIES (in million EUR)	2019	2018
CAPITAL AND RESERVES	2,310,9	1,868.3
Capital	1,712.3	1,521.8
Issued capital	1,712.3	1,521.8
Share premium account	259.1	14.3
Reserves	175.4	175.4
Legal reserve	173.0	173.0
Untaxed reserve	2.4	2.4
Profit carried forward	164.0	156.7
PROVISIONS, DEFERRED TAXES	0.0	0.4
Provisions for risks and charges	0.0	0.4
Other risks and charges	0.0	0.4
LIABILITIES	1,163.0	5,218.8
Amounts payable after one year	998.3	3,648.1
Financial debts	998.3	3,648.1
Subordinated debentures	699.9	699.9
Unsubordinated debentures	298.4	2,142.3
Credit institutions	0.0	310.0
Other loans	0.0	495.8
Amounts payable within one year	161.9	875.1
Current portion of amounts payable after more than one year	0.0	500.0
Financial debts	0.0	50.0
Credit institutions	0.0	50.0
Other loans	0.0	8.3
Trade debts	2.2	252.3
Suppliers	2.2	242.9
Advances received on contracts in progress	3.5	9.4
Amounts payable regarding taxes, remuneration and social security costs	1.2	9.2
Taxes	0.5	0.6
Remuneration and social security	0.6	8.6
Other amounts payable	155,0	156.7
Accrued charges and deferred income	2.8	594.3
TOTAL EQUITY AND LIABILITIES	3,473.9	7,087.5

Income statement

(in million EUR)	2019	2018
OPERATING INCOME	751.5	922.7
Turnover	743.3	908.0
Increase/(decrease) in inventories of finished goods, works and contracts in progress	(1.4)	2.0
Other operating income	9.6	12.7
OPERATING CHARGES	(646.9)	(840.0)
Services and other goods	(608.7)	(798.7)
Remuneration, social security costs and pensions	(36.0)	(41.2)
Amounts written off stocks, contracts in progress and trade debtors: appropriations/(write-backs)	(2.1)	(0.1)
Provisions for liabilities and charges: appropriations/(uses and write-backs)	0.0	0.0
Other operating charges	(0.0)	(0.0)
OPERATING PROFIT	104.6	82.7
Financial income	**118.6**	**221.9**
Income from financial fixed assets	111.7	212.3
Income from current assets	6.6	9.6
Non-recurring financial income	0.0	0.0
Financial charges	**(97.8)**	**(102.5)**
Debt charges	(97.2)	(93.8)
Other financial charges	(0.6)	(8.7)
Non-recurring financial charges	0.0	0.0
PROFIT FOR THE PERIOD BEFORE TAXES	125.4	202.2
Income taxes	**(2.2)**	**(0.6)**
Income taxes	(2.2)	(0.6)
PROFIT FOR THE PERIOD	123.3	201.6
Transfer to untaxed reserves	(0.0)	(0.7)
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION	123.3	200.9

Financial terms or Alternative Performance Measures

The Annual Report contains certain financial performance measures that are not defined by IFRS and are used by management to assess the **financial and operational performance of the Group**. The main alternative performance measures used by the Group are explained and/or reconciled with our IFRS measures (Consolidated Financial Statements) in this document.

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

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

Adjusted items

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

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

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

Adjusted EBIT

Adjusted EBIT is defined as EBIT excluding the adjusted items.
EBIT (Earnings Before Interest and Taxes) = adjusted result from operating activities, which is used to compare the operational performance of the Group over the years.

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

Adjusted net profit

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

CAPEX (Capital Expenditures)

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

EBIT

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

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EBITDA

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

EBITDA / Gross interest

EBITDA / Gross interest = EBITDA (see definition above) divided by the pre-tax interest charges. The EBITDA-to-interest coverage ratio expresses to what extent the operational performance enables to pay off annual interest expenses.

Equity attributable to the owners of the company

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

Financial Leverage

Financial Leverage (D/E) = net financial debt divided by shareholders' equity (where both metrics include non-controlling interests and hybrid instruments). The Financial Leverage provides an indication of the extent to which the Group uses financial debt to finance its operations relative to equity financing. It is hence considered by investors as an indicator of solvency.

Free cash flow

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

Net debt / EBITDA

Net debt / EBITDA = Net financial debt divided by EBITDA (see definition stated above).The net debt / EBITDA ratio provides an indication of the number of years it would take for the Group to pay back its interest-bearing debt net of cash based on its operational performance.

Net finance costs

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

Net financial debt

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

Regulatory Asset Base (RAB)

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

Return on Equity (adj.) (%)

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

Share capital and reserves per share

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